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**THE IMPACT OF DECENTRALIZATION ON
DEVELOPMENT: A STUDY ON THE PROVINCIAL
COUNCIL SYSTEM IN SRI LANKA**

*Thesis submitted to Meiji University in fulfillment of the requirement for the
award of the degree of*

DOCTOR OF PHILOSOPHY

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Dedication

Dedicated to the memory of my late father

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In the process of making this research a reality and a success, I was fortunate to have the support of several people and several sources. I feel it is my bounden duty to remember them here, and express my sincere gratitude to them all.

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Abbreviations

ADB	-	Asian Development Bank
AdG	-	Auditor General
AdGA	-	Additional Government Agent
AG	-	Attorney General
AGA	-	Assistant Government Agent
AGD	-	Attorney General's Department
APS	-	All-Island Public Service
APSC	-	All-Island Public Service Commission
CBO	-	Community Based Organization
CM	-	Chief Minister
CS	-	Chief Secretary
DDE	-	Divisional Director of Educational
DE	-	Department of Education
DGE	-	Director General of Education
DRO	-	District Revenue Officer
DS	-	District Secretary
DSD	-	Divisional Secretariat Division
DSe.	-	Divisional Secretary
DSect.	-	District Secretariat
DSt.	-	Divisional Secretariat
FC	-	Finance Commission
G.C.E. A/L	-	General Examination of Certificate Advanced Level G.C.E.
O/L	-	General Examination of Certificate Ordinary Level
GA	-	Government Agent

GGTPR	-	Gross Graduate Teacher/ Pupil Ratio
GN	-	<i>Grama Niladarai</i> (Village Officer)
GND	-	<i>Grama Niladari</i> Division
GTPR	-	Graduate Teacher/ Pupil Ratio
IMF	-	International Monetary Fund
JVP	-	<i>Janatha Vimukthi Peramuna</i> (Peoples' Liberation Front)
LDCs	-	Less Developed Countries
LG	-	Local Government
LTTE	-	Liberation Tigers of Tamil Elam
MOE	-	Ministry of Education
MOF	-	Ministry of Finance
MOPC	-	Ministry of Provincial Councils
MP	-	Member of Parliament
NGO	-	Non-Governmental Organization
NMB	-	National Management Board
NPC	-	National Planning Commission
NWP	-	North Western Province
NWPC	-	North Western Provincial Council
PC	-	Provincial Councils
PD	-	Provincial Director
PDE	-	Provincial Director of Education
PD _{oE}	-	Provincial Department of Education
PES	-	Provincial Education Service
PMOE	-	Provincial Ministry of Education
PPM	-	Provincial Project Manager
PPS	-	Provincial Public Service

PPSC	-	Provincial Public Service Commission
PRDA	-	Provincial Road Development Authority
RDA	-	Road development Authority
SDA	-	Southern Development Authority
SLFP	-	Sri Lanka Freedom Party
SOE	-	Secretary of Education
TCEO	-	Territorial Civil Engineering Organization
UNDP	-	United Nations Development Program
UNP	-	United National Party
USA	-	United States of America
USAID	-	United States Agency for International Development
WB	-	World Bank
WP	-	Western Province
WPC	-	Western Provincial Council

Chapter One

Introduction

1.1 Background

In the early 1950s and 1960s, many countries around the world followed state-centered governance strategies to achieve their development objectives (Cheema and Rondinelli, 1983: 2; Oxhorn, Tulchin, and Selee, 2004: 3). Of significant influence on the choice of this approach was the global impetus of development that prevailed in the contemporary world. According to the views of policy-makers in their respective countries, development was largely a technical challenge, and if a country could devise a national plan for investing a sufficient amount of capital in a manner consistent with macro-stability, which is itself a precondition for development, then such country could accomplish its development goals. Moreover, they envisaged that good advisors would establish good policies, and technically assisted and institutionally capable governments would implement those policies. It was believed that this could only be achieved through a state-centered system that endorses flexible implementation of policies formulated by highly competent technocrats and the degree of accountability required of politicians and bureaucrats (World Bank, 1997: 2).

As a result of centralized development planning, many countries recorded substantial improvement with regard to some human development indicators, such as literacy rate and life expectancy. However, despite some positive outcomes, most of these countries still had to face various problems, including slow economic growth, inefficient and corrupt administrations, increasing government expenditures, widening social inequality, and waste of resources, resulting in the stagnation of the overall development process (Bangura and Larbi, 2006: 2). Consequently, later theoreticians and development practitioners of the early 1970s found themselves probing the root causes of such issues associated with state-centered strategy. Many analysts have attributed these negative impacts on development to the domination of urban-elites in decision-making, rigid bureaucratic structures, and insufficient information flow, which, in effect, represent inherent drawbacks of a state-centered

approach (Ebel and Yilmaz, 2003: 101), as well as the negligence of certain socio-economic and political factors within their countries. As a result, there was increasing demand for an alternative development strategy that would sustain socio-economic development.

Under these circumstances, policy makers in many countries aiming to stimulate a development thrust began to pay attention to governance reform during the 1970s. Such attention was primarily focused on formulating strategies to enhance governance performance (Ebel and Yilmaz, 2003: 101). Thus, in order to achieve a development-oriented governance system while overcoming the shortcomings of the existing state-centered system, decentralization appeared as a strategy to enhance governance performance (Shah, 2004: 4).

The primary objective of introducing strategies of decentralization was to bring about institutional innovation in the sphere of governance through a structural change in state-centered governance systems. As Maro (1990) notes, it implies the transfer of power and functions concentrated in the central government to sub-national levels, such as regions, provinces, sub-provinces, districts, sub-districts, or other local community-based administrative units (Maro, 1990: 673). Depending on the degree of decentralization, it may take different forms, such as de-concentration, delegation, and devolution, according to the nature of the institution and degree of power to be transferred (Oxhorn, Tulchin, and Selle, 2004: 5).

One of the primary arguments in favor of decentralized governance is that it can be used as a multi-dimensional strategy, which can enhance development through democratic governance practices (Ebel and Yilmaz, 2001: 1). As far as economic development is concerned, theorists who advocate decentralization believe that bringing governance closer to the citizen level would help overcome the information deficiency, agency cost, and the problem of collective decision-making, which ultimately would pave the way for efficient service provision (Bird, 1986: 9). From the perspective of governance, it facilitates popular participation of local constituencies in planning local development through local governance, which consists of local politicians and administrators. It is also argued that decentralization can strengthen national unity, by allowing local interest groups to exert a degree of autonomy based on a democratic way of governance (Oates, 1972; Wolman, 1996).

In addition to the theoretical implications of decentralization, its practical merit was also timely recognized, due to the existence of governance-related challenges faced by many countries in the 1970s and 1980s. From the perspective of advanced countries, for instance, decentralization was a welcomed mechanism for regulating growth of the public sector and enhancing the provision of public services (Oates, 1998: 9). On the other hand, developing and transitional countries acknowledged decentralization as an instrument for overcoming the consequences of state-centered development approaches, which, in their view, hampered the development thrust. As far as individual countries are concerned, however, the objectives of decentralization vary considerably. Nevertheless, despite differences in objectives, the general perception was that two main factors — namely, the pitfalls of state-centered approaches and ideological changes in the development paradigm, stressing the importance of people-oriented development through a participatory approach — were instrumental in the acceptance of decentralization (Isabelle and Bernier, 1999; Oxhorn, Tulchin, and Selee, 2004).

As an alternative development strategy, decentralization, originally conceived by Tiebout in 1956 and further strengthened by his colleagues in the 1960s, was widely accepted towards the end of the 1970s. In explaining his theory of local expenditure, Tiebout pointed out that efficiency, which could be achieved by efficient resource allocation and competition among the local bodies in a decentralized system, can sustain and improve economic growth, equity, and responsiveness, and enhance local democracies (Tiebout, 1956: 417).

Over time, it came to be generally accepted that meaningful development was possible only if it was planned and implemented by the people who expected to benefit from such development process (Maro, 1990: 673). Thus, consensus emerged that development should follow a bottom-up approach, which ensures community involvement. As a result of arguments in favor of decentralization, it became a part of the worldwide reform agenda, supported by multi-lateral and bi-lateral international donors and other development agencies, such as the World Bank (WB), the International Monetary Fund (IMF), the Asian Development Bank (ADB), and the United States Agency for International Development (USAID) (Shah, 1997: 2). In this manner, over the past few decades, regardless of the political system, geographical location, history, level of economic development, or cultural tradition of

the reforming countries, decentralization has become a common process almost worldwide (Winkler and Gershberg, 2003: 325). As Shah explicitly notes, by the mid-1990s, 62 of 75 developing nations, comprising a population of over five million, have embarked on some form of decentralization reform (Shah, 1997: 2).

Although decentralization has been prescribed as a solution for many governance related issues (Shah, 2000: 2), some critics are of the view that this policy has negatively affected governance. For instance, problems such as localization of corruption, inefficient local service provision, domination of governance by local-elite, widening inequality, and political instability, which are related to decentralization, have been identified as persistent issues. Such consequences have caused disagreement among the analysts on the efficacy of decentralization, and made people skeptical about the decentralization process (Mookherjee, 2000; Prud'homme, 1995). Urban elites, who often backed the state-centered approach, have attempted to consolidate their stance by over-emphasizing negative impacts such as these, while others have exploited the positive impacts of decentralization to their advantage.

Such differing perceptions of the effectiveness of decentralization have puzzled policy-makers in many countries regarding whether or not to proceed with decentralization reform. For this reason, the issue required further empirical exploration, through careful and comprehensive studies of developing countries (Galiani and Schargrotsky, 2002: 275).

Sri Lanka is among the countries to have decentralized its governance, under the Provincial Councils Act in 1987, in a system that continues to this day in the form of Provincial Councils. However, even after 25 years, a substantive study of its impact on development has not been attempted. Therefore, in an attempt to contribute to the academic discourse on the efficacy of decentralization in general, and in the Sri Lankan context in particular, this dissertation intends to make an impact-evaluation of Sri Lanka's decentralization reform (1987) through a case study.

1.2 Problem Statement

Two main schools of thought can be observed in the theoretical literature on decentralization. One group emphasizes the positive impacts of decentralization,

while the other rejects it by arguing that there is no guarantee of such positive impacts. As far as empirical works on decentralization are concerned, similar divergent views on the impact of decentralization exist. While theorists such as Tiebout (1956), Musgrave (1959), Oates (1972), Bird (1995), and Wolman (1996), who advocate decentralization and emphasize the positive impacts of decentralization on development, findings of many empirical studies conducted in developing countries do not convincingly support their arguments. Empirical studies conducted in different socio-economic contexts have produced contradicting results on decentralization (Pathy (1980); Tanzi (1995); Prud'homme (1995); Zhang and Zou (1997); Crook and Manor (1998); Lin and Liu (2000); Bardhan and Mookherjee (2000); Oxharn, Tulchin, and Sallee (2004); Rao and Mansuri (2004); Willis, Garman, and Haggard (1999)). For instance, Lin and Liu (2000) and Zhang and Zou's (1997) works on decentralization reforms and their impact on economic growth in China provide rather contradictory findings. The study undertaken by Lin and Liu, based on decentralization reforms in China for the period from 1970 to 1993, proved that fiscal decentralization made a significant contribution to economic growth (Lin and Liu 2000: 18). However, the study conducted by Zhang and Zou found that decentralization reforms in China did not contribute significantly to its economic growth (Zhang and Zou, 1997: 32). Another example of different findings on the impact of decentralization can be found in the cross-country analysis conducted by Crook and Manor in South Asian and West African countries. They revealed that democratic participation at the rural level had been enhanced, while corruption had been further localized, in the relevant cases (Crook and Manor, 1998: 45).

Several factors can be observed as the causes for inconsistent findings in the literature. The dynamic nature of decentralization itself is identified as one such factor. The multi-faceted nature of decentralization that is associated with socio-economic, political, and cultural elements of human life, complicates its evaluation, and this may have caused uncertainty in its impact-evaluation. A second factor is the dearth of credible empirical study on the impact of decentralization reforms in developing countries. This is partially due to inappropriate research approaches in existing empirical studies, in which insufficient data and improper analytical methods appear to be prevalent. For instance, there are a number of studies attempting to quantify the impact of decentralization, nearly all of which have used financial

statistics from the respective governments (Zhang and Zou, 1997; Crook and Manor 1998; Lin and Liu 2000). When government financial statistics alone are used as credible data sources for analyzing the situation, the outcomes might be less than convincing, since government statistics in developing countries often reflect the political priorities of the ruling governments (Narman and Karunanayake, 2002: 128). Furthermore, assessments of the impact of decentralization often suffer from inaccurate and insufficient baseline data and poor research design (Winkler and Gershberg, 2003: 273). Thus, in order to arrive at a credible conclusion on the actual impact of the decentralization reforms in developing countries, it is necessary to have carefully designed and implemented empirical studies with effective research approaches.

This study intends to make a contribution in this regard by conducting a more comprehensive impact-evaluation of the decentralization reform in Sri Lanka introduced under the Provincial Council Act of 1987. Two Provincial Councils out of the eight are selected as samples, and a comparative analysis of decentralization in the context of pre- and post-reform in terms of three devolved proxy functions, namely people's participation, education, and road development, will be conducted. These three devolved functions have been selected as they are generally considered to be proxy functions of development. Three sources of data will be utilized: (1) Data collected through interviews in the author's field survey with policy makers and policy implementers; (2) Data collected from constituencies (consumer-voters) through questionnaire-survey in fieldwork; and (3) Secondary data from published and unpublished sources. Further, both quantitative and qualitative approaches will be used for analysis of the data. The collection of all these data sources and employment of both quantitative and qualitative analysis is aimed to fill the lacuna in existing studies and produce a more comprehensive report, which is pivotal for a credible impact evaluation of decentralization reforms.

1.3 Objectives of the Study

This study entails two principle objectives. First, recognizing the fact that a comprehensive impact-evaluation of decentralization reforms on development is decisive for governance in developing countries in general, and for developmental

governance of Sri Lanka in particular, this study focuses on evaluating the impact of decentralization reforms in Sri Lanka introduced under the Provincial Councils Act in 1987. Second, it also aims to identify the factors that determine the performance of decentralized service provision in Sri Lanka. It is generally accepted that the outcomes of a policy that has been implemented in any context are determined by various factors. The finding of such factors is indispensable to clarify the existing situation of decentralized governance and to introduce necessary developmental governance reforms. By pursuing these objectives, it is also expected to make a significant contribution to the literature on decentralization, which is rather divided on the impact of decentralization on development, as stated above.

1.4 Research Questions

Three research questions have been formulated in the study, to encompass the overall impact of the decentralization reform on development. First, what are the structural changes that have taken place with regard to local service provision after the introduction of the Provincial Council reform? Second, what kind of impact did the Provincial Council reform have on local service provision? Finally, what factors have contributed to the impact of the Provincial Councils' service provision?

1.5 Conceptual Framework

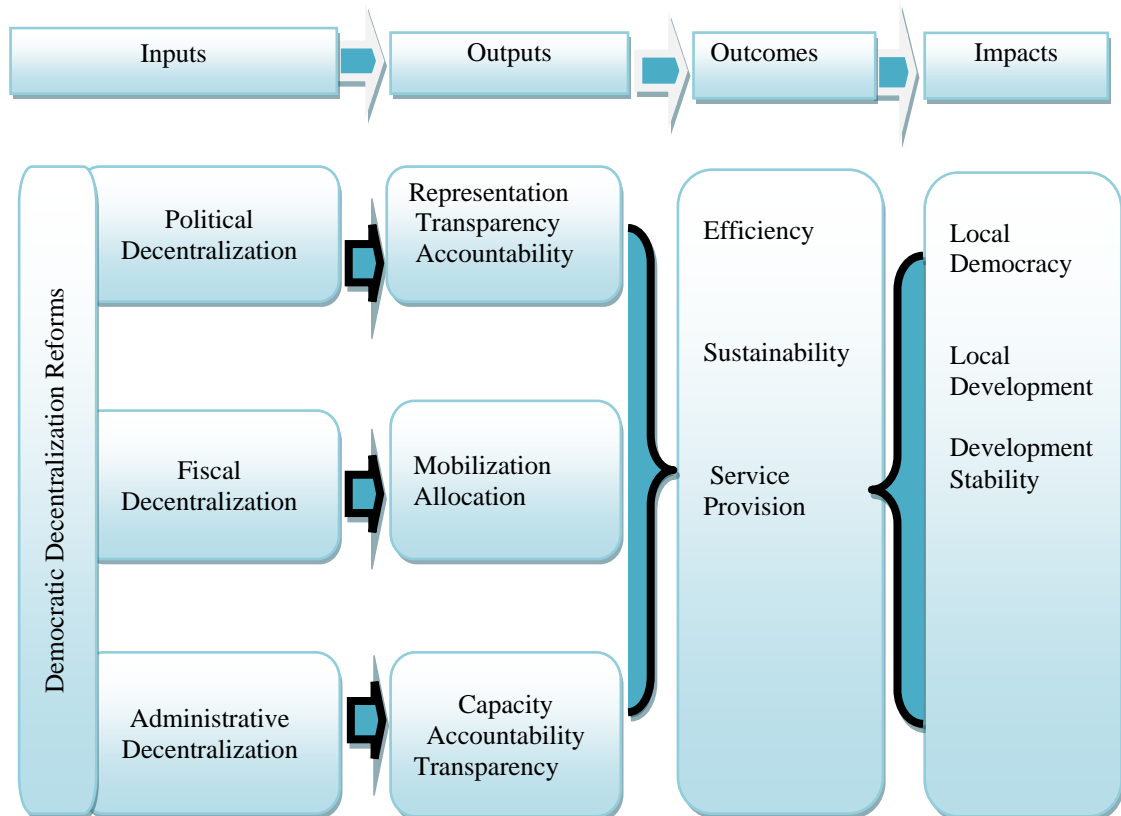
This study adopts a conceptual framework with policy evaluation stages that is frequently used for impact-evaluation of public policies. It comprises four stages: input, output, outcome, and impacts. When this framework is applied to this evaluation of Sri Lankan decentralization reform, it can be illustrated as expected outputs, outcomes, and impacts of reform as indicated in Chart 1.1 below.

The inputs are the institutional changes in the devolved functions that are involved in the reform. The political, fiscal, and administrative structural changes are brought about as the inputs to the provincial council bodies, introduced with the aim of strengthening the institutional capability and capacity of governance.

The outputs are the intermediate results that have been brought about by the inputs, namely, the procedural changes of the reform. The outputs of the devolution

policy, which in effect are the intermediate results of the reform, are the changes that are evident, for instance, in representation and resource mobilization. These outputs could either improve or worsen the performance of devolved functions. For instance, representative changes could bring about a better or more accountable representation and transparent governance in an ideal manner, through local elections.

Chart 1.1 Conceptual Framework



Outcomes of the devolution policy are the result of the outputs of the decentralization reform, which are in effect the direct outcomes of the inputs. For instance, a direct outcome of the introduction of the Provincial Council reform is the change in the proportional representation system, which can be regarded as an output. Therefore, both outputs and outcomes of this study will be examined under the first research question: *What are the structural changes that have taken place with regard to local service provision after the introduction of the Provincial Council reform?* - which is formulated to assess the institutional and procedural changes of the reform. As shown in Chart 1.1, the changes brought about by the reform (input) into a

representation system (output) can improve the responsiveness (outcome) of local service provision. Similarly, changes brought about by the reform into resource allocation procedures (output) can result in efficient service provision (outcome). However, the quality of the performance (outcome) of a policy reform is also influenced by other internal and external factors, such as the sufficiency of allocated funds for the Provincial Councils, and the readiness of the central government to facilitate the smooth functioning of the Provincial Councils.

These three components (inputs, outputs, and outcomes) make up the substantive components for evaluation, and are the focal point of most decentralization evaluation researches. The impacts relate to the long-term effects (Rehle and Hassig, 2001), and the impact of the Sri Lankan reform on development will be evaluated in this study under the second research question: *What kind of impact did the Provincial Council reform have on local service provision?* For instance, the reform has brought about political, institutional, and procedural changes in the local political system. This affects the political responsibility of both elected representatives and voters, which can be interpreted as the impact of enhancing local democracy in the country.

1.6 Research Methodology

This study is on the Provincial Council (PC) reform introduced in 1987 in Sri Lanka. With a view to examining the reform in detail, two PCs have been selected from eight for the purpose of pursuing a comparative study method. The socio-economic conditions¹ and performance level² of the PCs determined the selection of the two cases.

¹ A report on the socio-economic conditions of the PCs is published annually by the Central Bank of Sri Lanka, measuring several human development indicators, such as per capita income, poverty level, literacy rate, life expectancy, and access to basic infrastructure.

² Depending on the performance of each PC, a ranking system of PCs in Sri Lanka has been in operation since 1990. It is conducted annually by the Ministry of Provincial Councils, the responsible authority on PC affairs. The performance evaluation criteria are set out by the related evaluating committee. According to the points attained, each PC is assigned its relative position among the eight.

The successful implementation of decentralization reforms is determined by favorable conditions prevailing in respective countries (Rondinelli, 1980: 34). Among those, the socio-economic conditions of relevant countries where the reform is going to be implemented play a significant role. Therefore, the Western Province of Sri Lanka, which has the highest level of socio-economic development indicators among the provinces in 2009 in the country, producing 50.1% of total GDP, 72.4% of manufacturing and industrial sector contributions to the economy, and the lowest poverty rate (8.2%), is selected as one of the two cases (Central Bank of Sri Lanka, 2009).

The selection of the second case is based on the ranking of performances, which is conducted annually by the ministry of Provincial Councils by assessing the performance level of all the PCs. The performance level of the PCs reflects the level of efficiency of governance. It would arguably be ideal to select the highest and the lowest performers for this study, if possible. However, due to practical difficulties in conducting a survey in the lowest performer, namely, North and East Provincial Council areas, where civil war raged, the North Western Provincial council, which is rated as the number one performer, is selected as the second case in the study.

Most existing studies evaluating decentralization reform show their dependence on a correlation between reforms and the functions to be evaluated (Bardhan, 2002, Shah, 2000). Accordingly, often, only one or two economic and/or social infrastructure-related functions such as road, health, or education are selected for such evaluation. However, an exploration of the socio-political impact of decentralization, other than its infrastructure-related aspects, has been very minimum or marginal. Therefore, apart from infrastructure sectors, social and political impacts of decentralization reforms should be examined as well, as they also count as part of development.

In the context of a developing country like Sri Lanka, development depends largely on degree and efficiency in the execution of the devolved functions of the PCs. When PC reform was introduced in Sri Lanka in 1987, forty-six functions (See, Annexure: 5) were devolved from the central government to the provincial councils, as prescribed in the Act. Therefore, this study is limited to the impact-evaluation of only three proxy functions, namely, people's participation, education, and road

development, representing three vital aspects of development, as it would be unwieldy for reaching productive findings, had all forty-six were selected.

The selection of these three proxy functions for this study was based on their general consideration as criteria of development. Accordingly, with regard to people's participation, it is widely accepted that people-oriented qualities should be pursued in development programs. In order to attain people-centric development, strengthening democratic governance in society is vital. Therefore, in this study, people's participation, which is regarded as a fundamental condition to improve local democracy, is selected as the proxy of democracy.

In addition, it is often argued that one of the key determinants of development is efficient infrastructure (Stieglitz, 1996: 89-90). In fact, one of the primary hindrances that have adversely affected development in many developing countries is the dearth of economic and social infrastructure (World Bank, 2000). Therefore, education was chosen to represent the social infrastructure sector, while road development was chosen for economic infrastructure. The competent human resource availability is largely determined by the status, quality, and accessibility to education in the country. On the other hand, expansion of trade and market opportunities is substantially determined by the availability of swift access to markets. Primary products, mainly agricultural products that constitute the bulk of the traded commodities in developing countries, often come from remote hinterland and peripheral areas of the countries that are handicapped by transport and other infrastructure facilities. Fast and secure transport mechanisms to urban markets depend heavily on the quality of roads.

This study is based primarily on primary and secondary sources of data. The primary data have been collected from questionnaire surveys and open-ended interviews. It is obvious that when a governance reform is introduced, it is perceived differently by diverse actors at different levels in society. When the provincial council reform was introduced in Sri Lanka, it brought with it many institutional and procedural changes that directly and indirectly affected the performance of the service provision. People's evaluation of such reform varies widely according to position or status in society, because they are the beneficiaries and consumers of public goods. In addition, the perspectives of policy-makers and administrators are

vital in this regard, as they are directly responsible for implementing and delivering services to the people. Therefore, the study approaches both groups.

The survey questionnaire was conducted to obtain the beneficiaries' responses about the changes that took place in the provision of local services. The survey was conducted under the stratified sampling method in the two PCs, each having 225 respondents, amounting to 450 for both provinces in 2009. A total of 225 respondents, representing all the Districts, Divisional Secretaries Divisions (DSDs), and Grama Niladhari Divisions (GNDs), which are officially recognized as the basic units of administrative hierarchy in each province, were interviewed. The main objective of this stratified sampling was to encompass all sections of people representing all parts of the province, in order to elicit their responses. The samples in each PC area were stratified according to district, divisional secretariat, Grama Niladhari division, and gender.

In order to collect data from policy-makers and policy executors who are directly involved in service provision, the open-ended interview method was adopted, for two reasons. First, politicians and administrative officials are usually reluctant to respond to a questionnaire survey. Second, the use of specific and precisely formulated questions in the interview format restricts the responses of the respondents to the given questions only. In contrast, in the open-ended interviews, the respondents enjoy considerable latitude in what they say, also enabling the interviewer to clarify any issues that may arise in the process of the interview (Bryman, 2004: 31). This greatly contributes towards eliciting effective responses from policy-makers and administrative officials. In this study, 40 respondents were interviewed, including politicians, both national and local; ex-and current-high profile bureaucrats, national and local; and distinguished community members, such as retired and current school principals, religious dignitaries, local physicians, etc. The interviews were conducted via a snowball-sampling system.

One of the significant characteristics of developing countries is that the policy making process is often confined to a narrow circle of political elites and bureaucrats. Even though there are a number of lawmakers in the legislatures, the majority of them are often unaware of the policies, as they are simply expected to approve the policies of their respective governments without raising questions. Few policy-makers are conversant and actively involved in the PC reform. Therefore, interviews

were conducted with a view to obtaining information from individual respondents who have been involved in the decentralization reform since its introduction. Both the surveys and interviews were conducted during the author's fieldwork³ in Sri Lanka from July 12-28, 2009 (See, Annexure: 1 and 3).

Secondary data have been collected mainly from publications of the ministries of the central and provincial governments, the Central Bank, the Election Department, the Financial Commission, and the relevant provincial governments. Moreover, related published and unpublished documents, reports of the Census and Statistics Departments, and other unpublished reports and working papers have also been accessed.

The creation of new governance structures and their impacts on the local development services can affect a wide range of socio-economic and political spheres of the national and local polity. The evaluation of such a multi-dimensional reform cannot be fulfilled by only a qualitative or quantitative method. Therefore, a mixed method for data analysis has been used. In order to clearly assess the impact made by the PC reform, both quantitative and qualitative data have been analyzed descriptively, by comparing pre-and post-reform periods.

1.7 Organization of the Thesis

This thesis comprises five chapters. The first chapter has introduced the background and central issues related to the research, in a discussion of research problems and an outline of the methodology of the study.

Chapter two contains the literature review and identifies the research gap to be filled by this study. An attempt is made to explain the concept of decentralization, and the factors leading to the introduction of decentralization reform. In addition, this chapter explores the theoretical and empirical issues associated with decentralization.

The third chapter is devoted mainly to description of the Provincial Council reform in Sri Lanka. It also analyses the background of the reform and the previous experience in decentralized governance, as well as the problems arising from the introduction of the reform itself.

³ The field work was facilitated by 10 research assistants. The interviews had been pre-arranged by telephone communication, e-mails, and personal relations.

The fourth chapter is the evaluation of the impact of PC reform through data analysis. This chapter discusses the nature of the impact and the factors that contributed to such an impact.

The final chapter, in addition to presenting the study conclusions, notes the limitations of the study, and advances identified policy recommendations to enhance developmental governance in Sri Lanka.

Chapter Two

The Impacts of Decentralization: Theory and Practice

2.1 Introduction

The primary objective of this chapter is to conduct a comprehensive review of the existing literature on decentralization with reference to advanced, transitional, and developing countries. To begin, decentralization as a concept is examined by reviewing definitions given by analysts on this topic and considering its various interpretations. Another focus of this chapter is a discussion of the theories of decentralization, and identification of the factors that have contributed to the introduction of decentralization reforms in various contexts. Moreover, the possible impacts of decentralization as discussed in theoretical literature are reviewed, in order to consider the expected outcomes of the reforms. Along with an extensive review of theoretical literature, existing empirical works on the impacts of decentralization reforms in general, and the case of Sri Lanka in particular, are explored, with a view to identifying the actual impact of decentralization reforms in different contexts. Here, the main focus is on selected areas that are affected by decentralization reform, such as efficiency and economic growth, macroeconomic stability, local autonomy and democracy, accountability, responsiveness, and corruption. Finally, after an overall review of studies on decentralization, this chapter identifies the research gap to be filled by this study.

2.2 Definition of Decentralization

In a general sense, decentralization indicates the process of transferring or relocating power and responsibility that was previously concentrated within a higher-level organization to an alternative institution at a lower level (Silverman, 1992: 1). Such a process is intended to bring about structural changes in the institutional hierarchy. This general outline of the decentralization process forms the backdrop of a detailed discussion on the definition of decentralization presented by many analysts, such as De Guzman and Reforma (1993), Meenakshisundaram (1994), Cheema and Rondinelli (1983), Shah and Thompson (2004), and Hood (1991).

De Guzman and Reforma define decentralization as a process of “systematic and rational disposal of power, authority, and responsibility from the center to the periphery, from the top to the lower levels, or from the national to the local government” (De Guzman and Reforma, 1993: 5). Though Meenakshisundaram describes decentralization as a process of transferring central power to the periphery, he views it as a sharing of power, defining it as “sharing the decision-making authority with a lower level of the organization” (Meenakshisundaram, 1994: 10). Slightly differently, Cheema and Rondinelli define decentralization as a ‘transfer’ of responsibilities. For them, decentralization is “the transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to the field units of government’s agencies, subordinate units or local government, semi-governmental, private or voluntary organizations (Cheema and Rondinelli, 1983: 3).

These authors, representing three schools of thought, provide three definitions, which emphasize both similarities and differences of decentralization. The common characteristic in these definitions is that the power vested in the central government is handed down to alternative institutions at a lower level within the organizational hierarchy.

Further examination of these definitions shows that they also differ somewhat on the nature of these alternative institutions in which the decentralized powers are to be vested. De Guzman and Reforma argue that the power concentrated in the central government can be transferred to local level institutions. Similarly, Meenakshisundaram also points out that the immediate lower level institutions in the hierarchy can be used as venues for power sharing under decentralization. Significantly deviating from these two, Cheema and Rondinelli identify a diverse range of lower level institutions, including semi-government institutions, Community Based Organizations (CBOs), private enterprises, and Non-Governmental Organizations (NGOs), as potential institutions that can assume decentralized power.

As a result of the inclusion of the CBOs, NGOs, and private entities as decentralizing institutions, there have been some underlying theoretical issues as to which sectors actually fall within the decentralization process. While the definition indicates clearly, in most cases, that the distribution/transfer or sharing of power and responsibilities are among public institutions, there remains the argument that in a

market economy and newly emerging civil societies, the role of institutions such as NGOs and CBOs, should also be considered. However, there is a strong case made by those who oppose the inclusion of such civil society organizations, since they differ vastly in ideology, objectives, approaches, and procedures (Cohen and Peterson, 1999). Therefore, based on the above argument, the claim by Cheema and Rondinelli to include private institutions and NGOs/CBOs in decentralization is not accepted by many. For these, it is also hard to accept private and NGO/CBO participation as a form of decentralization, since the function of these institutions is beyond the control of the state (Cohen and Peterson: 1999). Accordingly, excluding private sector institutions and NGOs/CBOs, decentralization is broadly defined here as the relocation of state-centered power and responsibilities of government to lower level institutions of formal government agencies, semi-governmental institutions, or democratically representative bodies of formal organization structures in the governance hierarchy.

2.3 Classification of Decentralization

Decentralization is multi-dimensional¹ in nature (Falleti, 2005: 328). Therefore, different views on the classification of decentralization can also be seen throughout the world. However, in a broad sense, three main types of decentralization are discussed in literature: de-concentration; delegation; and devolution.

De-concentration can be described briefly as a transfer of decision-making authority related to financial and management functions by administrative means to different levels under the jurisdictional authority of the central government (Cohen and Peterson, 1999: 24). The term “administrative decentralization” is used to denote the same process. One of the main characteristics of administrative decentralization is that the field or divisional officers who are located at the local levels of the public administration hierarchy receive a relatively higher degree of power and responsibility to perform their functions within the mandate (Falleti, 2005: 329). It involves the shifting of workload from central government ministry headquarters to the local agencies or staff, who are located outside the national capital and have restricted

¹ The decentralization model has been accepted for initiating a multi-dimensional approach, due to its possibility of achieving many objectives. See Montero and Samuel, 2004: Oxhorn, Tulchin and Salee, 2004.

authority. Nevertheless, the degree of authoritative power vested with local agencies or their staffs differs by the nature of the reform and the manner of execution of the reform. These central governments decide how their tasks are to be performed, but they may also decide to allow the local agencies to make routine decisions, plan, and adjust the implementation of central directives and guidelines set by the central ministries to suit local conditions (Rondinelli, 1980: 37).

Delegation refers to the transfer of government decision-making and administrative authority to clearly defined organizations or firms that are either under the government's indirect control or under independent agencies (Manor, 1999:70). Typical delegations of authority from the central government to semi-autonomous organizations, which conform to an institutional arrangement, allow such semi-autonomous organizations to function with relative autonomy. However, they are largely accountable to the central administration. State-owned industrial or manufacturing enterprises, public utility boards, housing and transport authorities, and urban or regional development corporations can be regarded as examples of this type of decentralized unit. In the early 1980s, it was common for a given government to establish and delegate its authority to hundreds of such semi-autonomous organizations (Cohen and Peterson, 1999: 27-28).

The delegation of functions from central ministries or departments to such organizations that comprise implementation units can be considered as a more extensive form of decentralization than mere administrative decentralization. These institutions particularly possess the technical and administrative capability to carry out service provision, and the eligibility to plan and implement decisions relevant to specific activities, without any interference from the higher administrative units. They often have semi-independent authority to discharge their duties without hindrance.

Devolution is referred to as the “political decentralization that involves the transfer of power, responsibility, and resources in the performance of certain functions from the national level to the local government level” (Rondinelli, 1980: 137). It aims at granting autonomy to sub-national, district, and local government units that are governed by the people's elected representatives and institutions at the respective political levels of the country. Therefore, these institutions are entitled to self-government status and, accordingly, to improve their administrative and technical capabilities. Under the devolution of power, the national government discharges its

functions that can be performed by local government institutions, providing an opportunity for them to improve their performance relating to functions that cannot be performed by the national government. Hence, devolution is considered to be an arrangement in which one finds reciprocal, mutually benefiting, and coordinating relationships between central and local governments (Rondinelli, 1980: 138-139). Many countries with heterogeneous communities suffer heavily from the rising demand for sub-national or regional rights, fueled by independent sentiments of ethnic and religious groups. Such countries began to introduce devolution reforms in the 1980s through power sharing arrangements via self-governance, in order to harmonize differences among groups and regions in societies (World Bank, 1997: 3).

2.4 Theoretical Background of Decentralization

Despite the fact that contemporary argument on decentralization is usually in terms of the *means of governance*, the theoretical foundation of decentralization is rooted in the idea of *local governance*.

The origin of the concept of decentralization dates back to the seventeenth century, in the works of philosophers such as Rousseau, Mill, Tocqueville, Montesquieu and Madison (Ebel and Yilmaz, 2001: 2). In more recent times, the idea of decentralization has aligned more definitively with the idea of local government, as discussed by Musgrave and P. Samuelson, who introduced the concept of *fiscal federalism* in the context of *public finance* in 1952. Tiebout (1956) premised his idea of local finance by extending federal finance further to the local level. His colleagues and followers, such as Stigler (1957), Musgrave (1959), Oates (1972), Bird (1995), and Harold Wolman (1996), subsequently extended Tiebout's premise.

Tiebout (1956) presented a new model on local expenditure and finance, aiming to reach development achievements via local governance by the provision of public goods and services, apart from the central government apparatus. In order to build a theoretical model, he formulated the following eight key assumptions:

- i. Consumer-voters are fully mobile and will move to the community where their heterogeneous preference is best satisfied.
- ii. Consumer-voters are assumed to have full knowledge of the difference between revenue and expenditure patterns, and to react to these differences.

- iii. There are a large number of communities in which consumer-voters may choose to live.
- iv. Restrictions related to employment opportunities are not considered. It may be assumed that all persons are living on dividend income.
- v. The public service supply exhibits no external economies or dis-economies between communities (no spillover across jurisdictions).
- vi. There is an optimal community size. (This optimum is defined in terms of the number of residents for which the service package can be a product at the lowest average cost).
- vii. Communities (jurisdictions) below the optimum size seek to attract new residents to lower the average cost. Those above the optimum size do the opposite. Those at an optimum try to keep their population at constant level (inter-local government competitions).
- viii. Different levels of government have similar levels of technical and administrative capacities (Tiebout, 1956: 419).

Tiebout's idea of local governance (local finance) is that the local governance system, rather than the central governing system, is able to provide public goods and services tailored to suit consumer preferences efficiently in heterogeneous societies (Tiebout, 1956: 447). He highlights the fact that faster information exchange becomes fruitful for resource allocation, contributing to increased efficiency in public goods and service provisions, and in the process of decision-making on resource allocation and mobilization. Since the centrally governed system gives priority to national requirements, the regional or personal preferences are not prioritized. In addition, he points out the importance of emerging competition among local government institutions for winning votes in their respective jurisdictions. This competition, in his view, could also accelerate efficient provision of goods and services, fulfilling public preferences, and minimize corruption and resource wastage, while ensuring transparency in management, which is an unrealistic expectation in a centrally controlled ruling unit (Tiebout, 1956: 419).

Oates (1972) highlights the importance of consumer choice of common goods and services, and stresses that this can be achieved successfully through a decentralized ruling mechanism. The close relationship between the authority and the people provides a base to supply goods and services at an optimum efficient level (Oates, 1972: 32).

Wolman (1996) emphasizes the ability of decentralized systems to improve the economic development process. According to him, efficiency, governance, and distributive values generated by decentralized governance could lead to economic development by successful service provision. In this regard, by acknowledging the fundamental difference between private enterprise and public sector, he points out the political priority of public welfare service provision. Moreover, he identifies the limitations of national governments in fulfilling local needs while prioritizing national preferences (Wolman, 1996: 27). This often creates a gap between the taxpayers' expectations and the public services provided by the government. What Wolman reveals is that the maximum level of public welfare cannot be guaranteed by a central governance approach, and can only be sustained by decentralized governance that identifies the different public interests and volume of public welfare needed on given occasions. Hence, only decentralized governance can improve the efficiency of public welfare service provision.

Tiebout's advocacy of decentralization (1956) has been competently challenged (Bardhan, (2002); Tanzi, (1995); Prud'homme, (1995); Seabright, (1996)). Bardhan, for example, demonstrates serious flaws in the model proposed by Tiebout by pointing out the unrealistic assumptions sustaining the model itself. He argues that time has come to think of decentralization by taking "the institutional contexts" of developing and transitional economies into account (Bardhan, 2002: 187). Criticizing those assumptions, he offers two arguments: first, that decentralization cannot be accepted universally, because the socio-economic and political conditions for Tiebout's assumptions are mostly unavailable in developing and transitional countries. His first assumption, for example, is that "consumer-voters are fully mobile and willing to move to the community where their heterogeneous preferences are best satisfied" (Tiebout, 1956: 419). This, however, is not the case in the context of developing and transitional economies (Bardhan, 2002: 188). He argues that changing residence for the population in these places will depend more on many socio-economic

and cultural variables than the inducement models of Tiebout. Bardhan also indicates that local governments, not only in developing societies but also in developed countries, may not be, and often are not, competent enough to compete efficiently, which thwarts Tiebout's assumption that such competition enhances efficiency.

The second argument against Tiebout's local expenditure model is with regard to the maximization of efficiency of production using "economy of scale."² Here, centralization is seen as a better approach to exploit "economy of scale" in the construction of overhead facilities (Bardhan, 2002: 190). Though a centralized approach is less important in local management and maintenance, efficiency achieved by the "economy of scale" cannot be denied.

2.5 Reasons for Decentralization Reforms

Regardless of the original theories, many developing countries that were faced with economic as well as political challenges tended to adopt decentralization beginning in the 1970s as a means of achieving their respective future development objectives. There are various reasons for this. The following section explores the various factors that led to the introduction of these reforms.

Scholars on the subject of decentralization have taken diverse views. Among them, Stigler (1957), Musgrave (1957), Tiebout (1956), Oates (1972), Manor (1999), and Tanzi (1995) regard causes that led to decentralization as macro-economic and political. However, others, such as Shah (2002), Bardhan (2002), and Mookherjee (2001), have different views, as they generally consider decentralization a developing economic phenomenon. Nakamura (2002) and Olowu (1993) show how individual countries introduce decentralization reforms in order to overcome challenges and obstacles they faced.

²According to the micro-economic view, economy of scale refers to the cost advantage that a business obtains due to expansion. There are factors that cause a producer's average cost per unit to fall as the scale of output is increased. More clearly, the initial investment of capital is diffused over an increasing number of units of output, and therefore, the marginal cost of producing a good or service is reduced by reducing average total cost for units.

2.5.1 Internal Causes

Many scholars have discussed a number of internal factors that led to the introduction of decentralization reforms. As far as these are concerned, it is evident that most have derived from the consequences of the state-centered development approach itself. As was evident from the 1960s to the 1980s, many developing countries that followed the state-centered approach faced a severe economic situation. Escalating recurrent expenditures and slow economic growth paved the way for widening budget deficits, which in turn, resulted in low investment and an increase in the lending, thus resulting in low growth rates and increasing loan resettlement costs, continuing in a vicious cycle of poverty.

As pointed out by some scholars (Manor, (1999); and Rondinelli, (1986)), many problems in these countries resulted primarily from the inefficient and unrealistic policy formation, implementation, and evaluation processes of key stakeholders. These policies are mainly formulated by urban-based political and administrative elites whose knowledge of public needs in the peripheral areas can be meager. Thus, centrally formulated policies may not always address the aspirations of the masses, as those policy measures cannot gain support from their intended beneficiaries, owing to the distant relationship between the policy and the people for whom they are implemented, and the inefficacy of the centralized administrative mechanism. One of the main drawbacks of a state-centered system of administration is that it alienates itself from public participation, and as a result, corruption and malpractice increases, adding a downward pressure on economic growth (Oxhorn, Tulchin, and Selle, 2004: 5). Once the growth rate of the economy is hampered, a country leads itself into a critical economic and political dilemma, resulting in budget deficiencies and political unrest, as experienced by many countries from the 1970s to the 1980s throughout the world.

Apart from the economic pressures leading to decentralization, many social and cultural issues, especially those based on identity politics, have exerted serious pressures on state-centered administration and the decision-making of governments in order to accommodate different ethnic and religious groups within the boundaries of a single nation state (Cohen and Peterson, 1998: 7). A trend observed in many states that was home to heterogeneous societies was to drift into a daunting ethnic crisis as a result of minority unrest caused by discrimination by the majority groups. Pressures

from these repressed groups brought new challenges to the existing central administration systems to introduce socio-economic and political reforms to overcome disparities, while at the same time protecting cultural and social integrity.

Demographic changes have also helped to lead to decentralization (Nakamura, 2002: 35). In some cases, elderly populations were increasing; urbanization was also a significant trend (World Bank, 2004: 19). Faced with these new challenges, while conducting some limited traditional functions under their centralized governments, countries were forced to seek new ways to address rising pressures on the state machinery and retain public trust in the delivery of welfare and other public goods and services. Decentralization was the solution preferred by many such states.

2.5.2 External Causes

Some critics have identified several external factors that pushed governments to abandon state-centered governance strategies and adopt decentralized ruling mechanisms in their place. These include globalization, democratization, and conditionality.

Under the influence of neo-liberalism, countries that had followed closed economic policies began opening up their economies by creating opportunities to integrate with the world market. Due to the resulting expansion of global market opportunities, some economies, which made use of this comparative advantage of foreign trade, were able to promote their economic growth and development, while some failed. Under this new international economic system, some determinants for success were market forces and the role of the public sector. Effective, efficient, and responsive governance and administrative infrastructure, which are key to obtaining direct foreign investments, as well as to local economic and political stability, were accepted as crucial (Shah, 2004: 5). Consequently, most countries that expected to benefit from the new globalized economy were forced to introduce governance reforms, in order to secure the necessary level of effective, efficient, and responsive governance while also maintaining political and economic stability. In this context, decentralization, which was assumed to be multi-dimensional and dynamic in nature, was often the best choice for managing the multiple issues faced by the respective countries. The ability to enhance the efficiency and effectiveness of local service

provision by a close relationship between policy-makers and consumers, as well as the people's participation in their community governance, which ensures accountability and political stability, were reasons for policy-makers to introduce decentralization reforms, in many countries. Moreover, central governments in the new globalized economy needed to turn their attention to regulating and coordinating market forces, and focus on nationally important responsibilities. Therefore, policy-makers in these countries envisioned that locally important responsibilities, which could be fulfilled by local governments, could be decentralized to lower level governance institutions, and thereby reduce the workload of the central government.

The trend of democratization of diverse political systems across the world has also been considered as another factor leading to the introduction of decentralization reforms. This democratization was a result of a number of political developments in the post-Second World War period. For example, as Huntington notes, a subsequent wave of democratization started with the people's revolution in Spain in 1970, which then spread to the Philippines and the old Soviet Union countries (Huntington, 1991: 2). This trend eventually climaxed in the collapse of the Soviet Union, with the complete destabilization of the centralized communist system. As a result, those countries, with their previous semi-democratic, socialistic, or authoritative regimes, changed to a democratic form of governance.

It was evident that, in many developing countries and transitional countries, the political system was shaped by social democratic values. Most of them conducted democratic elections for electing a government (e.g., Brazil, Bolivia). Some claimed that they were representative democracies, but in practice, they were autocratic and undemocratic (e.g., Iran, Myanmar). Additionally, certain ethnic groups in some countries controlled their governments, causing discrimination to the minorities (e.g., Sudan, Iraq). These countries often eventually needed to consolidate democratic values and practices. The efficacy of decentralized governance that ensures the people's participation and is the core objective of democracy, which in fact had been ineffective under the state-centered system, convinced decision-makers in these countries to introduce decentralization reforms. These policy-makers were convinced that once democratic governance is closer to the citizen level, the values and practices of democracy also localize, and it eventually enhances national democracy (Teune, 1995: 17).

Technological advancement, which was occurring throughout the world, has also been identified as a key factor leading to the introduction and establishment of decentralization. Advanced information technology facilitated a free flow of knowledge across the globe, helping some countries to achieve their development goals (e.g. India). This caused the breakdown of the monopoly of the government-controlled news and information supply, as now a citizen could obtain necessary information via internet without relying only on government sources (Shah, 2000: 4). Thus, dependence on the central government for necessary service provision collapsed, and an environment for building community-based services emerged, along with necessary organizations to cater for the community. This was decentralization at a local level, as the local communities had new opportunities to reach accelerated service provision through decentralization.

The influence exercised by donor agencies and countries on developing and transitional countries is yet another factor. Third world countries with internal socio-economic and political problems often faced acute budget deficiencies. While expenditures increased, economic growth declined, and problems cropped up regarding the liability of providing community services. External support was required to fill the widening gap in budgets. Thus, these countries sought financial aid from external sources. This resulted in most developing countries seeking agreements with multi-lateral and bi-lateral donor agencies such as the World Bank, the ADB, and the IMF. These organizations often had their own rules for such financial assistance agreements, or “conditionality,” compelling such countries to introduce development policy reforms. Even though many countries found that these conditions clashed with their national policies, they had no option but to yield to the conditions imposed by the donors (Oxhorn, 2004: 13). One major condition the donors imposed was the localization of service provision, which, in the context of developing countries, can be interpreted as decentralization.

2.6 Outcomes of Decentralization in Theory

Various views on the expected outcomes of decentralization can be identified in literature. One of the theoretical arguments emphasizing the positive impacts of decentralization is that it enhances pluralism in heterogeneous societies. Once the

communities representing ethnic, religious, and cultural diversities gain a self-governance status, there is more opportunity to tailor development plans and programs to the heterogeneous preferences of the regions and groups within the country. Therefore, some basic elements required for the furtherance of a pluralistic society seem to be established by decentralization reforms (Shah, 1997: 2). The counter-argument is that decentralization may put a country's sovereignty at risk. So while autonomous power vested by radical reforms can create new opportunities for minority groups to organize their own governance, it can threaten territorial integrity and, eventually, national sovereignty (Prud'homme, 1995: 209).

Increasing efficiency of governance is also one of the recognized positive impacts of decentralization. Efficiency of dissemination of key information and the decision-making process, key determinants of efficient governance overall, are facilitated by the close proximity of the authorities with their constituencies. Decentralized governance can fulfill this, and in turn, boost economic development by efficient service delivery in that country (Tiebout, 1956: 4221). However, the localization of the governance process can also adversely affect the governance, by making it inefficient. The main argument of Mookherjee is that the close relationship between authorities and their constituencies, and the power vested in local politicians, may aggravate nepotism, hypocrisy, bribery, and corruption, which, in the long-term, hinders efficient governance (Mookherjee, 2001: 13).

Theoreticians who advocate decentralization also argue that decentralization reforms may bring about greater political and economic stability. One of the foundations for political stability is socio-economic equality secured by flexible budgetary policies enacted by local governments. The ability to introduce revenue and expenditure reforms based on community preferences can secure economic stability. Therefore, economic stability guaranteed by decentralized fiscal policies can lead to the political stability of a country, which in turn, would eventually provide an opportunity to achieve development goals (Shah and Thompson, 2004). In a counter argument, Bardhan argues that decentralization can have the opposite effect. Fiscal policies enacted by decentralized governance often pay attention to their constituencies. This prioritization can aggravate vertical and horizontal institutional imbalances and socio-economic inequalities, resulting in economic and political instability (Bardhan; 2002: 191).

Another identified positive impact of decentralization is related to its high capacity to enhance democracy by boosting the competency of politicians, public servants, and general citizens. It creates more opportunity for these parties to be involved in political and governance activities. Under the state-centered system, the probability for them to be involved in political and governance activities is minimized, due to the limitation of opportunities. In contrast, decentralized governance expands the opportunities for local political leaders and public servants, as well as their constituencies, to receive training by being involved in local political events. Simultaneously, it can support democratic governance practices and values, both qualitatively and quantitatively, at the local level and, eventually at the national level, as well (Meenakshisundaram, 1994: 25). However, a counter-argument raises the possibility of local/regional elite groups dominating local governance affairs. They may subsequently manipulate the democratic process, to consolidate their domination and secure hegemony. In this way, such local politicians and public servants gain from the misuse of democratic spaces, which, in turn, can affect the deterioration of the value and practice of democratic governance at the national level (Prud'homme, 1995: 210).

2.7 Outcomes of Decentralization in Practice

While emphasizing the dynamic nature of the concept itself, theories provide conflicting views on the impacts of decentralization, as discussed above. In order to gain a more focused understanding, it is useful to review empirical works in literature on the practical implications of impacts of decentralization in different contexts, and in various countries. As decentralization can affect various aspects of governance, empirical studies conducted as impact evaluations of decentralization on selected areas are reviewed here, in order to identify actual outcomes. The following section discusses the findings of such studies on efficiency and economic growth, macro-economic stability, local autonomy and democracy, corruption, accountability, and responsiveness.

2.7.1 Decentralization on Efficiency and Economic Growth

The relationship between decentralization reform and economic development has been a key area of many studies. Based on a study conducted on decentralization reform using panel data from 28 of the 30 provinces in mainland China including the municipalities of Shanghai, Beijing, and Tianjin, for the period from 1970 to 1993, Lin and Liu (2000) proved that fiscal decentralization made a significant contribution to economic growth. They suggested that decentralization had the effect of increasing efficiency (Lin and Liu 2000: 18). In contrast, Zhang and Zou (1998) argue that decentralization reform in China did not contribute significantly to its economic growth. Their cross-country analysis also indicates that some measures introduced by decentralization reform have had a negative impact on economic development in several countries. Particularly in the Chinese case, the allocation of fiscal resources between central and local governments has affected economic growth since the reform began, in the late 1970s. Consequently, they found that a higher degree of fiscal decentralization of government spending is associated with lower provincial economic growth over the past fifteen years (Zhang and Zou, 1997: 32).

By analyzing, the aggregate expenditure at different levels of government in twenty-three selected Less Developed Countries (LDCs) from 1974 to 1991, the study conducted by Woller and Philips (1998) also failed to find any strong, systematic relationship between the two among their sample. They concluded that economic efficiency and growth triggered by the decentralization reforms have not yet shown a statistically verifiable relationship.

As far as the impact of decentralization reforms on selected service provision is concerned, the research conducted by Thomson (1991), Wyss and Lorenz (2000), and Parry (1997) revealed a very important aspect. Thomson, in his study on the impact of decentralization reform on the health sector, showed that the failure of an immunization program in Papua New Guinea was absolutely due to the coordination failure caused by decentralization. Wyss and Lorenz (2000), in their empirical study conducted in Switzerland, point out that decentralization has badly affected the healthcare service provision. They found that it was difficult to obtain approvals for carrying out important nationwide health reforms, which needed to be implemented by the local governance units (Wyss and Lorenz, 2000: 106). Meanwhile, Parry (1997), in his study in Chile, found that decentralization was clearly responsible for bringing

down the quality of the education system (Parry, 1997: 218). However, paradoxically, Brosset (2002) points out that in South Africa, the quality of education improved as a result of decentralization.

A significant observation of these studies is that they provide mixed results with regard to the impact of decentralization on social and economic development in different contexts. The research conducted by Zhang and Zou, (1998) and Lin and Liu (2000) in China found paradoxical results. In other words, there appears to be no guarantee that decentralization will positively affect economic growth and development. However, many case studies do show that decentralization has negatively affected economic growth and service provision.

2.7.2 Decentralization on Macroeconomic Stability

Another significant dimension of decentralization reform, as many point out, is that such a reform may affect the macroeconomic stability of a country, either positively or adversely. It may either stabilize the political economy by reducing the budget deficit and controlling inflation to suit the economy, or it may affect it negatively, by increasing inflation (Bird, 1972; Oates, 1981).

The studies by Tanzi (1995), Prud'homme (1995), Oxharn, Tulchin, and Sallee (2004), and Hewavitharana (1997) indicate negative outcomes of decentralization reform on the macroeconomic stability of societies in South America in general, and Argentina in particular. In Argentina, as most of the studies have shown, the vertical imbalance and imprudent management of the budget deficit by the sub-national government led to serious macroeconomic instability.

The study on Brazil also discloses similar findings. Due to decentralization reform, central government was weakened financially by a reduction of its share of the tax revenue, which is a legitimate result of fiscal decentralization. At the same time, national spending responsibility was also a legitimate duty of the central government. As an inevitable outcome of the fiscal decentralization reform, taxes raised by the central government fell from 57% to 52% since the introduction of reforms, while transfer of revenue from the center to the provinces rose from 27% to 30%. The share of national taxes left to the center therefore fell from 30% to 22%, and that of the states (province) rose from 22% to 30%, resulting in a relatively weak financial

situation. Therefore, because of the limited revenue of the national government, it had to obtain the necessary funds for the states from increased borrowing from external sources, thereby increasing inflation. Rao and Mansuri (2004) make similar observations on the impact of decentralization reform on the development of fiscal imbalances in India.

These studies have found that the local government was not competent enough to manage the finances, and the imprudence and lack of competence led to serious fiscal problems that, in turn, led to macroeconomic instability. This resulted in political instability, too, and, therefore, the reforms had even larger political-economic fallout.

Huther and Shah (1998), however, noted that decentralization reforms do not always lead to macroeconomic instability. They argued that fiscal decentralization can contribute to significant improvement in macroeconomic stability. One of the reasons for such macroeconomic stability is the enhancement of the independence of the Central Bank, which is vital for a healthy monetary policy in a country. However, under a state-centered system, the role of the Central Bank is typically shaped and influenced by the Ministry of Finance. A specific decentralized fiscal system can offer greater potential for improved macroeconomic governance (Huther and Shah, 1998:14). Another comparative study based on advanced federal countries like the U.S., Austria, Switzerland, and Germany, Shah (1997) reveals positive outcomes of stable macroeconomic performances in a post-reform scenario.

2.7.3 Decentralization on Local Autonomy and Democracy

One of the major premises of decentralization reform is to democratize the political space by creating autonomous local and sub-national institutional decision-making. In this way, power sharing is accomplished with divisional, regional, or community-based democratic institutions consisting of multi-ethnic and multi-cultural societies. In such situations, it is expected that local institutions of governance enjoy pluralist democratic values and practice. In fact, however, many political analysts have observed a contrary development taking shape. They found that the power of self-governance conferred on local institutions could sometimes lead to disruption of socio-economic harmony, instead of democratization.

Huther and Shah (1998), through a cross-country analysis, showed a significant positive effect of decentralization that helped enhance local democracy. Their multiple regression analysis indicated a significant correlation between decentralization reforms on one hand, and freedom and political stability on the other. Similarly, Crook and Manor (1998), in their cross-country analysis of four South Asian and West African countries, revealed that decentralization had catered to the improvement of democratic political practices. Their research relied upon quantitative variables such as the change in voter turnout at elections, public participation in the election campaign, and the number of occasions on which the public interact with their representatives. The glaring absence in this study, however, is the lack of focus on qualitative improvement that may have arisen from the decentralization reform. Thus, they concluded that people's participation had improved significantly only on the basis of increased public participation in the political process after the reforms.

Pathy (1980) points out that Indian decentralization reform in the form of the Panchayati Raj³ system has not affected the development of local democratic processes in rural India. In his study in Maharashtra, he observed that even though the Panchayati Raj system as a political reform was instrumental in establishing local democratic institutions, democracy had yet to be established in the social and political arena. The reason for his observation is that the Panchayati Raj system paved the way for centralization in a way that led some elite groups to dominate the governance rather than improve the local democracy. He postulates that the Panchayati Raj system created an opportunity for the higher caste social groups in localities to secure their social hegemony in political institutions. Thus, the Panchayati Raj system created an ideal opportunity to continue to segregate Indian society on the basis of caste and other social issues, and in fact contributed to legitimizing these social ills.

Somewhat similar to Pathy's study, De Souza (2003), in his study on the Panchayati Raj system, points out that the quantitative improvement of people's participation at the local level in India cannot be considered as a direct impact of Panchayati Raj reform. The reasons for his argument are that people do not decide on

³The *Panchayati Raj* is a decentralized local government institution system for village communities that were introduced under the 73rd and 74th amendments to the Indian Constitution in 1984.

their own to cast their votes, but are pressurized under coercion, such as bribery, political tension, or fear for life, which are regular features of the election system in India. These factors force them to keep away from involvement in active politics, though they may come out to cast their votes. Therefore, he concludes that the quantitative improvement of people's participation in the election process cannot be considered as an effective criterion for evaluation.

Referring to a regional-based study on selected local government institutions at the urban, local, and rural levels of decentralization reform introduced in South Africa, Friedman and Kihato (2004) noted that the expected status of local governance autonomy and self-governance has not yet been conferred on the localities, even though public participation in politics has increased quantitatively. Specifically, local government bodies have been unable to put autonomous governance procedures into practice due to legal constraints. Based on this, they insist that decentralization reform in South Africa did not have a positive effect on improving the local democracy in the country. Similarly, Hidayat and Antlove (2004), in their research conducted in Indonesia, determined that the key expectation in establishing regional autonomy and self-governance faced setbacks in practical circumstances. However, they also note that mass participation in politics, particularly in election activities, increased significantly. In addition, Hommes (1995), in research conducted on Colombian decentralization reform, disclosed that the central government had been challenged by local self-governing systems. He emphasized that certain powerful guerrilla organizations, which rose to power through manipulative and violent means during elections, abused the local autonomy by resorting to political assassinations and kidnapping of their opponents.

What these empirical studies reflect is that the enhancement of local democracy is not guaranteed by autonomous self-governance granted by democratic decentralization. These studies also indicate that autonomy vested with localities has had a relatively negative effect on the healthy political coexistence of the communities in selected case studies.

2.7.4 Impact of Decentralization on Corruption, Accountability and

Responsiveness

Recent studies on the operation of decentralization reforms have left much to be said about the impact of decentralization reforms on corruption, accountability, and responsiveness. The local level has not been found to be an ideal level of governance. Tanzi notes that corruption could be more common at local levels than at national levels, especially in developing countries (Tanzi, 1995: 301). Arriving at conclusions similar to that of Tanzi, Prud'homme shows that even in developed countries like Italy and France, corruption is a greater problem at lower levels (Prud'homme, 1995: 335). The reason for this in decentralized governance at lower levels is the greater degree of familiarity and frequency of interaction between private individuals and local representatives and officials. Such an environment is conducive to creating opportunities for corruption that does not face many risks (Bardhan and Mookherjee, 2000: 16). At the community level, both parties are generally known to each other throughout their lives, and sometimes many of them come from the same families. Moreover, as Tanzi notes, contiguity develops personalism in relationships, and this is a hindrance to arm's length relationships. When this occurs, public interest often takes a back seat, and decisions are made on the basis of nepotism and hypocrisy (Tanzi, 1995:301). This situation is further aggravated in developing countries, where the local press and citizen groups may be less professional and more easily bought over than the national press or civic organizations.

A study conducted by Segal (1997) on the relationship between devolution of education and corruption in New York City discloses the negative relationship between them. Segal concludes that, due to the structural vulnerability generated by devolution, New York City's schools have facilitated a system where the rewards for corrupt behavior are so great that the system invites it, and in a number of districts, necessitates it (Segal, 1997: 143). In a similar fashion, Fisman and Gatti (1999) note that they found a very strong and consistent negative relationship between decentralization of service provision and minimizing of corruption, in their cross-country sample (Fisman and Gatti, 1999: 13).

Another study conducted by Crook and Manor (1998) on selected countries in South Asia and West Africa expounds on the relationship between decentralization and

corruption, and the impact of decentralization on corruption in developing countries. In the case of Karnataka in India, the result of the study is somewhat paradoxical. They found that the amount of money misused by officials and politicians decreased. Simultaneously, they observed that many people are involved in corrupt practices, and the frequency of corruption has increased (Crook and Manor, 1998: 61). This implies, therefore, that corruption has been localized due to decentralization. They estimate that roughly 40 % of development funds are stolen. Most of this money went to clients and friends, to contractors of public-work projects, and to bureaucrats at the district and sub-district levels, among whom corruption was widespread (Crook and Manor, 1998: 119). Huther and Shah (1998), however, found that decentralization reform contributed to controlling corruption at the local level. The reason for this argument is that in their cross-country analysis, they found a decline in the number of occasions of the practice of bribery and corruption that occurred in the post-decentralization reform (Huther and Shah, 1998: 12).

With regard to accountable and responsive governance, it seems again that the studies have produced a mixed result. Fiszbein (1997), Huther and Shah (1998), and the Inter-American Development Bank (1997) found that the democratic participatory control over government actions increased the quality of the public management system, and that participation of citizens in the decision-making process could lead to a significant improvement in accountability and responsiveness of the local governance. As regards developing countries, however, the result is far from consistent. The comparative study of Crook and Manor (1998) showed that the responsibility and accountability of public servants in local governance in some districts in Kerala, India, improved significantly. The authors remark that within every district, bureaucrats at all levels were made considerably more accountable to the elected politicians than they were before. However, in some districts, the responsibility and accountability of public representatives (politicians) do not seem to have increased considerably (Crook and Manor, 1998: 45). The same study elaborates on this situation in the case of Bangladesh. The empirical evidence from Bangladesh reveals that responsiveness is partial, as the district chairman and councilors come from selected elite groups. Accordingly, both the sub-district chairman and the councilors who were elected by the elites are more concerned about their own individual and group interests (Crook and Manor, 1998: 131).

In brief, it is clear that most of the case studies on decentralization reveal that the decentralization reforms have negatively affected local governance in developing countries because of their inability to control corruption, enhance efficiency and accountability, and create responsiveness of the governance machinery.

2.8 Chapter Conclusion

Introduction of decentralization reform became a trend in public sector reforms in many countries in the late 1980s. Decentralization was aimed at overcoming the challenges and issues that emerged from state-centered governance approaches. Many new global trends also greatly influenced this move. As a result of the increasing attention on decentralization reform and its practice, the literature on the impact of decentralization reform has proliferated during the last few decades.

Two major findings of the literature can be noted. First, the objectives are varied, as well as the outcomes of the reforms in both the empirical and the theoretical literature. Literature indicates that reforms can affect economic development, stability, local democracy and good governance, accountability, responsiveness, and corruption, both positively and negatively. When a specific reform is formulated to suit a particular setting that is saddled with diverse problems and expectations, it is natural that the content of the reform may differ from country to country, and the implementation process could also differ accordingly. However, the failure of decentralization reforms is not only due to the failure of implementation or unavailability of favorable conditions for it, but also because of certain shortcomings in the decentralization reform itself.

Some analysts attempt to attribute the failure of decentralized governance to the absence of a proper political and economic environment in certain countries. Case studies conducted in certain developed countries, where a healthy atmosphere exists, also do not support their argument.

The second finding pertains to data and data analysis. For example, almost all reviewed case studies have used different secondary data and information gathered from government finance statistics and documents⁴. For instance, Zhang and Zou

⁴See: Woller and Philips (1998), Huthur and Shah (1998), Zhang and Zou (1998), Lin and Liu (2000).

(1998) conducted their research based on data on the sector composition of public expenditure, and relied mainly on government sources. Lin and Liu depended on data based on marginal revenue retention rates at different levels of governance. Woller and Philips (1998) made their comparative studies by relying on expenditure at different levels of governance. All these researchers relied solely on government sources, yet the accuracy of such government data can be dubious with respect to developing countries.

To understand the reasons for the diversity of scholarly opinions, it is important to examine the approaches that various researchers adopted. Apart from the problem with the data, there are also methodology-related issues. For instance, in their studies Huthur and Shah (1998) and Crook and Manor (1998) concentrated on selected countries, and used voter turnout rates as indicators of people's participation in democracy. Though the people's right to cast their vote at an election is recognized as a symbolic democratic right, an increase in turnout cannot always be treated as the indicator manifesting improvement of the democratic process. In highly developed countries, like the U.S. and the U.K., voter turnout at polls is relatively low. Although voter turnout in developing countries is rather high, it is problematic to argue that this is an indicator of increased democratic participation.

In addition, the use of a comparative study method for impact evaluation in both developed and developing countries, where the whole process and context can vary in relation to each situation, can be considered as another reason for inconsistent study results. Although the objectives of decentralization are to boost economic efficiency and growth, etc., one cannot ignore the associated socio-political and cultural factors. Therefore, the question arises whether the comparative method used in reviewed case studies is sufficient for an impact evaluation of decentralization reforms in diverse contexts.

It can be concluded that the inconsistencies of the research findings have been aggravated primarily because of a lack of a comprehensive approach, and in many cases, the absence of reliable and primary data sources. Therefore, to minimize those flaws, there is a necessity for a more comprehensive case study with respect to developing countries in order to conduct a successful impact evaluation of a multi-dimensional reform such as decentralization. The aim of the forthcoming chapters is therefore to accomplish this particular task in a study pertaining to Sri Lanka.

Chapter Three

Decentralized Governance and the Provincial Council System in Sri Lanka

3.1 Introduction

The constitutional reform that was introduced in 1987 for the purpose of establishing Provincial Councils (PCs) as second-tier governance was a significant milestone in Sri Lanka's modern history, because it brought with it a key structural change to the existing governance structure. The main objective of this chapter is to identify the key internal and external factors that led to the introduction of the PC system, as well as the institutional, functional, and procedural changes that have taken place in Sri Lanka's governance sphere through this reform. In particular, the discussion will encompass the structural changes that took place in political, administrative, and financial arenas within the context of the legal provisions of the Provincial Councils Act. The implementation of the PC system and its underlying problems, such as coordination, legal constraints that were brought about by the reform itself, and a number of other issues, are identified. The discussion commences with a brief account of Sri Lanka and its people, followed by an historical overview of governance system in Sri Lanka that prevailed before the introduction of the PC reform in 1987.

The island republic of Sri Lanka is located at the southernmost tip of the Indian subcontinent and, with a multi-ethnic society, spans over 65,610 square km. The Central Bank reports that per capita income in 2012 was US \$2,240, for a population of 21 million (Central Bank of Sri Lanka, 2012). Despite its relatively low per-capita income, Sri Lanka enjoys a reputation for achieving a higher level of social development, compared with other developing countries, and well above that of its sub-continental neighbors (Abeyaratne, 2002: 23). The republic's uniqueness and heterogeneous societal characteristics are reflected in the various ethnic, linguistic, religious, and caste identities that contribute to its significant diversity.

A vast majority of the Sri Lankan population (73.9%) is Sinhalese. They use Sinhala, of the Indo-Aryan language family, as their mother tongue, and most are followers of the Buddhist faith. The ethnic Tamils, who constitute 17.8% of the

population and speak Tamil, an Indo-Dravidian language, are largely Hindus by faith. Muslims and Ceylon Moors, who are adherents of the Islamic faith, speak Tamil, and comprise 6.6% of the total population. Finally, descending from domiciled Europeans and ethnic Malays, Burghers represent another minority group in the country (Central Bank of Sri Lanka, 2012).

3.2 Post-Independent Political and Economic Perspectives on Devolved Governance

The post-independent political and governance foundations in Ceylon¹ were based largely on the Westminster type of democratic parliamentary structure, along with its universal franchise, inherited from the British (Silva, 1996: 23). The British formed the political and governance systems to bring about the political integration of the country, and to ensure their own way of imposing law and order. Thus, a unified territorial administration² system aimed at bringing the provinces and districts under the supervision of a Government Agent (GA) and an Assistant Government Agent (AGA) was in place on the eve of the country's independence (De Silva, 1996: 24). At the time Sri Lanka gained its independence in 1948, the native political system was replaced with a parliamentary system. From that point, the indigenous leaders who gained power in the general election continued the centripetal regional administrative structure and procedures that had been institutionalized by the British (Fernando, 1973: 363).

As far as economic development is concerned, the economy of Sri Lanka at the time it gained independence in 1948 can be defined as relatively progressive, when compared to most of its Asian neighbors (Bhalla and Glewwe, 1986; Isenman, 1980; Sen, 1983). Colonial rule endowed the country with a higher standard of human development, and well developed infrastructural facilities. Its economic stability was based primarily on export crops, and the income it generated was mainly from European trade that had developed during colonial times.

¹ The island was known as Ceylon from the colonial era, before it was renamed Sri Lanka in 1972 under the constitutional change to establish a Peoples Republic.

² The set of administrative units comprising provinces, districts, divisions, and village clusters also had their origins in the British colonial period. The province gave way to the district as the unit of regional administration after independence.

At the first general election, held in 1947, the United National Party³ (UNP) gained power in independent Sri Lanka, and the same party won a second time in 1952, remaining in power until 1956. During the UNP regime of 1948-56, Sri Lanka maintained an export-oriented economy. However, this government did not introduce a radical change in the colonial political-economic policies and structure. Relying on the fortune of the plantation-grown export crops, they ignored the important role of industrialization in economic growth, and focused on agricultural development (Snodgrass, 1999: 94).

Nonetheless, political changes in 1956 marked a significant milestone in many aspects of post-independent Sri Lanka. The coalition led by S.W. R. D. Bandaranaike, the founder of Sri Lanka Freedom Party (SLFP) came to power as Prime Minister in 1956. The Bandaranaike government, which comprised social democrats and communist parties, was largely backed by national (mainly Sinhala) capitalist forces (Ivon, 1991: 23).

In contrast to the pro-colonial, UNP-led government from 1947-1955, Prime Minister Bandaranaike and his ultra-leftist, ministers became key figures in decision-making related to policy formation. The charismatic national leaders, who were groomed in western universities, acknowledged the importance of state intervention in the development and nation building of the country. They firmly believed that state-sponsored industrialization could overcome the scarcity of capital and catalyze the development impetus by creating more job opportunities.

The UNP-led government (1947-1955) had placed little emphasis on development planning, as the immediate economic problems appeared to be manageable to them. However, under the newly elected regime in 1956, a new approach for economic development was chartered. The National Planning Council (NPC) was established in 1956 under the Ministry of Finance. Between 1956 and 1959, the NPC and the Central Bank of Sri Lanka jointly invited a number of foreign economists to assist the country by offering the government new development policy proposals.

³ The United National Party, founded in 1946, was led by D.S. Senanayake. The largest liberal Democratic Party, it became the first ruling political party in independent Sri Lanka.

In 1956, following an analysis of the economy, the NPC issued an ambitious Ten-Year Development Plan, and in 1957, they introduced the State Industrial Corporation Act, to increase the role of industries in the country. Simultaneously, as a part of the Ten-Year Plan, the nationalization of privately owned enterprises began, with the nationalization of cargo handling at the port of Colombo, and bus companies (Central Bank of Sri Lanka, 1998: 15).

A new Ministry of Planning and Economic Affairs was established in 1965; instead of drafting another single long-term national plan, the newly established ministry focused its attention on making a number of separate plans involving different ministries. The government aimed at the agriculture sector and the state-sponsored import-substituting industrial sector as areas in which sustainable growth could be achieved.

By introducing this state-led economic development approach, similar to other newly independent countries in the neighborhood, policy-makers anticipated that the trickle-down effects would result in a substantial impact on the alleviation of poverty in Sri Lanka. While also providing basic social infrastructure services, like education and health facilities, newly started public sector industries and nationalized private enterprises worked to resolve the unemployment issues that contributed to prevailing poverty in the country (Lakshman, 1986: 37).

However, despite the expansion of public sector involvement in economic activities, policy-makers were not interested in drastic changes in administrative system, except for minor changes in the existing mechanism (such as those that were aimed at the effective implementation of development projects). Among these changes were the strengthening of administrative power at the district level in 1956, and the establishment of the new administrative units of Additional Government Agent (AdGA) and District Revenue Officer (DRO), under the Assistant Government Agent (AGA) at the district level. The positioning of the AdGA and the DRO under the AGA was based on the goal of improving the efficiency, by alleviating the workload of the AGA. As a result, some of the responsibilities that were unattainable by the AGA regarding general administration and revenue administration at the sub-divisional level were de-concentrated to the AdGA and DROs, respectively. Though these reforms brought some degree of structural change to the administration, they were not effective enough to cause drastic shifts in the country's centralized administrative structure (Warnapala, 1994: 12). This can be attributed largely to the fact that these economic development measures were not

accompanied by suitable changes in governance, which eventually led to the PC reform in 1987. The consequences of the immediate post-independent development approaches discussed below provide evidence to support this argument.

The development policies that were executed through the state-centered approach during the period from 1956 to 1977 in Sri Lanka produced mixed results. The significant positive aspect associated with the policies was the enhancement of social well-being of the people. As a result, successive governments were able to maintain better welfare services, such as free education and health services, when compared with most of the developing and even fast-growing economies in Asia. These achievements, in comparison with some of the Asian countries, are highlighted in the human development index of Sri Lanka, shown in Table 3.1.

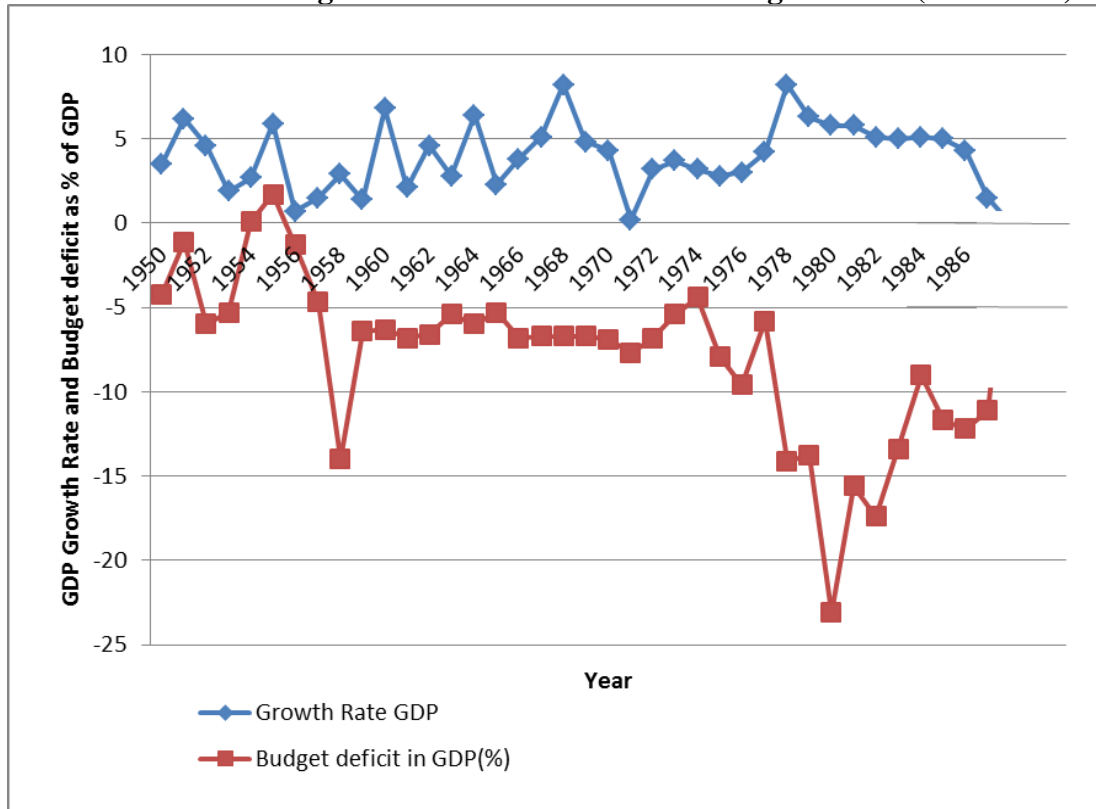
Table 3.1: Human Development Index of Selected Countries in Asia

Country	1960	1970	1980
Bangladesh	0.17	0.20	0.23
China	0.25	0.37	0.48
India	0.21	0.25	0.30
Myanmar	0.24	0.32	0.36
Nepal	0.13	0.16	0.21
Pakistan	0.18	0.24	0.29
Sri Lanka	0.48	0.51	0.55
Indonesia	0.22	0.31	0.42
South Korea	0.40	0.52	0.67
Malaysia	0.33	0.47	0.69
Philippines	0.42	0.49	0.56
Singapore	0.52	0.68	0.78
Thailand	0.37	0.47	0.55

Source: Human Development Report, UNDP, 1997

Despite the positive effects on health and education welfare policies, and certain other key areas that determine the development of a country, development performance was not significant. Economic growth, the core facet of economic development process, was negligible during that period.

Chart 3.1: The Change in GDP Growth Rate and Budget Deficit (1950-1987)



Source: Annual Report, Central Bank of Sri Lanka, 2000

As illustrated in the chart above, showing the change in GDP growth rate and budget balance from 1950 to 1987, the GDP growth rate in the country fluctuated between a high of 6.5% in 1960, to a low of 0.5% in 1971. As far as the budget balance is concerned, it recorded rates ranging from a surplus of 7% in 1955 to a deficit of 17% in 1980. The first regimes (between 1947 and 1955) practiced colonial liberal economic policies, and recorded a growth rate of over 4%. Once the planned economic policies were put in place, from around 1956 to 1976, Sri Lanka witnessed just above 3% economic growth, indicating relatively low growth in comparison to the previous period. By the seventies, the situation worsened, with growth recorded at 0.5% in 1971, the lowest in post-independent Sri Lanka. Thus, the economy, which recorded a 5% surplus in 1955, fell to a 17% deficit from 1956 to 1980.

These figures indicate that, with the introduction of the state-centered development strategy in 1956, economic development on the island, which had recorded relatively high growth rates and a surplus budget balance in the previous regime, resulted in lower GDP rates and budget deficits. Hence, it can be argued that state-centered development policies in Sri Lanka did not contribute significantly to its development

goals, and it is arguable that this was due to the weakness of the planning process for development projects.

As pointed out by Lakshman, development-related forecasts were based on faulty projections of population and growth rates of the labor force. Moreover, attempts to implement plans clashed with the foreign reserve issues of 1961 and 1962, and became increasingly outdated with the changing economic situation (Lakshman, 1986:25). The lack of consideration of the socio-cultural background, and of feedback about the policies, further contributed to the failure (Hettige, 1992: 12).

Table 3.2: Changes in Current Expenditure and Number of Government Employees

Year	Current Expenditure in GDP (%)	Number of Public Sector Employees/Growth Rate	
1950	11.9	65,122	-
1955	14.6	71,010	9.5
1960	20.5	151,095	113.5
1965	21.4	198,822	32.9
1970	19.5	224,817	13.4
1975	19.4	424,046	89.7
1980	18.5	908,645	114.4
1985	20.1	1,287,986	42.3
1990	18.9	1,318,150	2.4
1995	20.1	1,307,000	1.4

Sources: Annual Report, Central Bank of Sri Lanka, 1995

Apart from this, the sharp increase in current expenditures of the public sector, the inefficient and corrupt public administration, and political intervention have also been identified as causes for the failure. Increasing expenditures of the national budget from the end of the 1950s to the mid-1970s can be attributed to the expansion of public sector enterprises and the labor force.

Table 3.2 shows changes in the current expenditure and the number of public sector employees, from 1950 to 1995. According to the figures, 14.6 % of the GDP, the current expenditure in 1955, had risen to 21.4% in 1965. The number of public employees increased from 71,010 to 1,198,822, recording a phenomenal 146.4% increase during that period. Clearly, between 1955 and the 1980s, current expenditure and the number of public sector employees in the country increased simultaneously.

The budget deficit was worsened by the continuation of welfare policies that were motivated by political interests (Hettige, 1992: 14). However, as a result of free health services, the infant mortality rate (per 1000) declined from 71 to 16 during the period from 1960 to 1990, and life expectancy at birth increased from 62 to 74 during the same period. The extensive welfare system also resulted in the rapid growth of the country's population, which almost doubled during the 30 years from 1950 to 1980 (Central Bank of Sri Lanka, 2000). Similarly, primary school enrollment increased from 95% to 97%, while adult literacy rate increased from 75% to 91% during the same period, due to the free education policy. However, at the same time, unemployment increased during the 1960s and 1970s. A significant characteristic of the unemployment problem in Sri Lanka is that the unemployed belonged to the educated group.

Table 3.3: Rate of Unemployment by Educational Attainment (%)

Level of Education (%)	Year	
	1963	1973
Not attending	6.1	8.0
Completed primary education	10.5	14.1
Completed secondary education	23.0	37.1
Obtained General Certificate at Ordinary Level examinations ⁴ .	39.3	47.4
Obtained General Certificate at Advanced Level examinations ⁵	13.9	44.4
Obtained University Degree	0.0	16.2

Source: Annual Report, Central Bank of Sri Lanka, 2009

As shown in Table 3.3, when the rates of unemployment are calculated as a percentage of the labor force, relating to the educational level of each category, the unemployment rate for those who have obtained the highest level of education is high, whereas it is low for those who have not received a formal school education. Unemployment has become a crucial problem for those who have received education

⁴ General Examination of Certificate in Ordinary Level is the examination that is conducted after primary education with the Junior Secondary Level lasting for 4 years (grade 6-9), followed by 2-years (grade 10-11) at the Senior Secondary Level, which is the preparatory level for the General Certificate of Education (GCE) at the Ordinary Level (O/Ls). Students who pursue tertiary education must pass the GEC O/Ls to enter the collegiate level.

⁵ General Certificate of Examination Advanced Level is the examination that is conducted after a two-year study period (grade 12-13) and students who obtain higher marks (cut off marks are determined by the University Grants Commission) are admitted to public universities.

above secondary level. In addition, their unemployment rate, together with that of university graduates, shows a significant increase during 1963-1973.

This trend created pressure on the economy and on the welfare state of Sri Lanka, and subsequently increased the demand for economic benefits and opportunities. The capacity of the state to expand to meet the increasing social and economic demands to make economic resources and opportunities available for their upward social and economic mobility has been challenged (Abeyratne, 2002: 10).

3.2.1 Growing Inequity and Consequences

Although re-distributive strategies were contained in the development policies at the time, a growing regional disparity was evident within the country in favor of metropolitan regions and urban areas, as opposed to non-metropolitan and rural areas (Abeyratne, 1998: 25). The gradual exclusion of individuals, social groups, and even regions from the mainstream development process, which is perceived as an adverse outcome of the state-led strategy, frustrated the deprived groups of Sri Lanka (Ivon, 1991: 25). The growing frustration of the disadvantaged groups of society ultimately led to the emergence of political unrest among the youth. From the 1970s onwards, the democratic political system and the territorial integrity of Sri Lanka faced increasing threats on the two fronts that were diametrically opposed in their objectives.

First, in 1971, an insurrection contrived by the revolutionary youth of the Sinhala community erupted to capture state power. The Sinhala youth, based for the most part in the southern part of the country, were known popularly as *Janatha Vimukthi Peramuna* (JVP) – the People’s Liberation Front. However, this uprising was unsuccessful, and the movement was temporarily suspended; another attempt was made towards the end of the 1980s.⁶

The second political conflict occurred in the mid-1970s, as a manifestation of the ethnic unrest prevailing among the minority community of Tamils. The Tamil community, the second largest ethnic group in Sri Lanka, is concentrated largely in the

⁶ JVP (Peoples’ Liberation Front) is the first revolutionary political party of post-independent Sri Lanka, founded by Rohana Wijeweera in 1965, with the aim of capturing state power through armed revolution and establish a communist state in Sri Lanka.

northern part of the country. Tamil militant groups organized themselves and launched an armed struggle against the Sri Lankan state in mid July 1976⁷. Their tactics gradually developed into guerrilla style warfare. From 1983 on, they struggled to carve out a separate Tamil state in Sri Lanka, resorting to a full-scale armed war.

The outbreak of these two-armed conflicts in the second half of the 1980s was marked by obstruction to the state machinery throughout the country, disrupting civil society. Though the government succeeded in repressing the armed struggle of the JVP-led Sinhala youth movement by military means by the end of 1989, the Tamil separatist war between Liberation Tigers of Tamil Elam⁸ (LTTE) and government forces continued until the annihilation of the LTTE on May 18, 2009.

Most analysts have approached these two uprisings as representing different interests, given that the movements were guided by different political motivations. However, these movements can be further analyzed as stemming from common historical roots. These twin political conflicts manifested the aspirations of emerging ambitious, radical youth who had been deprived of political, economic, and social opportunities, as youth from both Sinhala and Tamil communities simultaneously rose up against the political and economic establishment of the country (Ivon, 1991: 12).

As a result of investigations of the earlier youth uprisings in 1971, policy-makers realized that the state-centered approach had caused the deterioration of economic performance, inefficiency, corruption, and political domination by elites in the country (Presidential Commission on Inquiring Youth Unrest, 1973). Therefore, with the objective of mitigating such circumstances, administrative decentralization policy initiatives were introduced by Mrs. [Sirimavo Dias] Bandaranaike's regime in the mid-1970s. These administrative decentralization reforms sought to bring governance closer to the district level through an institutional arrangement between the policy-makers (politicians) and the bureaucrats (policy implementers/GAs). As part of these steps,

⁷ Around twenty Tamil militant groups have protested against traditional state authority since 1976.

⁸ LTTE was founded by Velupillai Prabhakaran in 1977, and fought against the Sri Lankan state for more than 30 years. Eventually, Prabhakaran became the elusive leader of the most dangerous guerrilla movement in the world. After 1987, out of a number of Tamil militant groups, only the LTTE remained to carry out the separatist war against the state. Other rival groups either were destroyed by LTTE or had joined the democratic parliamentary process.

financial provision was guaranteed by the introduction of the District Decentralized Budget in 1974 (Warnapala, 1994: 7).

However, these administrative decentralization reforms failed to institutionalize district coordination of programs that seemed to rest more on the personal initiatives and leadership of the GA. Departments continued to maintain their departmental orientation, rather than developing a district orientation. The district had a minimal role to play in decision-making. Furthermore, the decentralization program remained for the most part an administrative exercise, with little or no political involvement. Therefore, these attempts failed, and economic growth remained at an average of 2.9%, while the budget deficit increased to an average annual rate of 7% during 1971-1977.

Mainly because of economic deterioration during the SLFP-led coalition regime (1972-1977), the UNP, led by Mr. J.R. Jayewardene, claimed a landslide victory in the general election of 1977 by promising economic prosperity through a new development policy regime. The UNP government quickly initiated radical policy reforms towards a liberal and export-oriented trade regime. These policy reforms were also accompanied by constitutional reforms, such as introduction of the Executive Presidency, through constitutional change (Abeyratne, 2002: 15). The primary objective of market economy-based policy was that privatization would generate more job opportunities, while competition would enhance the efficiency of service provision (Jayewardene, 2002: 23). The 1977 reforms, which created a new liberal policy environment, and the pro-western credentials of the government, made Sri Lanka attractive to both western donor agencies and large multinational companies. The international media dubbed Sri Lanka as a new investment center in Asia. Tourism picked up remarkably, and in 1982, tourist arrivals exceeded 400,000. Export growth accelerated, compared with the pre-1977 statistics, with the garment sector in the vanguard for the first time since independence. Sri Lanka's average growth rate for a five-year period exceeded 6% during 1977-1982 (Central Bank of Sri Lanka, 2000).

3.3 The Introduction of Provincial Council Reform and its Objectives

The previous section presented an overview of the political-economic approaches and their consequences that characterized post-independent Sri Lanka, and influenced, both directly and indirectly, the emergence of PC reform. In this section, the aims and

objectives of the PC reform are discussed in the context of the political, economic, and social factors that led to its introduction.

As observed above, the state-centered developmental governance policy followed by successive governments in the first two decades of post-independent Sri Lanka caused mixed results. While human development indicators witnessed a positive impact of a state-centered approach, it did not contribute positively for either political stability or economic development in the country. The emerging unrest among the social classes and minorities in 1970s embodied the approach's adverse impacts, and forced policy-makers to adopt a new approach that would ensure the participatory development of the country (Ivon, (1991); Abeyratne, (2002)). Under these circumstances, Sri Lanka turned to democratic decentralization reform in 1987 by introducing the PC system under the 13th amendment to its Constitution. The focus of the following section is an examination of each of the three main objectives leading to PC reform.

3.3.1 Resolving Protracted Civil War by Democratic Power-Sharing

As a result of the escalated armed struggle against the state and the government's war against separatism, Sri Lanka became branded as a war-ridden island in the world. The consequences of this long period of conflict affected every sphere of the country's social and economic life. A widespread sense of insecurity and vulnerability prevailed among the general population. A feeling of despair and hopelessness among youth, and a feeling of frustration regarding the erosion of political, legal, and social rights among all law-abiding citizens invaded the civil society. Tangible and substantial economic assets were lost on the battlefield. Moreover, there was widespread destruction of capital assets and property, damage to infrastructure, and loss of cultivated land. Even though the estimation of the overall cost of such a conflict is very difficult, efforts have been made to measure its economic cost through empirical studies documenting, for instance, that the conflict directly resulted in a sharp escalation of defense expenditure. Sri Lanka had historically maintained a very low defense budget, less than 0.05% of its GDP until the early 1970s. It was only marginally above 1% of the GDP even in the early 1980s. By the year 1985, it began to rise steadily from 3.5% of GDP, and to 6.0% of GDP in 1986. This increase took place at a time when the average defense expenditure in developing countries, as a whole, was falling sharply from 7.15% of GDP to just over 3% during

1985-1995 (UNDP, 1997: 189). This expenditure dragged the country into an economic dilemma, and caused a major national debate. By 1986, both parties in the conflict were forced to find a peaceful and lasting solution for the protracted ethnic violence, which had destroyed Sri Lanka's national economic development, as well as the social harmony of the country. Devolution of power, which envisaged a power-sharing arrangement between the minority Tamil community living in the provinces and the Sri Lankan state, was accepted at the beginning of 1986.

Long before, as early as in the 1920s, the desirability of a democratic, decentralized political and administrative solution had been presented by a handful of politicians and administrators who represented both the Sinhala and the Tamil communities,⁹ separately. However, the projection of this need remained politically unaddressed after independence, due to competition between the two major parties, the center-right UNP and center-left SLFP, to gain control over the state by strengthening their support base among the majority Sinhala community. The Bandaranaike-Chelvanayakam Pact in 1958 and the Dudley-Chelvanayakam Pact in 1961¹⁰, both formulated by the Prime Ministers of the successive governments and the minority leaders, had to be nullified due to dissension in party politics and rivalries. It was this lack of attention that ultimately led to the tense situation in the 1980s, ultimately escalating into a dangerous civil war between the Sinhalese-dominant central government and various Tamil militant groups in the Northern and Eastern provinces (Tiruchelvam, 1996: 32).

3.3.2 Mitigation of International Pressure

As stated above, the situation in the 1980s deteriorated rapidly into a civil war between the Sinhalese-dominated central government and various Tamil militant groups. The conflicts acquired an international dimension after the eruption of large-scale ethnic

⁹ S.W.R.D. Bandaranaike expressed his views on ethnic harmonization of the country by advocating a federal government as a structural solution in 1926.

¹⁰ Prime Minister Bandaranaike in 1958, and the next Prime Minister Dudley Senanayake in 1961, prepared an accord with the federal party leader Chelvanayakam on a regionally based power-sharing mechanism, proposing a "*Rate Shaba*" system.

iolence in 1983¹¹. Tamil militants and the Tamil refugee population in Sri Lanka gained sympathy, refuge, and material support from Western European countries. They received military training in neighboring India, particularly in the Indian state of Tamil Nadu, closest to the island (Shastri, 1994: 723).

This ethnic conflict also affected Indian geo-politics, and even became a socio-economic issue in Europe. For India, in particular, it was a sensitive political issue. Pressure from the Tamil Nadu government and the humanitarian nature of the crisis affecting the Tamil population in Sri Lanka rendered it impossible for the central government of India to ignore the issue. In Europe, the flooding of Tamil refugees (both overt and covert) from the Northern and Eastern Provinces in Sri Lanka created new socio-economic and cultural issues (Loganathan, 1996: 6). Against this background, western countries and India were exerting immense pressure on Sri Lankan government and Tamil militant groups to renounce violence and come to a settlement. As the situation worsened, western countries and donor agencies began to stipulate various conditions and restrictions, and threatened the Sri Lankan government with withholding of development aid if human rights violations went unchecked. Meanwhile, India forcefully entered onto the scene, even violating the territorial sovereignty of Sri Lanka¹².

Due to mounting pressure on these various fronts, efforts were made by the UNP-ruling government, Tamil political groups, and the Indian government to seek a democratic political solution to the ethnic conflict. With the violence escalating, an attempt was made to resolve the conflict through a negotiated political settlement by the ruling UNP government and Tamil political groups, as well as by the international community, with the active involvement of India. As a result, devolution reform was advocated as a political-economic strategy, with a view to resolving the on-going ethnic conflict and restoring peace in Sri Lanka (Shastri, 1994: 199). From a long-term perspective, this proposal was envisaged as the basis for expression of the multi-ethnic and plural character of Sri Lankan society at the level of political institutions, as well as

¹¹ In July 1983, following the assassination of 13 army soldiers in the north by the Tamil militants, a series of communal riots erupted, killing more than 3,000 Tamil people and plundering their properties in the south. (See: Loganathan, 1996.)

¹² The Indian Air Force dropped a shipment of food items to the northern part of Sri Lanka, forcefully entering Sri Lankan territory.

the extension of democracy through sharing power between the center and the regions by elected bodies. In this context, devolution of power to the PCs was the most significant measure to be taken to redress the imbalance in the relationships among different ethnic groups in the country (Tiruchelvam, 1996: 3).

3.3.3 Achieving Balanced Regional Development

The second objective of devolution reform was “achieving balanced regional development in the country” (13th Amendment to the Constitution, 1987:154r-5). By realizing the fact that power sharing alone would not result in sustainable peace, the PC reform aimed to address authentic issues that were aggravated by the failure to meet development needs.

The failure of the post-independent state-led approach was attributed to the urban based elite’s domination in decision-making, inappropriate needs assessment of the localities, and irresponsible, inefficient public management and regional disparities in the country (Gunasinghe, 1984: 26). Therefore, the necessity for greater involvement of the people, the exercise of democratic choice, and transparent decision-making processes with regard to their own service provision, were considered essential to gain equitable regional development of the country. Therefore, most policy-makers opined that, for heterogeneous societies like Sri Lanka, socio-economic development could be sustained only through democratic decentralization reform (Tiruchelvam, 1996: 36).

3.4 The Provincial Council System

As an initiative taken by both governments, President J.R. Jayewardene and Mr. Rajiv Gandhi, then Prime Minister of India, signed the Indo-Sri Lanka Peace Accord on July 29, 1987 (Shastri, 1994: 201). Under the Accord, the Sri Lankan government pledged to devolve power to PCs, and form one administrative unit by amalgamating the Northern and Eastern provinces. Consequently, the 13th amendment to the Constitution and the Provincial Councils Act No. 42 of 1987 (the Provincial Councils Act, or the PC Act) were passed by the Sri Lankan Parliament on November 14, 1987.

The Province, as a unit of devolution, represents an upward shift from the District to a regional level for locating governmental power. This shift allows a comprehensive

focus on devolution, with greater functional autonomy for democratically elected PCs. Under the reform, legislative and executive powers are vested in a popularly elected PC consisting of elected members and the Governor, who is appointed by the President. In addition, the procedural arrangements for exercising devolved powers are also set out in the Provincial Councils Act.

Through the introduction of PCs, decision-makers intended to share legislative, executive, and fiscal powers, which had previously been concentrated in the center, with the provinces. As explained above, the PCs comprised, literally, the representatives of respective provinces, elected through PC elections¹³. Such elections, conducted separately from the national parliamentary election, came under the provisions of the Provincial Councils Election Act No. 32. Under this Act, the number of representatives in each council varies, depending on the population, area, and development status of each province. Taking the province as a single electorate, representatives are to be elected by proportional representation and a preferential voting system. Candidates who obtain more preferential votes through their party nomination lists are elected as legitimate members of the Council for a five-year term (Provincial Councils Election Act No. 32, 1988).

3.4.1 Provincial Council, Chief Minister, Board of Ministers, and Governor

As a result of PC reform, the Provincial Council became the democratic governance body entrusted with legislative and executive functions in the respective provinces. Its legislative function is conferred upon the democratically elected council members, while executive functions are vested in the Chief Minister (CM), the Board of Ministers, the members of which are selected from among the elected council members, and the Governor, who is appointed by the President of the country. Therefore, except for the Governor, the composition of the PC is based on its elected council members. According to the PC Act, the leader of the party that gains the majority of votes is invited by the Governor to form a government with the Board of Ministers. The CM, who is appointed by the Governor, becomes the political head of the province, and commands support

¹³ The first PC election was held in the North Eastern Province, and the leader of the coalition of Tamil minority parties, Mr. Vardaraja Perumal, became the Chief Minister of the council, under the banner of Elam People's Revolutionary Liberation Front (EPRLF).

from a majority of the members of the Council. However, in practice, it has become traditional for the winning political party to nominate the CM. The functions and duties performed by the CM are as Chief Executive of the province. He is the foremost among the provincial Ministers, and hence must oversee the process of executive function in the provincial system. The Board of Ministers, comprising not more than four other ministers, is collectively responsible and answerable to the PC, and it is the CM's responsibility to ensure such collective responsibility. The Ministers, including the CM, are assigned functional responsibility for specific subjects. The CM himself takes over important ministries such as finance, planning, personnel, and provincial administration, which enables him to exercise effective control over the vital functions of provincial administration.

The other members of the Board of Ministers coordinate their functions with the Governor, helping the CM to exercise his executive powers (Marasinghe, 2010: 15). The Governor must be kept informed of all decisions and information relating to the administration and the proposals for legislation. In performing their functions, the Ministers must coordinate all matters with the national Ministries, since they must comply with the policies of the central ministries, as well. The Board of Ministers is responsible for translating national policy into provincial programs, and thereby, they perform a crucial role in linking the province with the central government.

Apart from the CM, the Board of Ministers, and the council members, the Governor is assigned a key role in the functioning of PCs, acting with Executive authority with respect to the subjects and functions transferred to a PC, and thus he functions as the head of the Provincial Executive (13th Amendment to the Constitution in 1987: 154c). The Governor is appointed by the President, according to his discretion (13th Amendment to the Constitution, 1987: 154b-1). The functions assigned to the Governor, who is appointed for a term of five years, are to ensure that the devolved powers are exercised within the framework of the law. Functions assigned to the Governor are classified as follows:

- i. Matters relating to the Councils: to summon, prorogue and dissolve the Council; to address or send messages to the Council Matters relating to statutes and policy-making; to send messages to the Councils with respect to a statute; to call for proposals for legislation from the Chief Minister, to assent to statutes, and return

statutes for reconsideration; where a statute is passed for a second time, to reserve for references by the President to the Supreme Court.

- ii. Matters relating to the Board of Ministers: to appoint the Chief Minister and the Board of Ministers, and to negotiate with the President of the country; to submit the decisions taken by each minister to be considered by the Board of Ministers.
- iii. Exercise of executive authority: to exercise executive power through the Board of Ministers, directly or through officials.
- iv. Financial management: to make rules and regulations related to provincial finances; to receive the Auditor General's reports on accounts of provincial finances and to present them before the councils.
- v. Provincial public service: to appoint, transfer, discuss or take disciplinary action with respect to officers of the Provincial Public Service Commission; to provide for and determine all matters relating to officers of the Provincial Public Service; to appoint the Provincial Public Service Commission (Source: 13th Amendment to the Constitution in 1987: 154b-8).

The role of the Governor in the PC is significant. As the representative of the President and head of the executive authority of the PC, the enacting of his power is vital for PC functioning. On one hand, the exercise of the Governor's discretion is at the President's direction. In a situation of grave national crisis, for example, the Governor acts on the direction of the President. On the other hand, as head of the Provincial Executive, he must oversee the functioning of the provincial system and stay apprised of its activities on a regular basis, in order to take timely and meaningful action. Moreover, he acts as a constitutional and legislative safeguard, ensuring the proper functioning of the PC system. He must ensure the constitutionality of statutes; that executive actions of the province are in keeping with national policy; and that there is no mismanagement of finances; and overseeing matters relating to the proper function of the Provincial Public Service Commission (PPSC). Despite the fact that the Governor is the executive head of the PC, he functions on the advice of the Board of Ministers and the CM of the Council. In the exercise of his functions, the Governor must act in accordance with such advice, except where he is required to act using his own discretion.

3.4.2 Power-Sharing

Subjects and functions assigned to the PCs mainly comprise matters of a regional concern and focus, bearing directly on the day-to-day life of the people. According to the Provincial Councils Act, the separation of subjects and functions between the central government and the PCs is set forth in the Ninth Schedule of the Constitution. In this Schedule are set forth “Lists” — List One (Provincial), List Two (Central Government), and List Three (Concurrent). List One delineates the exclusive domain of devolved authority; List Two sets out areas reserved for the central government, including national policy on all subjects and functions; and List Three, or the Concurrent List, comprises subjects shared between the PCs and the central government. Any subject or function not listed on the PC List or the Concurrent List will come under the purview of the central government. In this context, it should be noted that the subjects and functions devolved to PCs are only what have been expressly set out in List One or List Three.

However, there is no clear demarcation in some of the subjects and functions as to who has the absolute power to carry them out (Egalaheva, 2010: 149). For instance, land powers are vested in the PCs, but the central government has the same powers. In such a context, ambiguity arises as to who will control which (See, Annexure: 6), and the central government can often impinge on areas that come within the purview of the PCs. This highlights the problem that in demarcating the subjects and functions of a PC, specific attention was not paid to maintaining distinct boundaries between the two levels of governance.

PCs are vested with both legislative and executive powers, under the Provincial Councils Act. The legislative powers are listed under the aforementioned PC List (List One) and the Concurrent List (List Three). By virtue of the power derived from the Constitution, a PC is authorized to enact statutes on any matter set out in List One (Provincial List), such as local road development, or List Three (Concurrent List), which consists of functions having to do with land, irrigation, and agriculture that can be worked out collaboratively between the provincial government and the central government. With respect to the functions in List Three (Concurrent), however, a PC is entitled to make laws that can then be passed, reviewed, or rejected by the central government. If a PC passes a law on a subject entrusted to it, and that subject does not comply with the central government’s provisions, it would then become incompatible with the provincial statute. Therefore, such law becomes inoperative within the province

until it becomes consistent with the Constitution. The Governor of the province must approve laws passed by a PC before they are enforced. Developmental projects designed by PCs within their provisions become law, and receive funds during the fiscal year from the provincial fund (13th Amendment to the Constitution, 1987: 154g-9).

Legislative powers related to the responsibilities and functions of the PCs, however, are subject to certain conditions and limitations. In respect of subjects in the Concurrent List, for example, Parliament has the power to review the legitimacy of related matter. Therefore, PCs are not fully autonomous, as their powers and functions are subject to parliamentary review (Selvakkumaran, 2010: 75). In this context, it is apparent that PCs require Parliamentary sanction to enact laws relating to certain matters. For example, when a PC's bill had been referred by the Attorney General (AG), it can be passed or rejected by a simple majority of Parliament. However, if one or more PCs disagree, they need a two-thirds majority to pass such a bill (Provincial Council Act No.42, 1987: 15a).

PCs, which constitute democratically elected members and the Governor appointed by the President, also are vested with executive power (Provincial Councils Act No. 42, 1987: 154c). However, in reality, the right to exercise its executive power lies solely with the Governor, who exercises it in consultation with the CM of the Board of Ministers. The reason for such power resting with the Governor is to grant him the final authority to enact the laws created by the Board of Ministers. However, in the normal course of events, the Governor must exercise his functions in accordance with the advice of the CM and the Board of Ministers, except in instances where he is expected to act using his own discretion.

It is also important to note that under specific circumstances, the PCs will cease to function, and their administration will be taken over by the central government. These specific circumstances are: (1) in the event that a PC becomes a threat to the national and public security; (2) if a PC should fail to comply with directions given to the Governor, or to follow the Constitution; and (3) if the administrative machinery of a PC fails, and /or the PC experiences financial instability (Provincial Councils Act, No. 42, 1987: 16a).

3.4.3 Center-Province Relations

Devolution does not function in a vacuum. While there is a division of power between the central government and the PCs, such division emphasizes the need for an on-going dialogue or exchange of views, based upon cooperation and continuity between the center and the province (Dissanayake, 2003: 33). By its very nature, devolution of power to the PCs generates regional identity and consciousness, promoting a provincial power position. On one hand, the center-provincial relationship appears to determine the success of the devolved governance. On the other hand, this relationship ensures the simultaneous balance of national vs. regional interest (De Zoysa, 2003: 22).

The relationship between the central and the provincial governments is embodied in the functions of several central and provincial institutions and procedures. Among these institutions, the Parliament of the central government plays a vital role in strengthening the central-provincial relationship. More specifically, the Ministry of Provincial Councils (MOPC) was set up in 1989 for the purpose of establishing PCs, with the President as its Minister¹⁴ (Gunawardene, 1991: 20). The Ministry assists PCs in setting up the core organizational and procedural framework in order to help them to execute their subjects and functions smoothly. The emphasis and concern of the center have therefore moved into the arena of problem-solving in devolution, such as transferring subjects, functioning and staffing, monitoring the management of government grants, the relationship between the central government and the PCs, and providing technical guidance and support for PCs.

With regard to policy, a high-level relationship exists between the President and the Governor. Since the President appoints the Governor, the Governor represents the President's discretion in the province. In fact, it is through the Governor that formal central control can be exercised over the PC system. The power vested with the Governor is derived from the Constitution, thereby ensuring a watchdog role of the Governor in overseeing the functioning of devolution. Hence, the Governor-President relationship is strategic to the center, as well as to center-province relationship.

¹⁴ The Provincial Council functions were to be overseen at the center by the Ministry of Public Administration and Provincial Councils and Home Affairs in 1989. A Minister of State was entrusted with execution of responsibilities. When cabinet restructuring and reshuffling took place in March 1990, the subject of PCs was assigned to a Project Ministry.

The Finance Commission (FC) is another vital institution in the center-province relationship, initiating dialogue with PC authorities, representatives of the Treasury, and the MOPC regarding decentralized finance. The Parliament, the President, the Governor, the FC, and the Auditor General (AdG) — reflecting the legislative, executive, and financial spheres in a broad sense — are all involved in this exercise. This inter-dependent structure ensures the center-province relationship, as they play their mutually supportive roles in financial matters. The participation of the Treasury in the dialogue enables collaboration towards a management consensus as to funding amounts, issues, and priorities. While analyzing center-province financial relations, however, Gunawardene notes that the center always gains the upper hand (Gunawardene, 1991: 21).

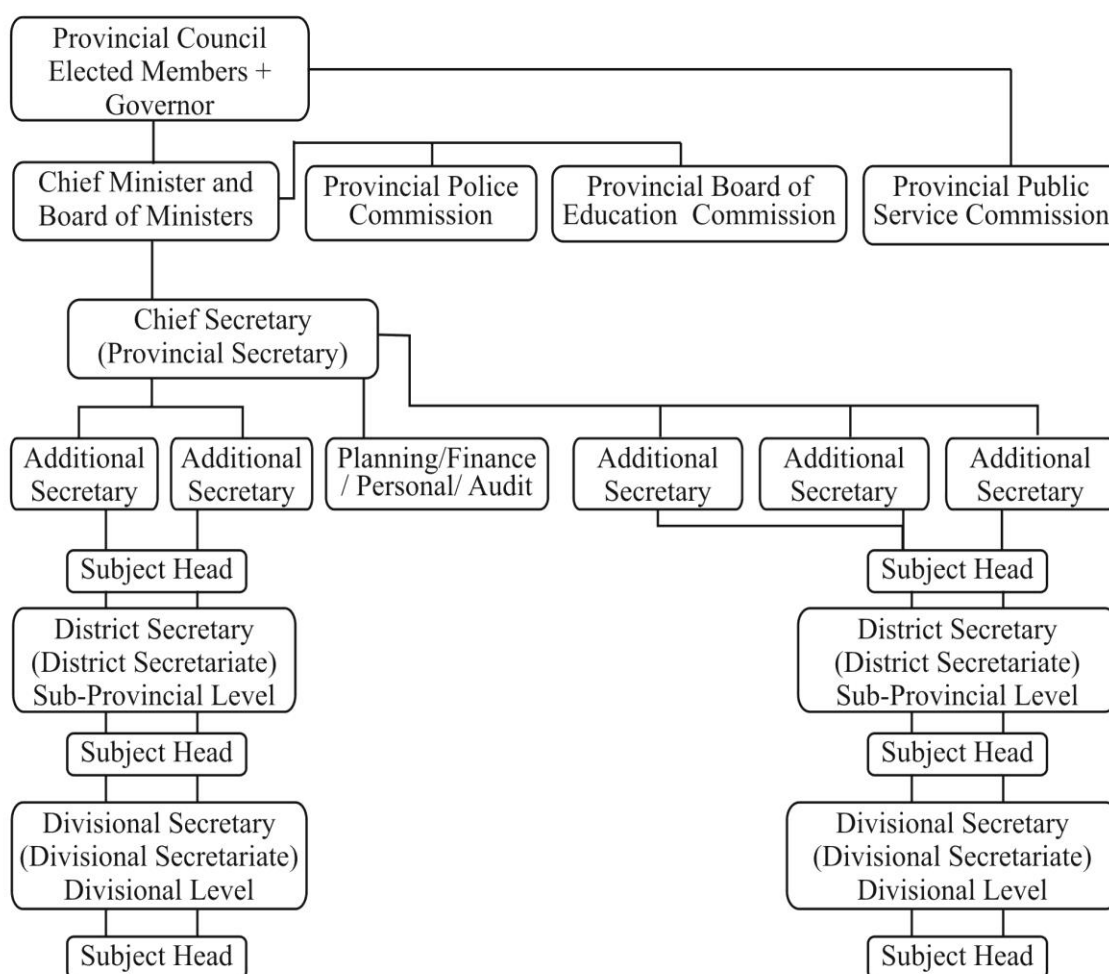
3.4.4 Provincial Council Administration

With the setting up of PCs, provinces took over the administration of the districts, which previously had been under the GA at district level/sub-national levels. This sub-national administration comprises the extensive service delivery network related to devolved subjects, the local authority system, and the village level cadres and organizations. However, this previous district administration under the GA also functioned as part of the central government mechanism. Nevertheless, the nature and scope of the devolved administration are fundamentally different from that of the earlier district administrative system.

Provincial administration is organized at three levels: the provincial level, which is primarily responsible for planning, budgeting, programming, monitoring, and reviewing; the sub-provincial level, for additional support for functions of the provincial level, co-coordinating, and implementation of the formulated projects; and the divisional level at the bottom, for implementation of programs and service delivery. The President of the country legally appoints the Chief Secretary (CS) of the PC from senior civil servants, in concurrence with the CM. The selection of the CS, who functions as the administrative head of the provincial administration, depends mainly on either the availability of senior civil servants in the Administrative Service, or the request of the CM. In keeping with the notion of collective responsibility of the Board of Ministers, a

Provincial Secretariat under the CS provides administrative support to the political executive.

Chart 3.2: Organization of Provincial Council Administration



Source: Annual Report, Ministry of Provincial Council, 2003

The CS functions, as the central authority in PC administration, as the chief accountant and, in most provinces, is responsible for planning, finance, and personnel. The Subject-Heads that are selected as specialists in matters relating to respective functions are assigned their respective duties by the CS and the sector secretaries. Their primary functions at the provincial level are to integrate national policy into provincial development plans and programs and to monitor and evaluate PC service provision. They are not directly involved, however, in the implementation, operations, or the delivery of services. In this manner, the former district level role has been transformed into a sub-

provincial program support role. Subject-Heads in District Secretariat (DSect.) provide technical guidance and support to the Divisional Secretariat (DSt.) operations. At the sub-provincial level, provincial administrative functions are conducted under the District Secretariat (DSect.), which is led by the District Secretary (DS), who functions simultaneously under the CS of the province and the secretary of the central government's Ministries. The role of the DS is to coordinate the provincial and national functions in the district.

The divisional secretariat is the lowest administrative institution. It performs the devolved functions and delivers developmental and welfare services to the people. The Divisional Secretary, who leads the divisional secretariat, performs a systems management role, integrating several functional services into a development program for the division. The divisional secretariat comprises the clerks and other subject-related officials, including the Grama Niladhari¹⁵ (Village Officers).

As far as provincial administration is concerned, under the Provincial Councils Act, the PCs are entitled to establish a Provincial Public Service (PPS) to be responsible for provincial administration in the respective PCs. The PPS functions on the basis of powers delegated by the Governor. The Governor has been entrusted with power to make appointments and transfers, and to maintain the disciplinary control over the PPS under the guidance of the PPSC, which plays the advisory, regulatory, and consultancy roles for the PPS. The PPS consists of public service personnel who are responsible for the implementation of the PC laws.

The PPSC comprises six members appointed by the Governor, and is responsible for recruiting, promoting, and firing the Provincial Councils' administration personnel and ensuring that they conform to the prescribed code of conduct and standards of behavior. The codes of ethics, principles, and procedures of the PPSC are established by the Governor, and the status and function of the PPSC is modeled after the All-Island Public Service Commission (APSC) of the central government. Even though the objective of the Provincial Councils Act is to establish the PPSC as an independent body, thereby securing the independence and autonomy of the PPS, this attempt has failed, as

¹⁵ These function as multi-purpose village-level officers within the divisions, linking public services to the people.

the Governor (who is responsible to the President) has since gained authority over the PPSC (Bandara, 2010: 171).

Nevertheless, the introduction of the PPS and the PPSC is a significant breakthrough in the pre-PC, state-centered administration, which had been dominated by the All-Island Public Service (APS) and the APSC.

Though PC reform sought to formulate an autonomous Provincial Public Service, this office is not permitted to conduct provincial public servant recruiting and management (De Zoysa, 2003: 26). Thus, necessary officers for the provincial administration of PPS are absorbed from the APS. Accordingly, promotions, transfers, and salary increases are controlled under the central government's procedures. In some cases, however, PCs are authorized to recruit personnel under certain specific procedures. For instance, when a PC wants to recruit a teacher into the Provincial Education Service (PES), the CS must pass this through the Central Education Ministry to the National Management Board (NMB). Then, the NMB will consult the FC and the Treasury to reach a decision (Wijeweera, 2003:48). The implication of this procedure is that the way the PPSC and PPS were introduced under the Provincial Councils Act for provincial administration has not delivered the desired results, in terms of the autonomy of administration.

3.4.5 Provincial Court (High Court)

The Constitutional provisions for devolution also provide for the establishment of a High Court for each province (13th Amendment to the Constitution, 1987: 154). This introduction of a High Court reflects structural changes in the judicial process, through which the High Court exercises powers related to criminal jurisdiction, appellate and revisionary jurisdiction, and other jurisdiction as may be provided by Parliament, within the province. In addition, the High Court has jurisdiction to issue orders in the nature of *habeas corpus* within the province under any law or statute made by the PC in respect of any matter set out in the PC List. The Chief Justice of the High Court of the province is nominated from among judges of the High Court by the Chief Justice of the country, and appointed by the President (13th Amendment to the Constitution, 1987: 154c-2).

3.4.6 Financial Devolution

Decentralized fiscal structure in every country has as its basic elements expenditure assignment, revenue assignment, and a mechanism for inter-governmental transfer. In addition, an appropriate set of institutions must be put in place to carry out these responsibilities. In Sri Lanka, the first step was to break down state-centered fiscal management by formulating provincial finance regulations, re-structuring taxation, and institutionalizing a finance commission as a financial body to carry out PC functions. Next, financial procedures were established, with constitutional guarantees of provincial revenue, expenditure, and an adequate allocation from the annual budget of the provincial fund for the purpose of meeting the needs of the provinces. Consequently, legislation in the form of financial statutes has been passed by the respective PCs, taking effect on January 1, 1990. Further, in order to maintain uniformity of application of financial statutes, substantive and procedural laws were adopted. Accordingly, no money may be withdrawn from the provincial fund except under a warrant issued by the CM of the province. Such withdrawal of funds must be authorized either by statute passed by the PC, or by law as charges on the fund.

The revenue sources devolved to the provinces are itemized in List One of the Ninth Schedule to the 13th Amendment (See Annexure: 5). Under these provisions, there are several sources of revenue that had previously been allotted to the central government, which were then devolved to the PC level. Though it seems at first glance that there are many financial sources available to the PC, closer scrutiny reveals that the main source consists only of business turnover taxes, stamp duties, and motor traffic fees, while excise duties and court fines are among other substantial revenue sources. Table 3.4 shows the revenue statistics of PC revenue collection by various sources from 2002 to 2004. The business turnover tax from the province's private business is the most important source of PC revenue, averaging 45% of the total, followed by the stamp duty (25%), and motor license fees, amounting to 14%. Business Turnover Tax (BTT) is defined as the total amount received or receivable from business transactions under the Business Turnover Tax Act No. 69 of 1981. However, this does not include any amount received or receivable with respect to the sale of capital assets. The second highest revenue, the stamp duty, is levied on instruments or documents relating to investments, transfer of immovable properties, documents presented or filed in proceedings in any court, and transfer of motor vehicles in the province. The motor traffic fee, which records

the third highest revenue, is derived from motor vehicles. The PCs act as the licensing authority of motor vehicles in the province, and licensing fee is levied through the province. Obviously, the income received by the respective councils mostly depends on the number of registered motor vehicles in the province.

Table 3.4: Provincial Revenue Collection by Sources, 2002-2004

Revenue (000')	Year		
	2002	2003	2004
Business Turn-over Tax %	4,466,884 (48.45)	5,064,262 (44.51)	5,912,870 (44.38)
Stamp Duty %	1,965,081 (21.32)	3,206,874 (28.19)	3,761,712 (28.23)
Motor Traffic Fee %	1,443,462 (15.66)	1,710,727 (15.04)	1,668,754 (12.53)
Excise Duty %	193,366 (2.10)	242,998 (2.14)	259,899 (1.95)
Court Fines %	433,693 (4.70)	476,552 (4.19)	579,699 (4.35)
Others %	716,228 (7.77)	675,084 (5.93)	1,140,526 (8.56)
Total	9,218,714 100	11,376,497 100	13,323,460 100

Source: Finance Commission of Sri Lanka, 2004

The majority of sources listed in Section 36 of Ninth Schedule yield little or no revenue for the PCs. For instance, fees under the Medical Ordinance are collected by the Medical Councils for registration of medical practitioners, dentists, pharmacists, and midwives. Consequently, PCs receive no revenue from these sources. The fees collected under the Fauna and Flora Protection Ordinances can be claimed by the councils only if boundaries for areas such as parks are located within their jurisdiction. Fees on land alienation, land revenue, charges under the weight and measure ordinance, license fees on manufacturing and selling of toddy and arrack are also devolved to PCs as sources of revenue, although the total collected from those sources is insignificant.

Despite the significant contribution of the business turnover tax among the provincial revenue sources, the proportional validity of a PC's total revenue appears

insignificant when compared with central government revenue. The revenue sources devolved to the PCs accounted for less than four percent of the government's total revenue.

Table 3.5: Provincial Councils' Revenue in Relation to Central Government Revenues (1999-2004)

Provincial/Central Revenues	Year (Rs. Millions)					
	1999	2000	2001	2002	2003	2004
Central Government Total	195,905 (17.7)	211,282 (16.7)	234,296 (16.6)	261,887 (16.5)	276,516 (15.7)	311,437 (15.3)
Provincial Total	6,993 (0.6)	7,534 (0.6)	8,674 (0.6)	9,336 (0.6)	11,625 (0.6)	13,522 (0.6)
% of Provincial Total/Government Total	3.5%	3.5%	3.7%	3.7%	4.2%	4.3%
Central Government Tax	169,029 (15.2)	182,392 (14.5)	205,840 (14.6)	221,837 (14.0)	231,648 (13.1)	281,552 (13.8)
Provincial Tax	5,965 (0.5)	6,478 (0.5)	7,539 (0.5)	7,952 (0.5)	9,968 (0.5)	11,544 (0.5)
% of Provincial Tax/Government Tax	3.5%	3.5%	3.6%	3.6%	4.3%	4.1%

Note: Figures in parentheses denote percentage/GDP

Source: Central Bank of Sri Lanka, 1999-2004

Table 3.5 shows the revenue statistics for PCs in relation to the government from 1999 to 2004. Figures reveal that the sources devolved to the PCs account for an average of only 3.6% of the central government's total revenue, while provincial tax revenue averages about 3.7% of central government tax revenue or 0.5% of GDP during the period. Thus, only a relatively small proportion of the country's revenue has been devolved to the sub-national units.

These inadequate revenue sources resulting from financial decentralization provisions have led to the weak revenue capacity of the PCs, adversely affecting their functional effectiveness. Therefore, as shown by the scant level of internal provisional revenue, excessive dependency on the central government is inevitable in Sri Lanka, a situation that undermines provincial service provision.

3.4.6.1 Central Transfers

Central government transfers are generally intended to serve one of the following three purposes: (1) to ensure that sufficient resources exist at each level of government (i.e., district or local) to finance its services responsibilities; (2) to compensate for externalities, such as when taking over personal assets; and (3) to offset undesired developmental differences at the sub-national level (Fox, 2007: 18). Hence, the constitutional framework for devolving expenditure responsibilities to the provinces requires the establishment of schemes of financial transfer to provinces for the purpose of meeting their respective expenditures. The devolution reform in Sri Lanka, therefore, formulated principles for the apportionment between the provinces of funds allocated from the annual budget. The scheme of financial allocation from the central budget follows four transfer instruments: block grants; matching grants; criteria- based grants; and specific development grants.

Block grants are intended to meet recurrent expenditure needs of the provinces, calculated as the amount needed to fill the gap between a pre-determined proportion of the recurrent expenditure of the province, and the devolved revenue collected by that province. In other words, the block grant is made primarily as reimbursement for annual wage costs (though it is set off against the PC's own source of revenue).

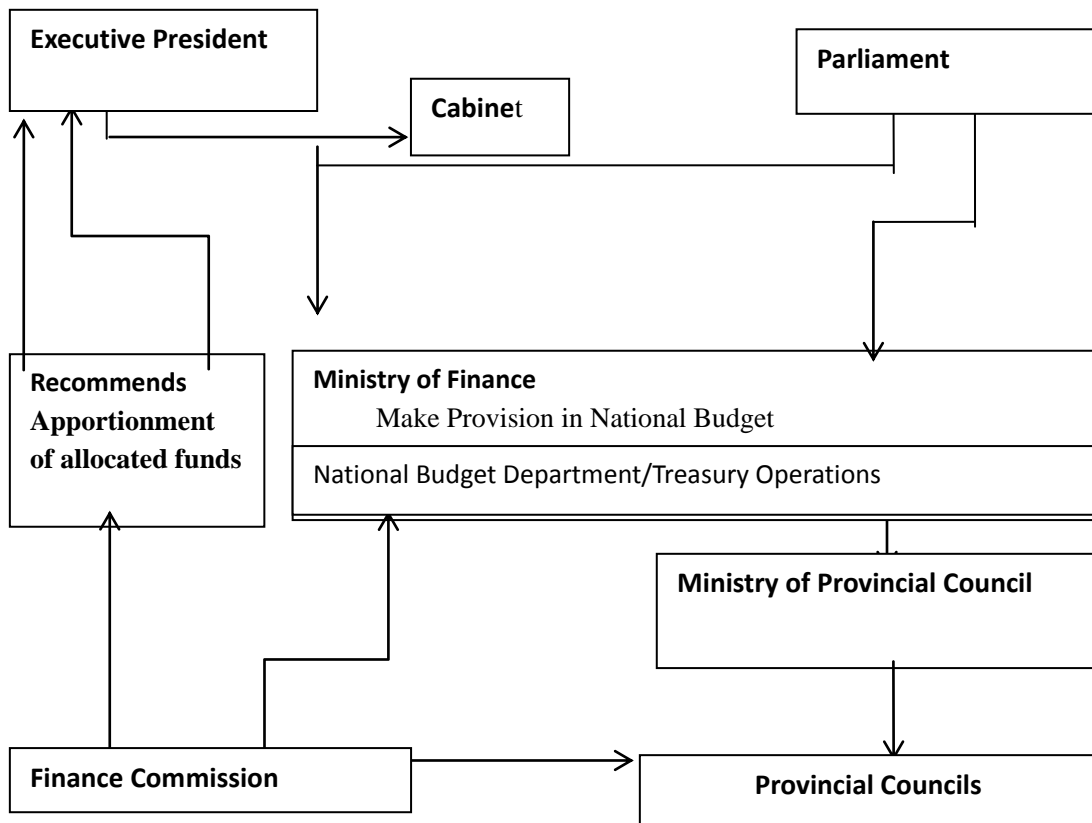
Matching grants are allocated to reward revenue effort, computed on the basis of the formulae that relate the excess of the actual collection of devolved revenues by a PC in a given year to benchmark revenue, representing the revenue generated from the revenue assignment in a base year.

Criteria-based grants are allocated on the basis of a set of socio-economic indicators taken as the criterion for apportionment. The criterion reflects differences in per capita income and other social and economic disparities, aiming at higher allocations to more disadvantaged provinces.

Finally, specific development grants are provisioned for identifying provincial capital investment in specific development projects in the respective provinces (Finance Commission of Sri Lanka, 2004: 14).

Procedures for the allocation of devolved funds to the PCs were designed with the involvement of key institutions of the government, such as the Head of the State, the Treasury and the FC.

**Chart 3.3: Inter-Governmental Transfer Mechanism:
The Mechanism for Allocation, Apportionment, and Channeling of Funds to the
Provinces**

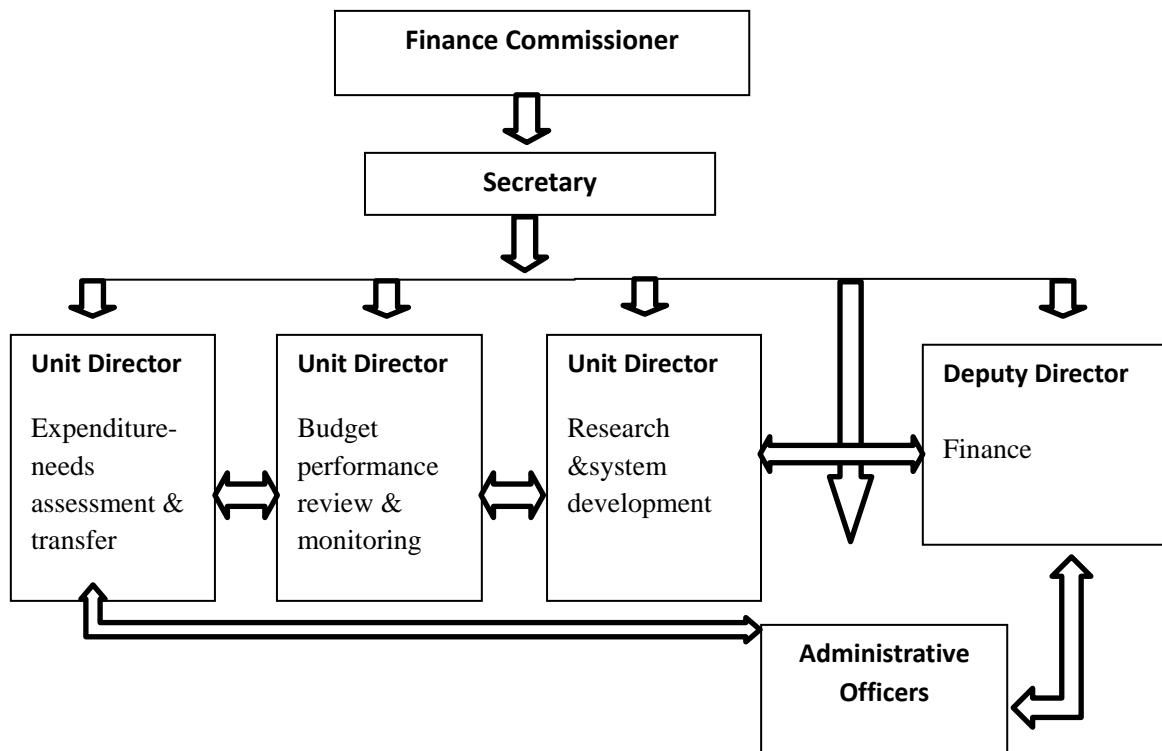


Source: Annual report, Finance Commission of Sri Lanka, 2004

Chart 3.3 shows the channels for fund allocation to the PCs. According to their financial needs, PCs request funds from the Finance Commission (FC), whose duty is to provide guidance and consultation for PCs and coordinate the central government and PCs regarding financial matters. The FC issues guidelines to the PCs indicating how their requests should be forwarded.

After reviewing and assessing the financial needs of each PC, and in consultation with the National Budget Department in the Treasury, the FC makes the recommendation to the President on actual financial needs of the PCs. The draft proposal of recommended funds to be allocated to the PCs is then presented to the Parliament for approval, and finally to the President for his approval. After approval, it is sent to the Ministry of Finance (MOF) to make necessary provision from the national budget. Finally, the funds are released to the PCs through the MOPC of the central government.

Chart 3.4: Administrative Structure of the Finance Commission



Source: Annual Report, Finance Commission of Sri Lanka, 2004

According to the Provincial Councils Act, this financial decentralization mechanism was introduced to ensure proper functioning of devolution reform. It is for this purpose that the FC was established under the 13th amendment to the Constitution. Thus, the FC is a key instrument for regulating the system of devolution of power to the provinces and center–province relationships in the area of provincial finance.

The FC is intended to consult with and recommend to the government the nature of fund allocation required to meet the needs of the province. The fund should be allocated from the annual national budget, and recommendations are to be made to the President as to the principle on which funds by the government to the province should be allocated. Moreover, any other matter regarding provincial finance referred to by the President falls within its ambit. Thus, the FC is responsible for formulating principles for achieving balanced regional development in the country, taking into account the population and per capita income of the provinces (13th Amendment to the Constitution, 1987: 154r).

The FC consists of the Governor of the Central Bank, the Secretary to the Treasury and three other members appointed by the President to represent the three major communities — Sinhalese, Tamil and Muslim — each of whom shall be a person who has distinguished himself, or held high office in the field of finance, law, administration, or business. The Secretary of the FC is a high level official appointed by the President from among the experienced bureaucrats in administrative service, who is positioned on par with the Secretary of Ministries. There are three directors and one deputy director under the Commissioner of the FC who are involved in expenditure-needs assessment, budget performances review, research and development, and finance.

3.5 Problems and Concerns

With the implementation of the 1987 devolution reform, there have been significant changes in Sri Lanka's governance structure. Devolution of state-centered authority by institutionalizing devolved power and functions at the provincial level paved the way for alternative procedures and functions. However, the success of the governance reform is determined by the implementation of the reforms and the socio-economic conditions in the respective contexts (Rodinelli, 2006: 399). Design of the reform and its nature, scope, and the legal provisions for its establishment play a pivotal role regarding those conditions. Thus, on the basis of the PC reform, this study offers some critical remarks about the impediments, action, and inaction of the center and PCs that can undermine the success of devolved governance.

3.5.1 Inadequacy of the Provincial Legal Framework

As described earlier, the 13th amendment to the Constitution vested PCs with legislative power to pass statutes with respect to functions stated in the Provincial and Concurrent Lists. However, in passing law related to the Concurrent List, the PC must consult with the Parliament and the President, since authority related to those functions are vested with both the center and the PC. A comprehensive and coherent framework of provincial statutes that creates no conflict with the central government's (national) interest is therefore a pre-condition for the provinces to exercising executive authority (Dissanayake, 2003: 34). However, several drawbacks seem to have prevented the

provinces from establishing a comprehensive, clear, and secure legal basis for effective functioning.

The difficulties in interpreting the scope of the Provincial and Concurrent Lists are pointed out by many analysts, who have raised concerns about the non-uniformity in the demarcation and definition of power and functions of the Lists. For example, Gunawardena notes that with respect to the Agrarian Services Bill, the Supreme Court has observed that it is not possible to determine whether the matter is a List One or List Three function by merely looking at the headings of those Lists (Gunawardena, 2002: 12). Accordingly, the preciseness of matters that are included or excluded in terms of the three Lists needs to be determined by consideration of the nature and scope of each individual item. This lack of distinction has resulted in both the PCs and the center formulating separate statutes for the same function, thus impeding the respective institutions from performing their functions smoothly.

The passing of an additional Act related to the 13th amendment to the Constitution (Provincial Councils Act No. 42 in 1987 and No. 12 in 1989) to grant executive power to the PCs is yet another example that can be cited for inadequacy of the legal framework. Under this Act, provincial authorities were granted executive power under the central government law, which in a sense addresses the issue of passing statutes. Even though this law granted the executive power to PC in a legal sense, it did not help the PC in a practical sense, as executive power remained within the realm of the center.

3.5.2 Excessive Dependence on Central Finance Sources

The design and implementation of fiscal devolution became a key factor for creating responsibility and accountability for provincial decision-making. It reflected an arrangement for sharing resources and the manner of their disbursement. The provincial revenue and expenditure responsibilities, as well as the central transferring mechanism, have been laid out by introducing a new tax structure and a Financial Commission. The transfer of revenue through an inter-governmental transfer mechanism must be addressed because of issues of imbalance between expenditure and revenue assignments. This has been noted by many critics (Gunawardena, 1991; Waidyasekara, 2000) commenting on the fiscal capacity of PCs. These critics have focused mainly on two aspects: (1)

identification of revenue sources; and (2) the inter-governmental transferring mechanism.

The main argument raised by these critics is that in the PCs, there is an inadequacy of provincial revenue sources and unavailability of competent institutional, procedural, and human resource infrastructure related to revenue collection. In the first year of revenue collection in 1991, estimated revenue to be collected amounted to Rs.2087 million. Except in the Western Province, which recorded Rs. 446 million, or 55% of its estimated revenue, revenue in the Central, Southern, and Northwestern Provinces yielded only a negligible fraction, such as Rs. 5.8 million (or 10.3%), 4.9 million (9.03%), and 4.1 million (8.15%), respectively (Finance Commission, 2004). The reasons for failure to collect revenue are attributed to the legal constraints of PCs, as well as their lack of competent staff (Waidyasekara, 2000: 21). Moreover, though PCs are keen on having more sources of revenue for improving revenue capacity, further expansion of the tax base is subject to the extent permitted by or under relevant law passed by the Parliament. PCs are not authorized to introduce any tax reform of their own. Therefore, the PCs are dependent on the center for improving their revenue sources.

As far as inter-governmental transfers are concerned, much attention has been paid to appropriateness of procedures and mechanisms. In particular, the systems for assessing provincial financial needs and the mechanism for the allocation of funds have, once again, reduced the PCs to a position that is heavily dependent on the center. The present financial provision apparently is not sufficient to support the PCs financial requirements, given the specific functions that PCs are expected to fulfill at the provincial level. The FC was set up for coordinating, mediating, and facilitating these functions by providing consultation for the center and the provinces, and functioning as the central agency. However, its composition of membership does not include provincial representatives. Therefore, the FC functions as a central government institution, rather than as a mediatory body to serve center-provincial interests. As it has a tendency to be closer to the center, and with the tedious procedures that it must follow, there is a great delay in executing the transfer of funds from the center to the PCs. Therefore, it is argued that the possible recurrence of funding delays due to obstructive institutionalization and flaws in the allocating mechanism may further exacerbate the PC's dependence on the center (Waidyasekara, 2003: 24). Therefore, the center needs to address decisions

regularly with respect to devolved functions that have financial implications for the province, and avoid delays in providing the necessary funds to meet the additional financial obligations of the respective PCs.

The argument that financial status is fundamental for better service provision of the PCs is weakened by the reform itself. Lack of revenue sources and legal constraints that obstruct the introduction and increase of tax rates in PCs, as well as the funding allocation mechanism, all related to the rigid procedures of the center, have combined to result in the overall weak financial status of PCs and their heavy dependence on central funds.

3.5.3 Lack of Capacity and Capability to Draft Statutes

Devolved governance calls for a lengthy, complex, and complicated process of formulation of statutes. Therefore, it requires more ability to engage in legal drafting for successful local service provision in the respective units. With regard to the PC reform, many critics have expressed concern over the legal and administrative effectiveness for this task. The main point of concern is the unavailability of institutional and human resources for drafting statutes of the PCs (Amarasinghe, 2010: 92). Since PCs do not have their own Legal Draftsman's Department or an Attorney General's Department (AGD),¹⁶ they hesitate to seek advice and opinion on the constitutionality of drafted statutes from those institutions of the central government. Furthermore, no adequate human resources to tackle legal aspects relating to statutes are available in the PCs. Therefore, the PCs must depend on the AGD, which is mandatorily responsible to the central government (De Zoysa, 2003: 22).

3.5.4 Central Control of Provincial Discretion

The essence of devolution is balancing national and local discretion in the governance process (Manor, 1999: 3). Therefore, the required institutional and functional

¹⁶ In Sri Lanka, the Attorney General Department was established to review the constitutionality (legality) of the statutes made by the government prior to presenting them to the legislature (Parliament). The Attorney General Department functions under the control of the Attorney General for the Country.

arrangements are set out in the legal provisions of the Constitution. However, instead of making arrangements to balance national and local discretions, an elaborate system of central control of provincial discretion has evolved under national policy. Thus, national policy on all subjects and functions, catering to the needs of the center, exists, while the interests of the PCs are suppressed. This situation has undermined provincial interests, which are meant to facilitate devolution. The center's dominance over provincial discretion is evident in the organizational structure for service delivery and development programs, as well as for organization and staffing, as discussed briefly in the following sections.

The organizational structure for service delivery that was used before the introduction of PC reform can be seen even today. A good example is the case of Divisional Education Office, which is the sub-provincial (district level) administrative office in central administrative structure for education. This institution, while having an administrative function under the central government, has a similar function as the district level office under the Zone Educational Office in the provincial government.

The provincial service delivery structure has been created by the central government as a national policy and adapted by the provinces. Accordingly, PCs must recruit its support staff from the all-island administrative service, who are then employed by the PCs. This undermines provincial responsibility and accountability, as PCs are deprived of the right to recruit required staff independently of the central government.

Similar to the service delivery procedures, most services entrusted to PCs are also directly functioning under the intervention of national policy. The scope and content of activities of the programs are largely, if not entirely, determined by the respective central government Ministries. For example, road development comes under both the central government and the PC. Within that, highway construction belongs to the central government, while local road development comes under PC authority. However, road development programs such as *maganguma*, which aim to develop the local road network and hence should belong within the purview of the PC, are carried out by the central government. This situation is evident in a number of other services, as well, such that the objectives, process, and procedures are determined at the discretion of the central government, and only extension and facilitation activities are undertaken by the respective PCs.

Another aspect of central control of provincial discretion is reflected in the sphere of cadre and staffing of the PCs. As far as PC administration is concerned, the center approves cadre and staffing for the provincial Ministries, departments, and agencies. In this process, the center determines the posting of officers who come from the respective all-island services for key subject areas of the PCs, such as health and education. Once cadres are approved by the center, the PC has no authority to make internal adjustments or deployments. PCs must follow the direction of the central government on staffing, rather than making administrative arrangements for their staffing procedures and guidelines.

3.5.5 Parallel Administrations and Their Consequences

The introduction of PC reform has paved the way for virtually two administrative structures: the already existing central government administrative structure; and the newly created PC structure. Hence, despite the formulation of the PC structure, the pre-PC administration system through district and divisions continues to function concurrently with the one initiated by the PC reform. For instance, district secretariats and divisional secretariats, which were the sub-provincial and lower level, administration structures under the previous system function with PC administration at the same levels simultaneously. Hence, the result, since PCs reform, is the creation of a parallel administration system, located in the same structure of administration hierarchy.

As far as the central administrative system is concerned, its structure is administered by the central political authority as a means of service provision to the local people. Therefore, central government politicians consider the district as an area for sub-national level engagement, while divisions, as lower level units, represent their respective electorates. As their political survival is determined by developmental governance in these divisional units, central government politicians tend to initiate development projects under the administration of divisional secretariats by using their decentralized budget.

As far as the provincial system is concerned, the DS as Head of the divisional administrative units is responsible to the CS of the PC, who leads the provincial administrative hierarchy. These divisional secretariats must follow the direction of both central and provincial authorities, functioning under different discretions. Therefore, the

existence of a parallel system causes a failure of coordination, as noticed in local service delivery. As pointed out by Amarasinghe (2010), the presence of a dual-structural administrative system is a significant constraint to provincial autonomy, as devolved provincial service delivery must be managed by and through the central government's DSts. Moreover, this parallel presence undermines not only the anticipated provincial role and responsibility of the PCs, but also handicaps devolved service delivery due to dominance of the center.

When both the central and provincial administrations operate simultaneously, the center dominates the delivery of services (Amarasinghe, 2010: 120). This can occur in two ways. First, there are administrators who are attached to the central Ministries that also operate at the provincial level. For example, the Provincial Education Directors in the National Education Department become the Directors of the Provincial Education Departments of the respective PCs. They must perform a dual role as an agent of both the center and the PC. However, the career development of this Provincial Director, who belongs to the all-island public service, is determined by the central authority. This influence could undermine provincial autonomy, and confuses the role of the Provincial Education Directors. Second, there are several central agencies, in the form of ministries, departments or statutory authorities that are physically present in the provinces, staffed by the center, and engaged in providing overlapping services in the provinces. These include national schools, national hospitals, and field operations in agriculture, social services, probation, and childcare, as well as statutory agencies, such as the Southern Development Authority (SDA). This parallel existence and overlapping engagement is mainly due to the defective administrative and legal design of the reform, which can adversely affect the performance of devolved service delivery.

3.6 Chapter Conclusion

Sri Lanka has a long history of its own form of decentralized governance, which was later converted to a state-centered form of governance by the Western colonial powers who ruled it. State-centered governance, a legacy of British colonialism, continued even after independence. The negative consequences of this governance system jeopardized the country's economic development, worsening with time, and eventually leading the country to political turmoil, causing massive civil conflict and devastation of life and

property. In response to pressures mounting both internally and externally, the government at that time was forced to introduce, as a remedial measure, a set of new governance reforms designed to devolve power that had been concentrated at the center. Consequently, Provincial Councils emerged as a second-tier, sub-national governance institution.

This reform institutionalized a political body consisting of democratically elected representatives with Ministers and an appointed Governor that is responsible for local service provision for each respective province. With these institutional changes, a provincial public administration system came to be introduced. The FC was established to coordinate and provide consultancy services on provincial finance in the country. In addition, functional and procedural changes were also integrated into the new governing system according to the new Constitutional provisions. Even though significant structural and functional changes appeared in the governance apparatus on the surface, many drawbacks can be identified, particularly with regard to the power-sharing mechanism, the listing of shared powers, and the role of the central government. Legal constraints, central control over provincial discretion, parallel administrative structures, incompetent governance, and heavy dependence on central finance are the primary drawbacks that have affected the PCs. The inevitable conclusion is that defective design of the reform itself has undermined the efficacy of the PCs.

Chapter Four

Impact Evaluation of Decentralization on Development: Case Studies of the Western and North Western Provinces in Sri Lanka

4.1 Introduction

The main objective of this chapter is to evaluate the impact of PC reform on political, social, and economic development in Sri Lanka at the local level. The evaluation focuses on three key proxy functions of the PCs: democratic participation, education services, and road development. This analysis employs both primary and secondary data; primary data are collected through a questionnaire survey and structured interviews carried out in two provinces, the Western Province (WP) and the North Western Province (NWP). Secondary data are gathered primarily from official documents of the Ministries of the central government, the FC, and the various departments under the PCs. In addition, an overview of the two selected provinces and the three proxy functions facilitates an understanding of the impact of the PC reform on development in Sri Lanka.

The data analysis is based on three research questions used for this study. The first focuses on the structural changes brought about by the PC reform in political and administrative spheres through the selected proxies - people's participation, education, and road development functions. The second research question explores the impact of the PCs on the selected proxies. The third question relates to the factors that caused the observed impacts.

4.2 Selection of the Cases

The two sample cases, the Western and North Western Provinces are selected on the basis of their socio-economic conditions and their performances. Pre-existing socio-economic conditions in societies can significantly affect the success of decentralization reforms (Rondinelli, 2006: 396). In this light, the WP is selected, as the most developed province, socio-economically. The Western Province comprises three administrative districts — Colombo, Gampaha, and Kalutara — and forty divisional secretariat divisions (DSDs) (See Annexure: 6). It accounts for 5,361,200

people out of the total population of 20 million in Sri Lanka, within its 3,684 sq. km out of a total land area of 65,610 sq. km. It is also the most populated area, with a density of 1,523 people per sq. km, compared with 300 at the national level. As far as social conditions are concerned, the WP records the highest levels of development, due to high rates of literacy (96.6%), life expectancy (72 years), and the accessibility of basic economic and social infrastructure facilities. In economic terms, it contributes 49% of the overall GDP of Sri Lanka, with 4.4% of the contribution coming from agriculture, and 32.5% and 63% from the industrial and service sectors, respectively. In addition, 95% of the central government's administrative institutions and 90% of the industrial zones of the country, including the main trade port and the airport, are located within the province. The WP recorded US \$2,800 per-capita income in 2009, as opposed to US \$2,030 at the national level (Central Bank of Sri Lanka, 2011).

Table 4.1 Basic Information on the Selected Provinces

Basic Information	Province/National		
	Western	North Western	National
Population (millions)	5.47	2.19	21
Land area (sq.km)	3,684	7,788	65,610
Population density	1523	293	300
Adult literacy rate (%)	96.6	93.5	92.6
Number of districts	3	2	25
Number of divisional secretariat divisions	40	46	322
GDP by share of industry (by sector)			
Agriculture	4.4	28.5	20.5
Industry	32.5	32.3	26.3
Service	63.2	39.5	53.2
GDP contribution	49.4	9.4	100
Poverty gap ratio	2.4	6.2	7.1

Source: Annual Report, Ministry of Provincial Council, 2011

The NWP is selected as the second case on the basis of its performance among PCs in the country (Ministry of Provincial Councils, 2009). Since the introduction of an evaluation system for PC performance, the NWP has claimed first place each year, from 1995 to 2009. It comprises two administrative districts (Kurunegala and Puttalam), with forty-six DSDs. The NWP accounts for almost 2.1 million people within its 7788 sq. km land area, with a density of 293 people per sq. km. With

respect to socio-economic conditions, the NWP consists of semi-urban and rural areas (See Annexure: 7). As far as human development indicators are concerned, it records a 93.5% literacy rate and 71 years of life expectancy. In terms of economic indicators, a 9.4% GDP contribution of the national economy comes from the NWP, of which 28.3% is from agriculture, 30.6% from the industrial sector and 41.1% from the service sector. One third of the employees in the NWP workforce are engaged in the agricultural sector, which is widespread in the province (Central Bank of Sri Lanka, 2008).

4.3 Data collection

Proper evaluation of the impact generated by PC reform on the development of roads, education, and local democracy comparatively analyzes the changes and results of pre- and post-reform periods. The data collected from the questionnaire survey focuses on “beneficiaries’ perceptions” of the selected proxies. The survey used a stratified sampling method representing the main administrative units: Districts, Divisional Secretariat Divisions, (DSDs) and Grama Niladhari Divisions (GNDs). Altogether, four hundred and fifty (450) questionnaires were administered in the two provinces, each province receiving an equal number of 225 questionnaires.

Limiting the survey to the accounts of beneficiaries would not be sufficient; beneficiaries often refuse or fail to acknowledge benefits they have accrued (Narman and Karunanayake, 2002: 159). As noted by Narman and Karunanayake, such attitudes are motivated primarily by three factors: dependency syndrome, which is a common feature of developing societies; lack of awareness about the service provision channels and procedures; and political aggregation¹(Narman and Karunanayake, 2002: 160). One would have a similar result if the perception of a different actor in governance is selected. Just as the beneficiaries’ views may not provide us with a complete depiction, the bureaucrats who are responsible for delivering the services often cite administrative and resource constraints as their

¹ People in many developing countries expect subsidies from the government. The requirements for receiving subsidies are low income of the family and poor living conditions. Therefore, people often respond negatively about their income and life conditions, providing false information. Apart from that, people’s awareness about procedures and functions may be at a minimum level, due to lack of transparency of the governance process. Because of political rivalry, the opposition party always tends to underestimate the performance of the government, making it difficult for people to understand reality. See Narman and Karunanayake, 2002.

excuse, while politicians who are responsible for better service provision often use the administration hierarchy as the circumstance to blame for poor performance. Thus, dependence on any one perception can be misleading (Narman and Karunanayake, 2002: 161).

Hence, in order to mitigate the effect of bias on the study, data has been collected from three key sources: policy-makers, policy implementers, and beneficiaries. Open-ended interviews were used with the policy-makers and policy implementers. Interviews were conducted via snow-ball sampling, and national and local policy-makers and policy implementers who were involved in PC reform from its initial stage up to the present day were among the interviewees.

4.4 Rationale for the Selection of the Proxy Functions

Most existing studies evaluating decentralization reform have been dependent on a correlation between the reforms and the functions evaluated (Bardhan, 2002; Shah and Thompson, 2004). Similarly, this study attempts to evaluate the impact of decentralization reform on local participation and two development-related services: education and roads. There are forty-six functions vested in the PCs under the reform (See, Annexure: 5); this study examines only three of them, as the proxies selected to evaluate development in its political, social, and economic dimensions. This section explains the rationale for this selection.

First, conflicts and situations of mistrust have emerged in the sphere of participation in the democratic processes in most of the developing countries comprising diverse societies (Uyangoda, 2005). For the most part, this can be attributed to the domination of a majority ethnic or religious community or discrimination against minorities. Second, apart from ethnic unrest, issues such as corruption and irresponsible or unaccountable governance practices have also negatively affected the development thrust. The absence of effective people's participation in the governance process has been identified as a critical factor affecting the above-mentioned adverse situations (Junaid and Devarajan *et al.*, 2005: 4). Therefore, under such circumstances, securing public participation as an integral element of pluralist, responsive, accountable, and transparent governance stands as an important element of democratic development in developing countries. The selection

of people's participation as a proxy function of the decentralization reform that aims to enhance the development of local democracy can be justified in this regard.

One of the key determinants of development is efficient infrastructure (Stieglitz, 1996: 89). Accordingly, the dearth of social and economic infrastructure has adversely affected development in many developing countries (World Bank, 2000). As social infrastructure, education correlates with the productivity of human resources. Access to, and quality and status of, education determines the availability of competent human resources in a country. Therefore, accessibility to a well-designed, development-oriented education system by all citizens in each region, in all ethnic communities, affects development and social cohesion.

However, the provision of an accessible and effective education system depends on effective, efficient, and development-oriented governance. The provision of relevant physical and human resources, and existence of a system of proper design and management of schools are critical for achieving this objective in any country. Similarly, some critics (World Bank, 2000) argue that a decentralized governance approach is relatively more effective than a state-centered system. This view relies on two arguments: community participation on educational management and the provision of physical resources through social capital (Shah, 2000: 32). Because of this assumed relationship between decentralization and the development of an education sector, the study has selected education as a proxy of the social infrastructure sector.

The expansion of trade and market opportunities depends heavily on swift access to products and consumers. Primary products, mainly agricultural products that constitute the bulk of the traded commodities in developing countries, often come from the remote hinterland and peripheral areas, where transport facilities and other related and necessary infrastructure are generally not developed. Thus, road development in developing countries has become a vital aspect of the development process.

However, the success of road services depends on effective and efficient management of limited capital resources. As in the case of education, the efficacy of capital management correlates with efficient governance in the road development sector (World Bank, 2000). Advocates of decentralization have asserted the efficacy

of voluntary public participation in decentralized governance as a strategy to mitigate the financial shortage facing the maintenance and construction of road facilities.

4.4.1 People's Participation in Democratic Governance in Sri Lanka

People's participation in governance in Sri Lanka takes place through representative democracy. The political system, which evolved through successive constitutional reforms of the country, has been established as a parliamentary, representative system of democracy. Therefore, a discussion of the people's representation and participation in governance needs to focus on the respective constitutional reforms.

The evolution of constitutional reforms in Sri Lanka began during British colonial rule, with the demand for representation in the law-making processes repeatedly voiced in the Sri Lankan political sphere since the latter half of the nineteenth century² (De Silva, 1973). However, the colonial constitutional reforms of 1947 underwent major changes in 1972 and 1977. The first indigenous Constitution of 1972 introduced a new form of governance based on the Westminster system, excluding the upper representative house. The constitutional reforms of 1977 established an all-powerful executive Presidency and Parliament as legislature, led by a Prime Minister in a unitary state.

4.4.2 The Education System in Sri Lanka

Many factors have contributed to the shaping current education systems in different countries. In the case of Sri Lanka, the indigenous cultural traditions and values, as well as colonial influence, have tremendously affected the development of education throughout the country's history. Historically, Sri Lanka is renowned for having a

² In the beginning, the British clamored for their own representation in the colonial legislative and executive bodies, while the indigenous leaders in the colonies also began to agitate for their own representation to solve the issues affecting them. Consequently, British colonial efforts to accommodate the demands for representation by bringing in different socio-economic classes and groups in Sri Lankan society to the legislative forums marked a remarkable political development (De Silva, 1973: 12). The recognition of the demand for representation led the colonial authorities to allow one Sri Lankan to join the legislative council through the Colebrook Cameron reforms in 1833. Subsequently, the Donoughmore constitutional reform in 1931, and Soulbury Constitutional reform in 1947, expanded the idea of representation while introducing universal franchise in 1931 and establishing the Westminster government system under colonial rule in 1947.

well-established, traditional system of education³ in the Sinhala and Tamil areas during the medieval era. When it comes to the western colonial era⁴, the education system of the county underwent major changes,⁵ according to the colonial authorities' requirements.

Colonial pattern began to change in the 1930s, after legislative reform placed the MOE under the control of elected indigenous representatives. The government directly controlled the schools and teacher training colleges. With the ascendance of the Sri Lankan political elite into the power structure, reforms were enacted to bring about the goal of universal literacy in the 1940s. Education was made free for all students in government schools in 1945⁶. Thus, by the time of independence in 1948, Sri Lanka had inherited a well-developed educational infrastructure, compared with other nations in the region.

The post-independence governments have made education one of their highest priorities, and their policies have yielded excellent results. Within a period of less than 40 years, the number of schools in the country grew by 50%; the number of students increased by more than 300%; and the number of teachers increased by more than 400%. The literate population grew correspondingly, and by the mid-1980s, it was officially acknowledged that over 90% of the population was literate (89% above the age of ten), with near universal literacy among the younger population (Ministry of Education, 2008). The government played an even larger role in education in 1972, by introducing education reforms that focused on the improvement of physical infrastructure and facilities, teaching staff, and school administration, for both public and private schools. Since the beginning of the 1980s, there has been a considerable increase in the number of private schools in the country. These private schools follow

³ Under the traditional system, education among the Sinhalese was the job of Buddhist monks. At the village level, literate monks would teach privileged students in the *Pansala* (Temple) or *Pirivena* (Buddhist Monastery).

⁴ Western colonial influence in Sri Lanka started in 1505, with Portuguese arrival on the island, occupying the western coast until 1656. Then the Dutch sailed to the island, fought and emerged victorious in the battle against the Portuguese in 1656, and occupied the coastal areas until 1796. Finally, the British won a power struggle with Dutch in 1792, and captured power in the whole country in 1815, by assassinating the last indigenous King, who was stationed in Kandy, ruling the colony until 1948.

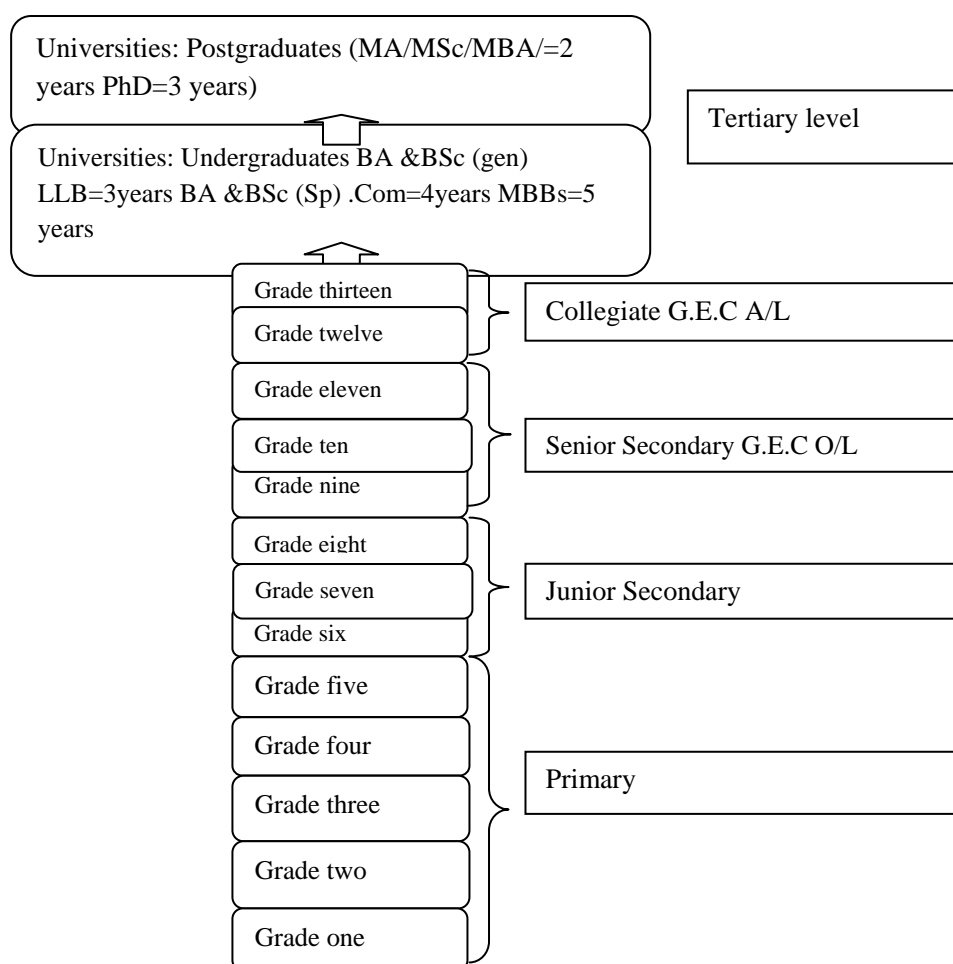
⁵ The Portuguese and Dutch had not contributed anything worthwhile to improve education on the island, as their intention was to develop trade, and their actual physical occupation of the island was short-lived. A well laid-out European school system was finally established during the British period of colonial rule in the nineteenth century.

⁶ A free education system was introduced by Dr. C.W.W. Kannangara, who was Minister of Education under the Donoughmore Constitution in Sri Lanka.

the local curriculum formulated by the MOE in all three languages (Sinhala, Tamil, and English)⁷.

Sri Lanka's current education system is based mainly on the 1976 reform. Since that time, no drastic changes have been made in the overall education system, although there have been changes in the education administration under the 1987 PC reform.

Chart 4.1: Education System in Sri Lanka



Source: Annual Report, Ministry of Education, 2009

⁷ There is another category of English international schools recently approved and registered by the Board of Investment (BOI) in Sri Lanka. Some international schools offer the curriculum for International Business Diploma, while others coach students for G.E.C. Ordinary level (O/L), Advanced Subsidiary (A/S), and Advanced level (A/L). A few schools offer the curriculum for the Cambridge Examination Board, as well. These private schools are relatively few in number, and function mostly in the main cities.

As shown in Chart 4.1, the formal education structure is divided into five levels: primary, junior secondary, senior secondary, collegiate, and tertiary. Primary education lasts for five years (grades 1 – 5); at the end of that period, students sit for a national scholarship examination, which allows students with higher marks to move to leading schools in any area. The junior secondary level lasts for four years (grades 6 – 9), followed by two years (grades 10 – 11) at the senior secondary level, the preparatory level for the General Certificate of Education (GCE) at the Ordinary Level (O/L). By law, it is mandatory for all children to attend school up to grade nine (age 14). Students pursuing tertiary education must pass the GCE O/L to enter the collegiate level. After a two-year study period (grades 12 – 13), students are eligible to sit for the General Certificate of Education (GCE) Advanced Level (A/L). Upon successful completion of this examination, students can advance to the tertiary education level (Ministry of Education, 2006). Students who obtain higher marks (as determined by the University Grants Commission) are admitted to public universities. Currently, Sri Lanka has 16 public universities, all of which offer undergraduate courses, while a few also offer postgraduate courses.

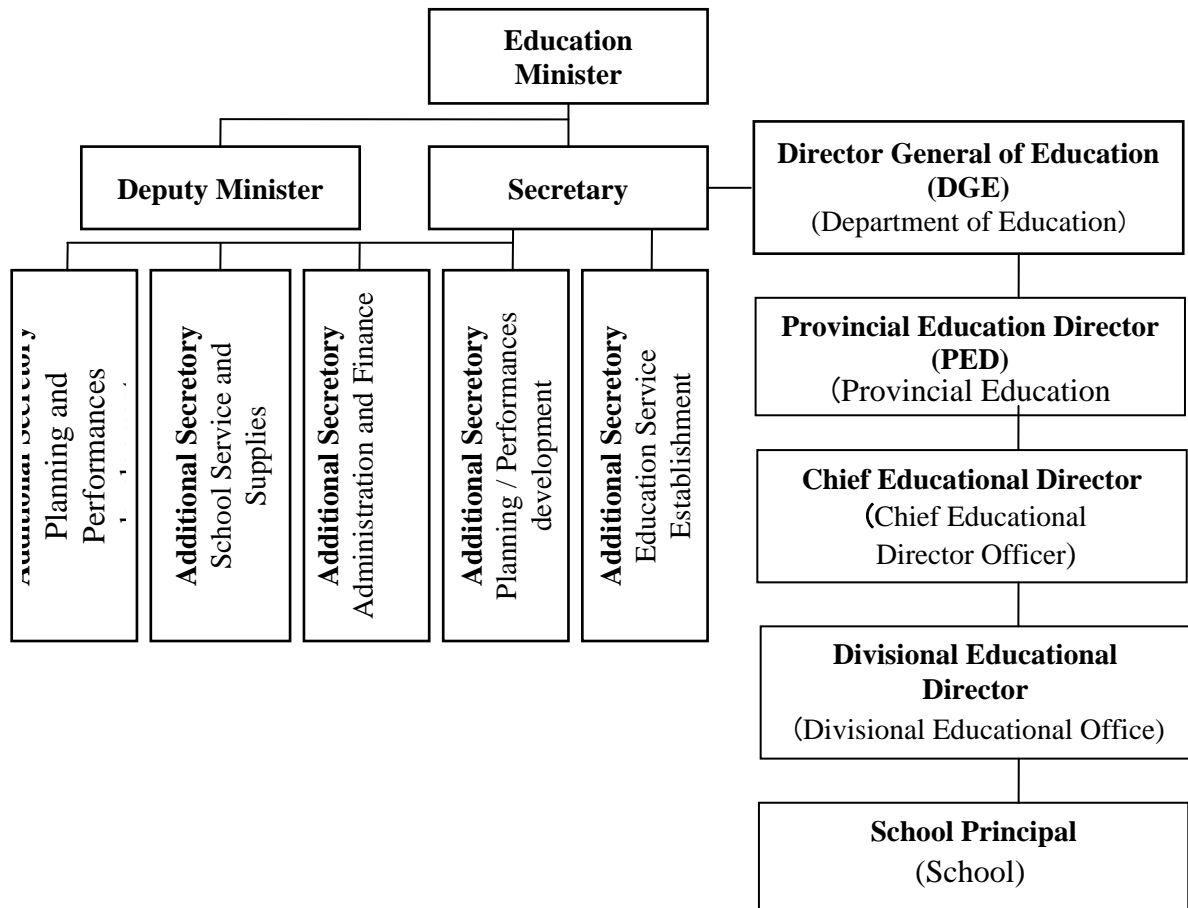
Until the introduction of the 1987 Provincial Council Act, the education system in the country remained under the central government's MOE. The MOE, headed by the minister and assisted by the deputy minister, was responsible for providing quality education for 5 million students who studied in 9,000 schools under 200,000 teachers all over the country (Annual Report, Ministry of Education, 1988).

The administrative hierarchy, consisting of the Secretary at the top, followed by the Deputy and Additional Secretaries of education, was responsible for access to, and quality and efficiency of, the education system in the country. The Department of Education (DE), headed by the Director General of Education (DGE) under the MOE, was solely responsible for education planning, implementation, and management in the entire country. The role of the MOE was to serve in advisory capacity to the DE.

The Secretary of Education, who is the head of the administrative hierarchy, is responsible for policy implementation in education. Several additional secretaries, who are responsible for different sections within the education sector, assist him. In order to execute its functions properly, the MOE established a DE, which is solely responsible to the Education Minister through the Secretary of Education. The DE, headed by the DGE, is located in Colombo. The structure of the DE consists of a

Provincial Director of Education (PED) for each of the provinces, Chief Education Directors for sub-provincial levels, and Divisional Directors of Educational (DDE) to serve at the divisional level.

Chart 4.2: Educational Administrations under the Central Government



Source: Annual Report, Ministry of Education, 2010

4.4.3 Road Development in Sri Lanka

With the introduction of motor vehicles into the country in the 1940s, it became necessary to improve the road network. In the 1950s, the main roadway network throughout the country was developed and maintained by the Public Works Department (PWD). This department was responsible not only for roads, but also for public buildings, water supply, drainage, and government housing. In 1969, the

Ministry of Road Development⁸ was established specifically for road development. In the same year, a new Highways Department was established under the Ministry of Road Development solely for the development and maintenance of roads of the A, B, C, D, and E classes,⁹ which had been maintained until then by the Department of Public Works. The total length of these roads at this time was approximately 28,000 kilometers. The main objective of this institutional change was to improve the road development process by introducing a new central department that would fully concentrate only on road development throughout the country. However, this change was short-lived, since the Territorial Civil Engineering Organization (TCEO) was formed in 1971 to take over the major functions of the Highway Department.

Until then, the Highway Department and the Public Works Department had a full-fledged division in charge of bridges, undertaking the design and construction of all major bridges in the country. However, with the formation of the TCEO, another organization known as the State Development and Construction Corporation (SD & CC) was established in order to undertake the construction of bridges and other civil engineering works. The function of the TCEO included maintenance and construction of new roads of A, B, C, D, and E classes, and maintenance and improvement of irrigation works. Although the Highway Department also existed during this period, its functions were reduced to planning and designing major roads and bridges, and the supervision of their construction. Another major reorganization of the roadway sector occurred in 1978, when the TCEO was abolished and its functions transferred back to the Highways Department. In 1983, the Road Development Authority (RDA) was formed under the Ministry of Highways (formerly known as the Ministry of Road Development). The function of the RDA at its inception was confined to the execution of selected construction works, but was expanded in 1986 when it became the successor to the Department of Highways. By 1986, the RDA was entrusted with the responsibility of developing and maintaining all classified roads in the country, totaling approximately 28,000 kilometers of roads and bridges (Annual Report, Road Development Authority, 2008).

⁸ After 1983, this Ministry was renamed the Ministry of Highways, as it is called today.

⁹ A and B class roads connect provinces and districts. C and D class roads are roads within provinces that link towns within the province. E class roads are the gravel roads that interconnect villages or small towns.

The organizational structure of the RDA is well designed to implement the vision and mission of the Ministry of Highways. The General Manager directs the management of the RDA, which comprises 11 institutionalized functional divisions, each led by its respective Director. The RDA headquarters is located in Colombo, while offices of the nine Provincial Directors, each led by a Provincial Director (PD), are located in all provinces. The Chief Engineer's Office (CEO), which is managed by the Chief Engineer in the district, and the 48 Executive Engineers' offices, are located throughout the country at the sub-district level (Annual Report, Road Development Authority, 1995). The functions of the RDA include planning, designing, and construction of new roads and bridges, in addition to maintaining and carrying out improvements to existing road networks (Annual Report, Road Development Authority, 2005). It is a key institution in the country, set up as a semi-autonomous body to undertake road development activities. The RDA is governed by a Board of Management comprising a Chairman and members, appointed by the Minister of Highways for the implementation of government policy relating to the provision of road services in the country. Like the MOE, the role of the Ministry of Highways is to provide necessary guidance, supervision and facilitation to the RDA.

4.5 Structural Changes in Democratic Governance, Education, and Road Development

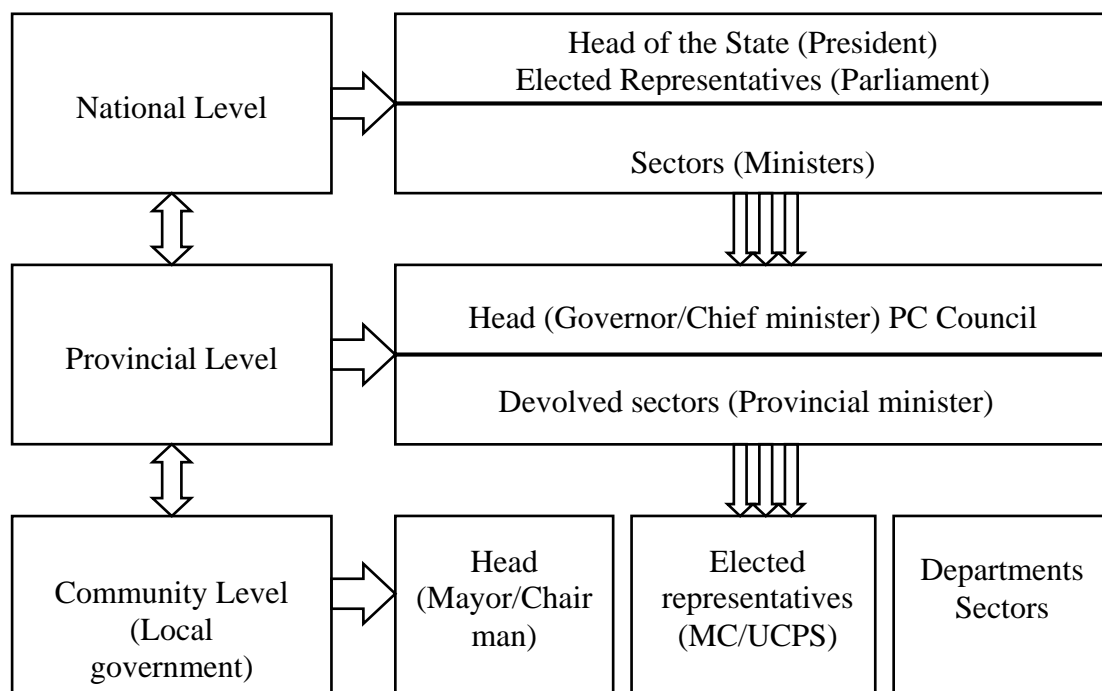
4.5.1 Changes in Democratic Governance

Under the 13th amendment to the Constitution and the Provincial Councils Act No. 42 of 1987, eight PCs were established in 1988. The main purpose of these laws was to establish legislative and executive functions at the provincial level on a power-sharing basis within a unitary state, to enhance self-governance in the provinces. As shown in Chart 4.3, the single-tier governance structure that functioned under the pre-reform period became a multi-tier system in Sri Lanka. It involved transfers of legislative and executive power to manage public functions related to specified subjects to the PCs.

These provisions introduced, for the first time, a democratically elected sub-national level governmental structure in an otherwise state-centered polity. As part of the reform, the local government institutions that functioned under the Local

Government Act were also vested with the devolved PC power, thereby receiving constitutional legitimacy for the first time in the history of the country.

Chart 4.3: Structure of Governance in Post- Reform Period



Source: Annual Report, Ministry of Provincial Council, 2008

Because of these structural changes, in addition to the central government at the national level, sub-national PC governance emerged as second-tier governance, while local governance was restructured as third-tier, or community-level governance. The outcome of these structural changes in the governance apparatus can be viewed in two important dimensions. First, it offered democratically elected representatives in the localities¹⁰ the opportunities that had been previously denied to get involved in the policy-making processes.

Only limited opportunities had existed previously, preventing most from being elected as policy-makers. Therefore, after the reform, the relationship between policy-makers and the beneficiaries of the resulting policy drew closer, so that a tendency to work in tandem with regard to functions such as local education and road

¹⁰ PC representatives are elected at the provincial council election, which is held according to the terms of the Provincial Councils Election Act of 1987. The current WP/NWP Councils consist of 104 and 52 members, respectively.

development emerged. Second, with this change, the gap between service providers (administration) and citizens was also minimized by moving the administration towards the sub-national level. Moreover, this shift greatly benefited minority communities by facilitating their voices to be heard in the local policy-making process, which had been earlier quashed by majority rule in the electoral democracy. Such institutional changes were introduced to pave the way and facilitate the integration of diverse social and ethnic groups into the democratic structure by securing the participation of such disadvantaged groups in the self-governance processes. According to the first CM and a veteran political leader in the NWP, Mr. Gamini Jayawickrama Perera, the PC system is the second wave of democratic development in Sri Lanka¹¹.

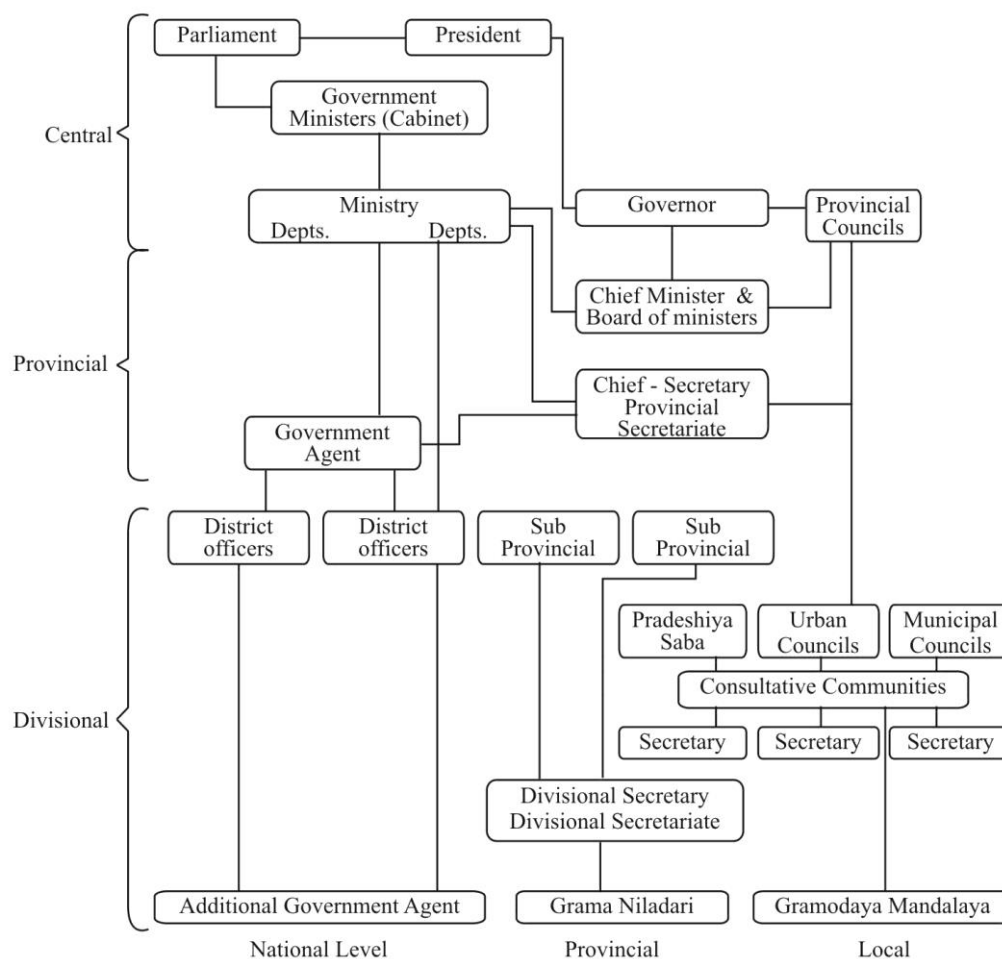
The provision of services under a state-centered system took place under the central ministries. Under the policy guidance of the political executive, technocrats conducted policy formulation (President and Parliament). Approved policies were implemented through the relevant ministries. However, with the introduction of PC reform, specified functions were devolved to the Provincial Councils, thereby creating a democratically elected government at the provincial level. The PC was entrusted with power and responsibility over the provision of local services. With this change, PC administration headed by the Provincial Secretary together with the ground staff, became a mechanism of service delivery to the citizen beneficiaries. For this purpose, an institution was created to execute local service provision at the village level for which the administration at the center was previously responsible. Through this measure, the governance functions relating to service provision reached the provincial level for the first time in history.

However, despite the provincial administration introduced by the reforms, the pre-reform administration system through the districts and divisions continues to function concurrently with the provincial administrative system. As described in the previous chapter, for instance, DSect and DSt, which function to provide the services of the central government at their respective administrative levels, are also simultaneously responsible for provincial responsibilities. In other words, the District

¹¹ Author's interview with Mr. Gamini Jayawickrama Perera, July 19, 2009

Secretariats of the central administration, which function at the district level, are responsible for not only the central government, but also for the PCs.

Chart 4.4: Administrative Structure in Post-Reform Period



Sources: Ministry of Provincial Council, 2010

Likewise, the Divisional Secretariats represent the lower level in the central and provincial administration hierarchy, and constitute the most significant representation of the parallel system, reaching down to the village officer level (Grama Niladhari Division), and continue to run parallel to the provincial administration. When a two-tier administrative structure of central and provincial governance exists concurrently, both authorities guide the administration. Hence, the existence of this parallel system of administration has created confusion for the administrators and beneficiaries, as well as for the PCs, regarding their involvement in

service provision. This parallel institutional system has caused a coordinating failure in local service delivery.

4.5.2 Changes in Educational Administration

As discussed earlier, with PC reform, education was brought under the central government and Provincial Councils (See, Annexure: 5). However, the responsibility for administration of national schools remains with the Education Department. The PC was vested with the power to provide facilities and management, including recruitment of teachers for provincial schools to facilitate public service. The PCs, with their democratically elected members and led by Chief Ministers and Governors, became the responsible governance bodies in the realm of education in each province. The CM, who generally becomes the Education Minister¹² in ex-officio capacity, is responsible for overseeing the Council function in this area. Likewise, a national level PDE that is solely responsible to the provincial Education Minister through the Provincial Secretary of Education was established in each province.

The provincial Education Secretary is the head of the provincial education administration, and the Provincial Department of Education (PDoE) headed by the Provincial Director of Education carries out the functions at the provincial level, per the functions and statutes of the National Education Department. As in the previous state-centered system, the provincial administration in education is further delegated through Educational Zonal office at the district level under Zonal Directors, and the Divisional office at the divisional level under Divisional Directors¹³.

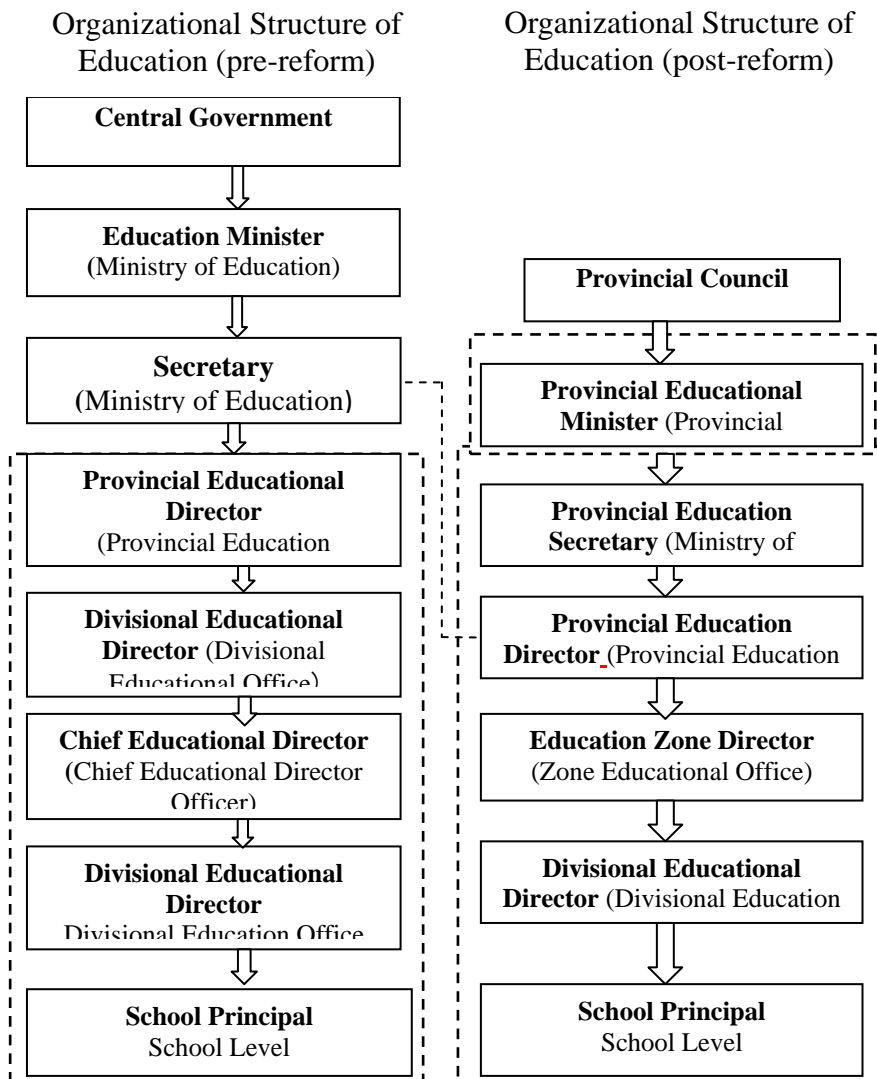
With the introduction of these changes, the Divisional Directors in educational divisions and Zone Education Directors in education zones assumed the position of administrative authorities who are responsible for implementing human and physical resource management at relevant levels. According to these changes, however, the final decision-making authority with regard to provincial education development became the responsibility of the PDoE, which functioned in the capital cities, namely Colombo and Kurunegala in the WP and NWP, respectively. Thus, the management of

¹² Since the beginning of the PC system in 1987, all the Chief Ministers in Western and North Western Provinces have held provincial education portfolios.

¹³ There are 11 and 13 Educational Zones and 20 and 23 Educational Divisions in the Western and North Western provinces, respectively, within his ex-officio purview.

education, previously overseen by the DE in the central ministry became the responsibility of the PDoEs in the provinces.

Chart 4.5: Governance Changes in Education



Source: Annual Report, Department of Education in Sri Lanka, 2010

However, the formulation of national education policies, regulation of PDoE, and improving the quality of provincial education remained responsibilities of the central government. In order to facilitate these, a vertical relationship between the Secretary of the MOE and the PDEs has been established through legal provisions.

Apart from these institutional changes, PC reform has also created parallel education administration systems in the country. As far as central and provincial

education systems are concerned, the DDEs in the Divisional Education Office, as the administrative heads at the divisional level, now function at a lower level in the hierarchy. These directors are simultaneously responsible for the administration of the national schools, as well as provincial schools, and both of these government authorities guide them. Similar to the lower level, PDEs at the provincial level are responsible for educational administration under the guidance of the Provincial Education Secretary and the Education Director in central DE.

4.5.3 Changes in Road Development Administration

With the introduction of PC reform, both the central and the provincial governments share power and responsibility to provide road services to their citizens (13th Amendment to the Constitution in 1987: 9f). The national roads and bridges categorized as A and B remained with the RDA, under the central Ministry of Highways. Other roads, categorized as C, D, and E are entrusted to the PRDA, under the Ministry of Provincial Road Development, in each province.

Table 4.2: Categorized Total Road Length by Provinces, 2010

Province	Length of National Roads (km) (A & B)	Length of Provincial Roads (km) (C & D)	Length of Local Roads (km) (E)
Western	1,556	1,945	11,295
Southern	1,336	1,643	8,201
Sabaragamuwa	1,121	1,130	7,254
North Western	1,275	2,118	13,348
Central	1,716	2,433	8,283
North Central	1,144	1,771	5,485
Uva	1,161	1,839	4,447
North-East (Northern)	1,259	2653	6,310
North-East (Eastern)	1,148	N/A	N/A
Total	11,716	15,532	64,659

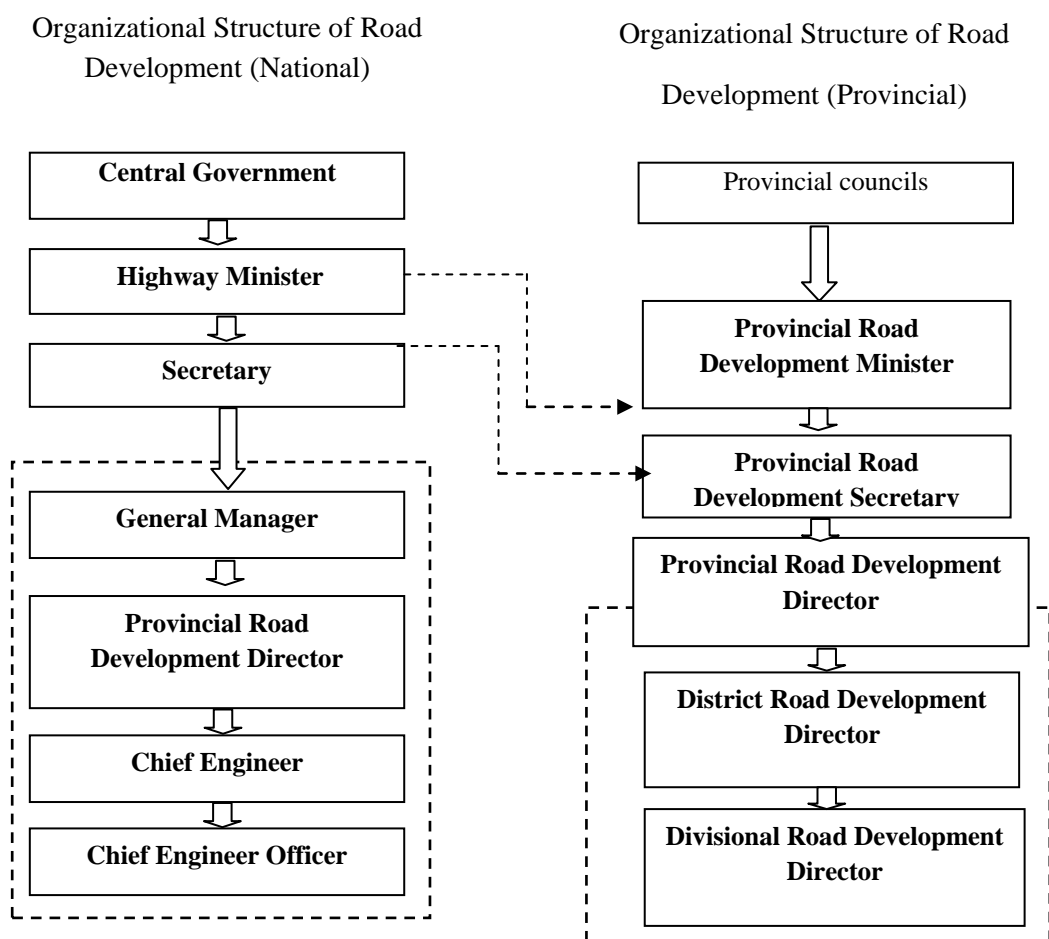
Source: Road Development Authority in Sri Lanka, 2010

Table 4.2 shows the lengths of roads in each category in 2008. With the enactment of power-sharing between the central and provincial governments in 1987, the C, D, and E class roads, totaling approximately 17,000 km (including the North

and East Provinces, noting that Table 4.2 records 15,532 km., excluding the North and East Provinces), along with their bridges, were handed over to the PCs. Since then, the RDA has been entrusted with the development and maintenance of the national highway network comprising A and B class roads.

The national highway network consisted of 11,694 km of roads and 4,048 bridges at the end of 2005. The responsibility for road development has been divided among three groups, i.e., central, provincial, and local government bodies. The responsibility for E roads was assigned to local government bodies, as local government functions also came under the purview of the PC. The road development function of the local government bodies, such as Municipal Councils, Urban Councils, and Pradeshiya Sabhas, finally became a responsibility of the PC.

Chart 4.6: Governance Changes in Road Development



Source: Annual Reports, Road Development Authority and Provincial Road Development Authority, 2010

As in the case of central government procedure, the management and administrative functions related to provincial road development are entrusted to the PRDAs in each province. The PRDA in the WP and the NWP are located in Colombo and Kurunegala respectively. The management structure of the PRDA has been organized in a flexible manner according to the capacity of each PC. Though the RDA has been able to institutionalize management frameworks consisting of appropriate functional and operational divisions, the PRDAs are unable to institutionalize their organization. For instance, both PRDAs in the WP and NWP do not have PRDs, which would provide key inputs for planning and decision-making. Such an absence of key operational divisions is largely due to constraints of resources, though there does exist the possibility of institutionalizing the management functions and procedures according to the interests of each PC.

4.6 Impact of PC Reform on People's Participation, Education, and Road Development

In the above discussion on the structural changes brought about by PC reform have been examined by focusing on selected three proxies functions. In this section, under the impact of the PC reform, the discussion focuses on examining the effects of the PC reform on service provision.

One of the key observations in the literature on decentralization is that there are various views on impact generated by decentralized governance (Tanzi, 1995; Oxhorn, 2004; Prud'homme, 1995). One of the reasons for such variation in the literature lies in the different contexts of the studies. Some analysts highlight unrealistic fundamentals used in formulating theories and the contextual differences in each case, as the reasons for such diverse views. Although there are many positive impacts of decentralization anticipated in theory, in fact, there is no guarantee of a positive impact on the development process with regard to every decentralizing reform. The following section is an attempt to identify the impact generated on local democracy, road, and education service provision in the WP and the NWP in Sri Lanka, by focusing on pre- and post-reform scenarios.

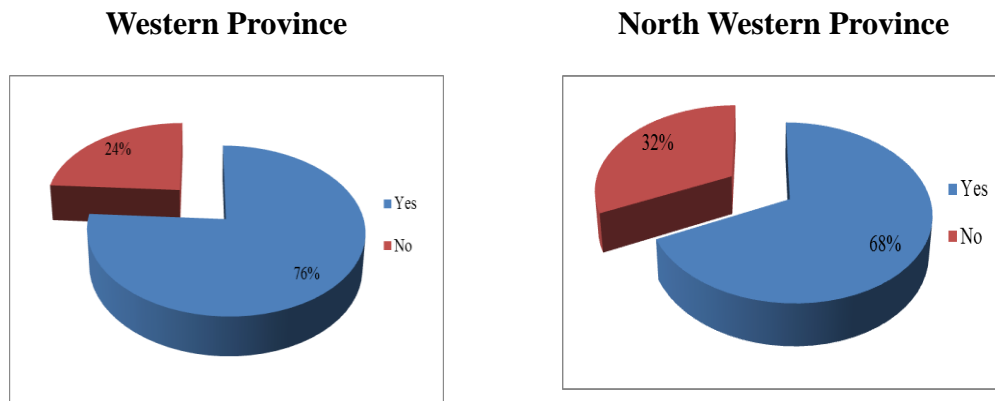
4.6.1 Impact of the PCs Reform on People's Participation

Democratization of society is determined by several factors. Institutionalization of the democratic process becomes a key factor, as public participation, which is regarded as the essence of democratic governance, requires institutional infrastructure for its process and functions. From this perspective, as in the case in many other developing countries, Sri Lanka has introduced democratic decentralization reform (i.e., PC reform) to achieve multiple objectives. Prior to PC reform, people's political activities were confined to Presidential elections, general elections, and referendums. However, after 1987, PC elections were held every five years, and the PC became a body of democratic, representative government that functioned at the sub-national level. However, an important question at this stage is, apart from the structural changes in political and administrative institutions, what kinds of impacts has the PC reform in Sri Lanka caused on local democracy?

It was through the PC reform, that local constituencies gained new opportunities to participate in the governance process. In particular, local citizens who previously had extremely limited opportunities for contesting the national level elections have now become active political campaigners, benefiting from an extra opportunity to be involved in elections as a candidate, or a voter, after the PC system was introduced. On one hand, as the candidates tend to come from their own communities, they must work closely with the community, by being responsible and accountable to their respective voters. On the other hand, constituencies who choose their preferred representatives also must be actively engaged in highly competitive political campaigns.

As a result of this political competition, party leaders are forced to educate their cadres and voters on how to express their political reactions on contemporary governance issues and future perspectives. Notwithstanding a few negative outcomes regarding quality, this process has undeniably laid the platform for voters and citizens to become more knowledgeable about politics, which is key for consolidating the development of democracy in society

Chart 4.7: Public Perception of Opportunities for Political Participation under the PC System



Source: Author's field survey, July 12 – 28, 2009

According to the survey responses (See Chart 4.7), the majority in both provinces indicates that people have gained more opportunities to be involved in the political process through the PC system. The politicians who were interviewed also supported this perception¹⁴. The argument raised in liberal democratic discourse is that increased people's participation leads to an improvement in the democratic process (Perry, Moyzer and Day, 1992: 5).

The validity of this position can be examined with respect to the perceptions of the people about the opportunities made available by the PC reform for their participation in PC elections, as evidenced by insights from the responses to the author's field survey. As shown in Chart 4.8, public satisfaction is treated as an impact of PC reform.

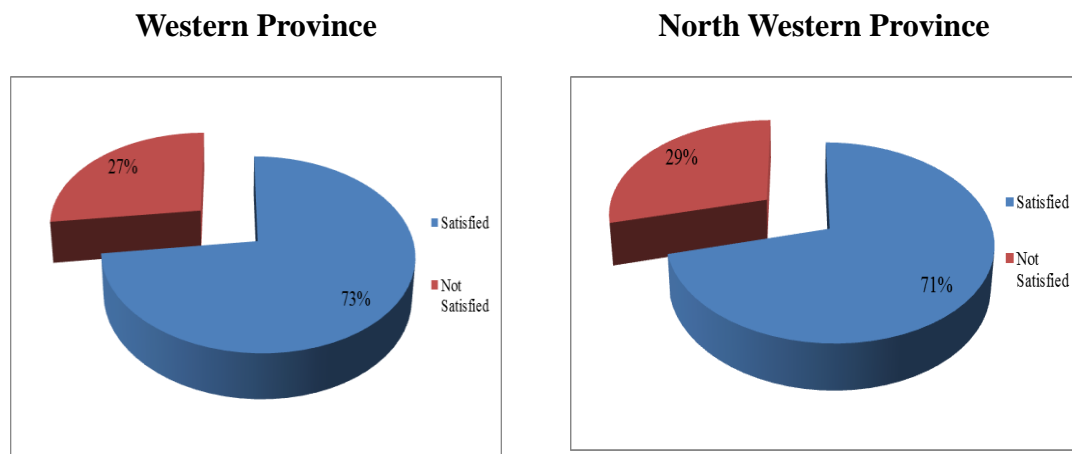
The majority of respondents in both provinces (71% and 73% respectively) have acknowledged that they were able to vote for their preferred candidates, thereby signifying their contentment. Both CMs in the WP and NWP¹⁵ similarly opined that notwithstanding practical impediments, people feel privileged that they had an opportunity to elect their representatives. A significant observation that can be made here is that the actual meaning of people's participation through representative democracy is shown in the degree of enthusiasm and contentment with the electoral

¹⁴ Author's interviews with Mr. Jayawickrama Perera, Member of Parliament and first Chief Minister in the North Western Provincial Council and Mr. Shamal Senerath, current opposition leader of the North Western Province, on July 19, 2009.

¹⁵ Author's interviews with Mr. Prasanna Ranathunge on July 13, 2009 and Mr. Athula Wijesinghe on July 17, 2009.

process. However, if the people's participation and confidence have increased because of the PC system, the people's participation in PC elections and voting turnouts might be expected to be higher than, or at least as high as that of, general elections, which is unfortunately not confirmed by the data shown in Chart 4.9.

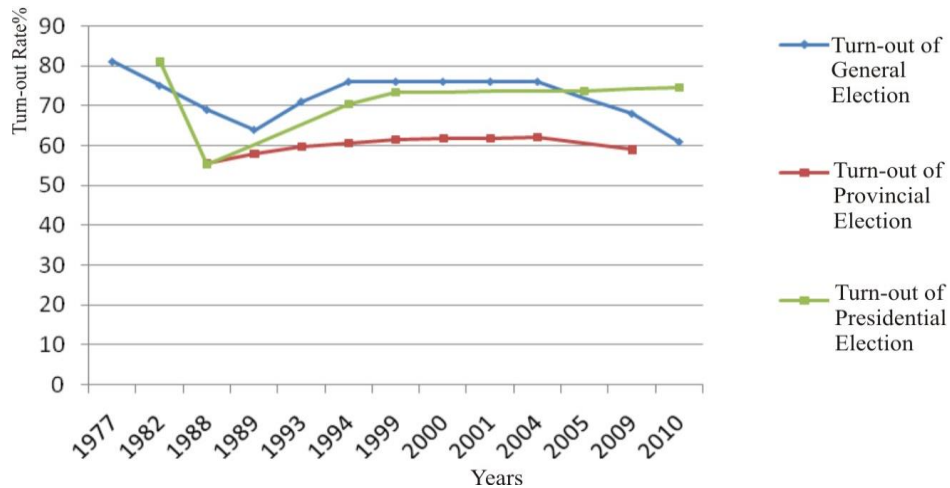
Chart 4.8: Public Satisfaction with the Process of Electing Representatives for PCs in W/NW Provinces



Source: Author's field survey, July 12 – 28, 2009

Chart 4.9 shows the voting turnout at Presidential, general, and PC elections. It indicates an all-time low voting turnout for PC elections vis-à-vis the presidential and general elections, except during the period of 1987 – 1989. The sudden decline in the voting turnout for the 1988 Presidential election can be attributed to the political insurgency triggered by Marxist JVP youth at the time, which directly affected public participation in party politics, causing people to refrain from active political involvement in the elections. The contrasting results of the two charts indicate that increased satisfaction about the opportunity to elect their representatives is not quantitatively matched by their voting turnout.

Chart 4.9: Voter Turnout in Presidential, General and Provincial Council Elections in Sri Lanka



Source: Annual Reports, Department of Election, 1977 – 2010

Many other analysts have raised arguments against the positive relationship between voter turnout and people's satisfaction, as well. Focusing on voting turnout in western developed and developing countries, Crook and Manor (1998) argue that the link between satisfaction and participation cannot be properly measured quantitatively. They argue that although voting turnout in developing countries is relatively high as compared to developed countries in Western Europe, it does not imply the prevalence of a negative attitude towards democracy in developed countries (Crook and Manor, 1998: 34).

There is another view that explains that people's participation in politics and local democracy that has been actually strengthened because of the PCs reform. This observation is based on changes towards a pluralist perspective on policy matters in the country. One of the foremost reasons and main objectives for the introduction of PC reform was to involve minorities, who believed that the dominant majority had marginalized their participation in pre-reform democratic processes. The argument in favor of minorities is connected to the exercise of choosing their own representatives to participate in the decision-making process. The limited number of minority representatives who were able to voice their interests in Parliament earlier was one of the causes of worry and frustration among the minorities before PC reform. This situation has clearly improved, since the reform.

Table 4.3: Number of Elected Minority Members of Parliament in W/NW Provinces (1977 – 2009)

Province	Minority Population %	Year					
		1977	1989	1994	2000	2002	2004
Western	15.7%	5 (5.2%)	6 (5.9%)	5(5.2%)	5(5.2%)	6(5.9%)	5(5.2%)
North Western	4.7%	1 (4%)	1(4%)	1(4%)	1(4%)	1 (4%)	1(4%)

Note: Number of representatives as percentage of Parliament members

Note: Ethnic groups, excluding Sinhalese, are categorized as minority

Source: Report of Provincial Elections, Department of Election, 2009

Table 4.3 illustrates the number of minority Parliamentarians who were elected at the general elections from 1977 to 2009. When the percentage of elected representatives is compared with the total minority population percentage in the respective provinces, it can be seen that the number of their elected members remained low, a tendency that is particularly conspicuous in the WP. Even though 15.7% of the total population belongs to the minority, the number of elected minority people accounts for only about 5% in the WP. Therefore, the weight of the minorities' influence in the Parliament remained disproportionately insignificant. The findings as depicted in Table 4.4 show an upward trend, with an increasing number of minority members in the PCs. The elected members of the PCs also get the opportunity to work closely with policy-makers at the center, and have a relatively strong voice with regard to local service provision.

Table 4.4: Elected Minority Council Members in W/NW Provincial Councils (1988 – 2009)

Province	Year				
	1988	1993	1999	2004	2009
Western	7	8	10	12	11
North Western	4	5	8	7	8

Note: All ethnic groups, excluding Sinhalese, are categorized as minorities.

Source: Report of Provincial Elections, Department of Election, 2009

Prior to the reform, the total number of Parliament members elected from among the minority of the entire NWP was one. As a result, the minority's preferences had not received sufficient representation at the national level. Similarly, the minority in the WP had no choice other than to be satisfied with whatever was given to them by the authorities. However, the PC reform has provided a layer of governance enabling minority participation, and a considerable number of members of minority groups now participate in the system of governance.

The argument made from these observations is that public satisfaction about the opportunities they receive to elect their own representatives and voter turnout are inversely related, as illustrated in Charts 4.8 and 4.9. Notwithstanding, it has been argued that in the context of Sri Lanka, voter turnout alone does not reflect people's participation in governance. Evidence presented with respect to increased minority participation (Tables 4.3 and 4.4) indicates that the argument with regard to enhanced local participation as an impact of PCs reform is realistic.

4.6.2 Impact of the PCs Reform on Educational Development

In literature, evaluation of the impact of decentralization reforms has been conducted using various criteria in empirical studies (Wollar and Philip, 1998; Bardhan, 2002). In this study, evaluation of the impact of the PCs with regard to improving education services is measured in terms of the change in students' performance at the General Examination of Certificate Ordinary Level (G.C.E. O/L)¹⁶ and the Gross Graduate Teacher/Pupil Ratio (GGTPR)¹⁷. In addition, people's perceptions and policy-makers' and policy implementers' views have been collected by a survey and interviews conducted in the WP and NWP.

The education standard of pupils is determined by several factors. Among them, the quality of input is identified as decisive. Efficient and effective education management, which is considered to be an important input, plays a key role in achieving educational development goals. Chart 4.10 illustrates student performance

¹⁶ General Examination of Certificate Ordinary Level (G.E.C. O/L) is the examination conducted for students who completed the senior secondary level at grade ten. Only the students who pass the examination will qualify for collegiate level (high school).

¹⁷ Gross Graduate Teacher/Pupil Ratio is the ratio determined by the availability of the graduated teachers for collegiate level students in the schools.

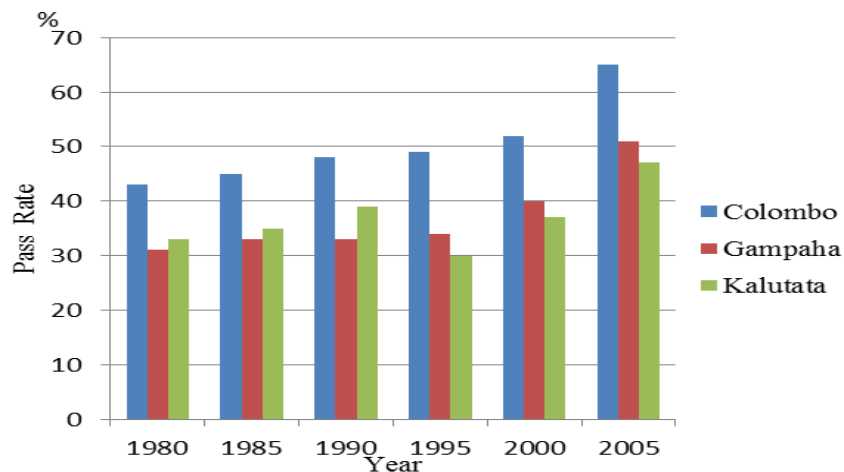
in both pre- and post-reform periods. Since any government reform requires time to take effect, the percentage of students passing the G.C.E. O/L in 1990 may still be taken to reflect the performances of the pre-reform, state-centered education system. The figures after that are interpreted as indicative of the results of the devolved education system.

Chart 4.10 compare the changes in student performance in G.C.E. O/L from 1980 to 2005 in the districts of the Western (Colombo, Gampaha and Kalutara) and the North Western (Kurunegala and Puttlaum) Provinces, respectively. The percentages of those passing the examination mark an upward trend, except in the WP Kalutara district, until 2000. Nevertheless, from the statistics shown in the charts, it is hard to identify significant improvement in the rates of passing examination during the period 1990-2000 in both Provinces, while there is an increased rate from 2000.

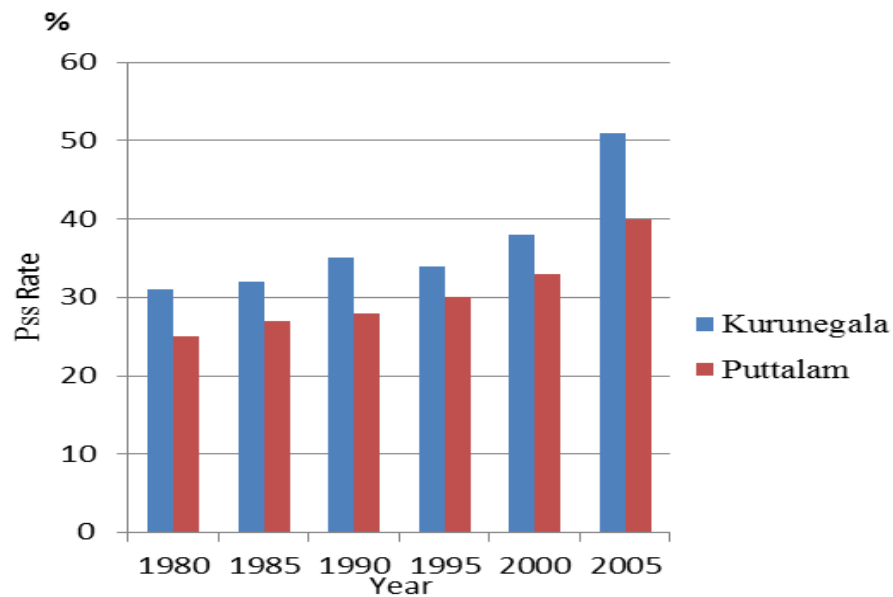
However, it cannot be argued that the percentage has increased because of the contribution of PC reform. It seems that the improvement of student performance has also been affected by other factors, such as increased encouragement from parents, or the expansion of opportunities for education. Encouragement by parents regarding their children’s education is attributed to social and economic changes that had taken place in Sri Lankan society in the recent past.

Charts 4.10: Student Performance in G.C.E. O/L Examinations in the WP/NWP (by District)

(a.) Western Province



(b.) North Western Province



Source: Annual Reports, Provincial Education Departments in WP and NWP, 1980 – 2005

As a direct result of structural changes¹⁸ in the economic sector since 1977, both the opportunities and the competitiveness in socio-economic spheres increased simultaneously. Increasing competition in the open market economy also affected the education system of the country (Arunathileke, 2000).

In order to grasp the opportunities of the open economy, high education qualification became crucial. Thus, notwithstanding economic hardship, the parents of almost all the children in the country show a keen interest in sending their children to evening and weekend tuition classes in anticipation of high results at G.C.E. O/L and A/L examinations. Parents tend to show such determination as they foresee that higher education is the only possible means to make their families' futures bright and secure their socio-economic status. Consequently, during the past few decades, one can

¹⁸ The newly elected United National Party government, under the leadership of President JR Jayawardene introduced the open economic reform under the structural changes and ending the closed-economic policy followed by the previous government by opening the economy for private sector enterprise in 1977. This structural economic reform made Sri Lanka the first country to do so in the South Asian region.

perceive significant achievements with respect to education and better student performance on examinations.

Accordingly, the argument that the increase in examination pass-rates from the year 2000 onwards is due to PC reform may be premature. Many high profile bureaucrats,¹⁹ such as the Additional Director in Administration in the planning division of PDoE in the NWP and former Provincial Commissioner of the country, also support this argument. Hence, it is difficult to ascertain whether the contribution of PC reform on education development in the WP and the NWP has been significant.

The Gross Teacher-Pupil Ratio GTPR, which represents the proportion of teachers in relation to the number of students, is one of the indicators widely used in studies for measuring education development in international contexts. However, the use of the GTPR as an indicator to measure the availability and/or deficiency of teachers is inefficient in Sri Lankan contexts (Arunatilake, 2000:23). The reason for such a supposition is that it would not indicate the actual situation of teachers' presence in the schools. Due to the increasing popularity of some urban-based schools, parents are making every possible effort to send their children to those schools. Consequently, the number of students in the classroom and the number of classes for each grade are multiplying in these schools, thus leading to a higher (Gross Graduate-Teacher Pupil Ratio (GGTPR) in urban schools. On the other hand, rural schools, which are marginalized by the authorities as well as parents, project a low GGTPR ratio, since the number of students in classes, as well as the classes meant for each grade, are numerically small. The low GGTPR in these schools does not indicate that they are well facilitated or developed by the authorities; arriving at such a conclusion based on this indicator is misleading.

In order to rationalize the evaluation, therefore, this study uses the changes in GGTPR,²⁰ as justified by its use as a fundamental requirement of human resources at Advanced Level (collegiate level) education in schools. All schools that have Advanced Level classes require graduate teachers, in order to cover the curriculum

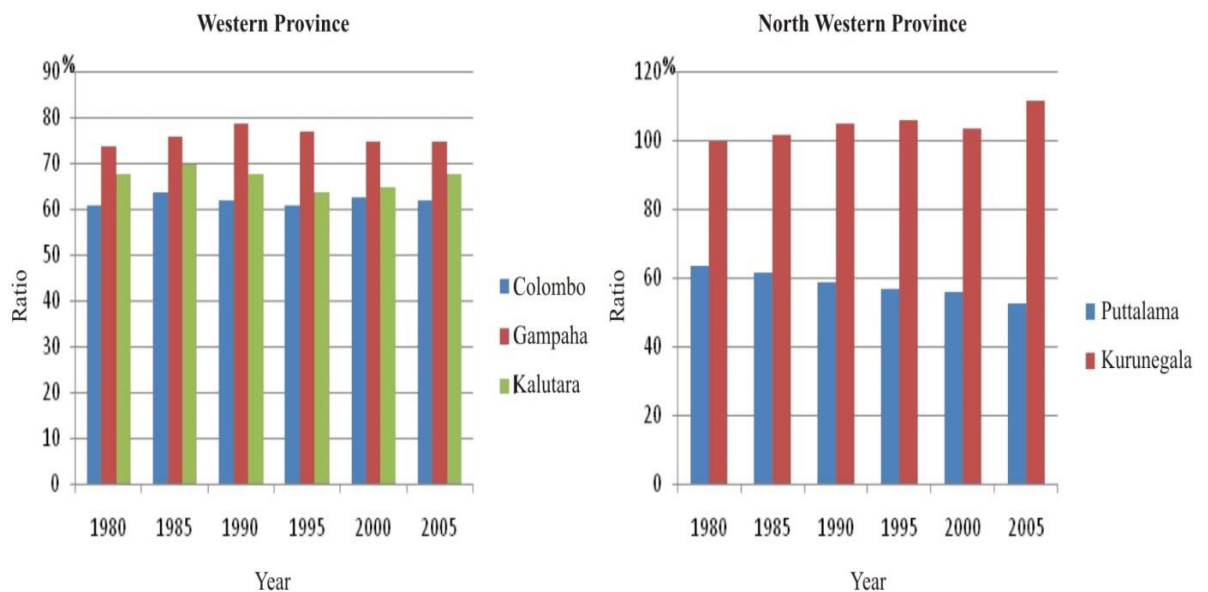
¹⁹ Author's interview with Mr. Jayathileke, former Provincial Commissioner and Mr. Kulassoriya, the Additional Director in the Administration division of the Provincial Educational Department in the North Western province. July 20, 2009.

²⁰ GGTPR is calculated by dividing the number of students by the number of graduated teachers in the schools. There are four categories in teaching staff in government schools: graduated teachers, trained school teachers, colleges of education teachers, and voluntary teachers. The graduated teachers are considered to be the most qualified teachers in the system.

properly. It is a responsibility of the related authorities to provide an adequate number of graduate teachers for relevant subjects in relevant schools. Therefore, one of the measures of actual educational management is the GGTPR in schools located in the peripheral areas of the province during pre- and post-reform periods (Arunatilake, 2004: 12).

Chart 4.11 shows the changing GGTPR in the five districts of the WP and the NWP from 1980 to 2005. As illustrated, the GGTPR during this period does not indicate any significant improvements in either province. For instance, except for the Kurunegala district in the NWP, which showed a gradual decline from 60 to 58 (which means slight improvement), all the other districts indicate no apparent changes during the study period. However, figures from the Puttalam district show a relatively higher ratio, starting with 99 in 1980, and ending with 105 in 2005. Therefore, the devolving education to the PC did not result in any noteworthy improvement in student test performance or in graduated teachers–pupil ratio, in these two provinces.

Chart 4.11: Changes in Gross Graduated Teacher-Pupil Ratio (1980 – 2005)



Source: Educational Senses Reports, Education Departments in Western and North Western Provinces, 1980-2005

Apart from the statistical analysis of government data, the responses of the beneficiaries who personally consume public goods are also important in an

evaluation of service provision. The data collected from the questionnaire survey produces some evidence relating to the impact of reform to education. Regarding the effect of PCs on development of the provision of local education services, a majority of responses (68%) indicates beneficiary dissatisfaction²¹. Therefore, it can be argued that PC reform did not contribute significantly to the improvement of the management or human and physical infrastructure facilities of local education.

When we consider the reasons for such insignificant contribution, it is evident that some of the institutional and procedural changes introduced by the reform have hindered the development of local education service provision in the respective provinces. This impediment can be observed in different ways. According to the beneficiaries' perceptions on their dissatisfaction shown in Table 4.5, the failure of the reform can be attributed to the inefficacy in providing necessary facilities, as well as ineffective administration of the education. Nevertheless, some of the experienced and influential personnel²² in the education sector have diagnosed defective design of the reform itself as the reason for this situation.

Table 4.5: Reasons for Dissatisfaction on Educational Service in the W/ NW Provinces

Description	Frequency	Percentage
Lack of required physical infrastructure (building/labs/computer-center/library, etc.	54	12
Insufficient trained and qualified teaching staff (human resource)	18	4
Political influence over the management	45	10
Distance and jeopardized relationship between teachers and parents of the students	27	6
Inefficient management of the school	36	8
Inefficient facilitation and administrative process of education	270	60
Total respondents	450	100

Source: Author's field survey, July 12 – 28, 2009

In particular, due to defects of the reform, PCs have not been able to provide necessary resources for the education sector, or form an effective and efficient management system. For instance, the inability to recruit adequate numbers of

²¹ Author's field survey, July 12 – 28, 2009.

²² Author's interview with Mr. Podinilame and Mr. J.W.K. Siriwardena, July 20, 2009.

teachers for the schools, and insufficient physical resources, such as buildings, labs, and libraries, point to resource constraints in the implementation of development projects in education. The primary claim is that, apart from the financial constraint, which results in a lack of physical and human resources, the lack of political direction and inefficient and ineffective education management have resulted in the failure to improve the provincial education.

4.6.3 Impact of PC Reform on Road Development

As discussed in Chapter Two, decentralization and its outcomes would clearly affect infrastructure development (World Bank, 2004: 8). The power and responsibilities entrusted by decentralization causes improvement of performance at the local level of service provision (Wolman, 1996). However, the outcomes of the decentralization reform may vary in different contexts and according to several key factors (Rondinelli and Nellies, 1986).

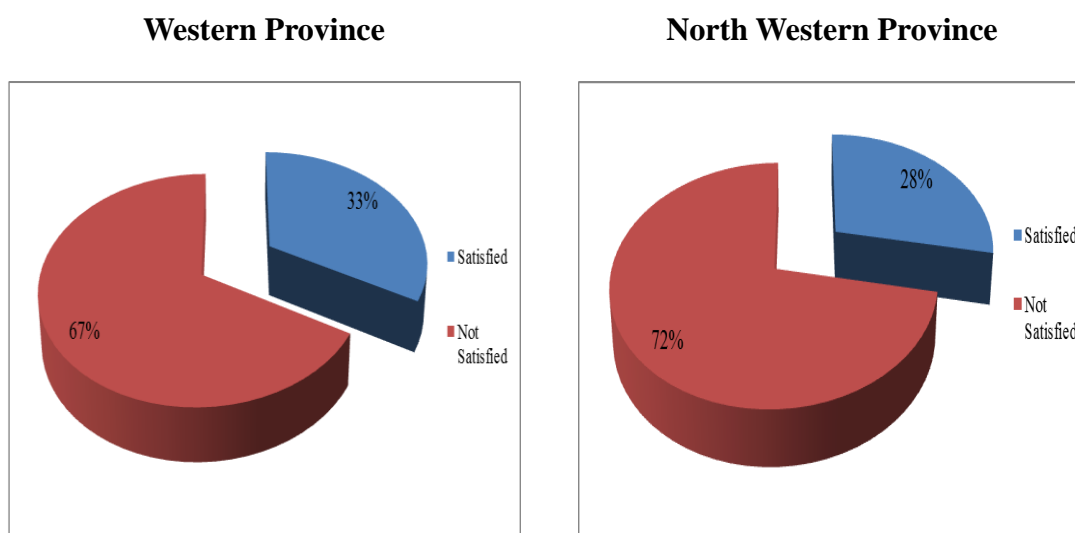
In an evaluation of the impact of PC reform on the improvement of road service provision, it is important to use both quantitative and qualitative data; due to the unavailability of the quantitative data, this analysis depends only on the qualitative data collected from the questionnaire survey and interviews.

The general perception regarding the contribution of PC reform to the improvement of road service provision is negative. Hence, one can argue that PC reform has not produced the desired results. This argument is shaped by the observation that despite certain institutional and procedural changes in governance, such changes have not contributed sufficiently to the qualitative or quantitative improvement of the existing road service. Public satisfaction with the provision of road services by the PCs verifies this fact.

Chart 4.12 shows people's satisfaction with road service provision in both the Western and the North Western Provinces. Notwithstanding slight differences between the two PCs, 67% and 72% of respondents in the WP and the NWP, respectively, indicate that they are not satisfied with the PC's road development activities. Challenging the validity of such negative responses from the beneficiaries, some argue that PCs have been able to improve the quality of the road network since the introduction of the reform. In supporting this argument, the road development

Minister²³ in the Western Province has referred to provincial expenditure statistics,²⁴ which indicate an increase in allocations on road development activities.

Chart 4.12: People’s Satisfaction with Road Service Provision in W/NW Provinces



Source: Author’s field survey, July 12 – 28, 2009

However, it is difficult to deny the view that budget allocations fail to reflect the reality of road development because allocated funds often become insufficient due to inefficient financial management, as pointed out by the Chief Engineer²⁵ of Planning in the WP. Though not satisfied with the role of the PC, she admits that the provincial road network has developed in a remarkable way over the last five years. The main reason for such improvement in the road network is central Ministry funding under the Road Development Project (*Maga Neguma*), which is implemented in collaboration with PCs to improve the local road sector. Thus, it is not

²³ Author’s interview with Mr. Nimal Lanza, July 14, 2009.

²⁴ Details about allocations on road development in previous PC budget expenditures are given as follows: 15.3% in 1999, 31% in 2000, 13% in 2001, 11.2% in 2002, 12.5% in 2003, and 12.9% in 2004 from PC budget (Provincial Budget Report, 1999 - 2004). This budget allocation, the highest among PC functions (more than 10% each year), shows the priority given to road development by the Western province in certain years. Even though relevant data on road development is available in post-reform periods, the allocation for road development by province is unavailable for pre-reform years, as those allocations were made on a project basis, rather than by province, under the state-centered system.

²⁵ Author’s interview with Mrs. Jayawardhane, July 16, 2009.

possible to single-out the contribution of the PC with regard to improvement of the road development process in the WP.

Some have noted several shortcomings of the PCs in their obligatory road development functions. According to them, there are three factors: namely, legal constraints, insufficient resources, and lack of political commitment of the leaders, as discussed in Chapter Three as internal and external problems deriving from the reform itself. Such factors were identified as the underlying cause for low performance of PC road service provision.

As far as the legal constraints are concerned, although both the central government and PCs have powers to execute their functions within their respective domains, the central government retains authority over items on the Concurrent List, and does not allow PCs to exercise their authority. For example, despite the fact that land acquisition for road development is entrusted to both authorities, the central government does not allow the PCs to exercise this authority, citing its national road development policy as justification. Thus, it is evident that an essential component directly linked to road development is blocked by the legal constraint arising out of overlapping of functions of the central government and the PCs. As confirmed by the Chief Engineer²⁶ of the PRDA in the WP, the ultimate result of this overlap is the inability to acquire the requisite land for the purpose of expanding existing roads or constructing new roads in the respective provinces, an essential need for the development process. Another view is that if PCs can convince the central government of the need for a solution for land acquisition, they might be able to come to an amicable settlement. However, there must be close cooperation between the central and provincial governments to minimize such problems²⁷.

As such close cooperation cannot be expected to prevail all the time, it appears that such cooperation is possible when the same political party is wielding power both at the center and on the PCs. When the opposition party controls a PC, the center may not extend its cooperation to the PC, as they are rivals in terms of party politics. Generally, the ruling party at the national level always tries to consolidate their political power both at the national and the local level. This power struggle was evident in the second term of the WP, which was controlled by the opposition party

²⁶ Author's interview with Mrs. Jayawardhane, July 16, 2009.

²⁷ Author's interview with Mr. Shamal Senerath, July 19, 2009. He expressed the same view.

under the leadership of Mrs. Chandrika Kumaranathunge Bandaranaike (People's Alliance), while the center was ruled by the UNP, under President D.B. Wijethunge, in 1993.

Insufficiency of resources for road development is another factor that hinders road development in the WP. It is clear that road development mainly depends on activities associated with construction and maintenance work. Therefore, the allocation of appropriate resources is a responsibility of PC authorities. The PRDA formulates the projects, focusing on specific areas for road construction and maintenance, and presents the estimated costs to the PC. The necessary funds are not always raised, since the PC must use its limited budget to provide all of its obligatory services. Though the road construction should be properly completed with quality inputs, when the resources required are not forthcoming, the PC is forced to use low quality materials in inadequate quantities, which adversely affects the quality of the construction. For this reason, some argue, and both of the Chief Engineers of the two selected provinces confirm, that PCs often opt to provide road construction or maintenance by managing the available resources, rather than paying attention to required quality standards of the construction.²⁸ For example, when construction or maintenance of a small bridge is planned by the engineer, who recommends the necessary materials, such as cement, sand, and iron, due to financial constraints, he might be forced to debase the composition, so that the inevitable outcome is a defective road network.

Here, Putnam's argument that decentralized governance may contribute to the generation of social capital as an alternative for filling the vacuum created by resource deficiency (Putnam, 2002:23) does not seem to be relevant in the context of PC reform in Sri Lanka. Some of the interviewees challenged the validity of this theory with regard to road development activities. For instance, according to the Chief Engineer²⁹ in the WP, the possible voluntary involvement of citizens is limited to labor-intensive service provision. This, too, supports the argument that the presence of labor alone is not sufficient to overcome other material shortages; rather, technology and materials are also needed.

²⁸ Author's interview with Jayawardene, July 16 2009 and Mr. Rathnayake, July 17, 2009.

²⁹ Author's interview with Mrs. Jayawardene, July 16, 2009.

Another argument is that the prevailing political splits among citizens have destabilized social coherence at the local level. As politicians are more concerned about their own political interests, common people are reluctant to participate in voluntary activities that the politicians organize. This has weakened mass voluntary involvement at the local level, in recent history in Sri Lanka.

The third factor that has led to the insignificant improvement in road service provision is the lack of dedication and commitment among politicians, at both center and PC levels. It is obvious that irrespective of whether a country is developed or developing, all countries are faced with the problem of resource constraints. Contemporary development discourses and strategies are all concerned with how to achieve development goals with scarce resources. If decision-makers and administrators who govern the country perform their duties genuinely, achieving some development objectives would not be impossible, even with limited resources. This argument is applicable to road development activities in the PCs. If PC authorities were genuinely interested in pursuing road construction and maintenance functions, the wasteful expenditure of government offices could be minimized and channeled to road development works. However, instead of following such constructive policies, scarce financial resources are used by politicians to organize extravagant inauguration ceremonies for proposed construction projects, to boost their political image, rather than focusing on the completion of projects and mitigating the problem of inadequate finance. Such self-interest and lack of commitment and dedication on the part of politicians contribute to the apathy and lack of dedication of PCs in fulfilling their responsibilities, as pointed out by both Chief Engineers in the two selected provinces, the former Provincial Secretary in the NWP, and the Director of Finance Commission³⁰.

Furthermore, when cases are reported regarding damage to roads and bridges by overloaded vehicles, or tractors with metal chain wheels violating traffic rules and regulations, corrupt politicians often get involved and let the culprit go unpenalized. In such situations, as observed³¹ by the retired Government Agent, local politicians prefer to safeguard their vote-base rather than enforcing law and order in the PCs. Such instances highlight the corruption and lack of political commitment of the

³⁰ Author's interviews with Jayawardene, July 16, 2009 and Mr. Rathnayake, July 17, 2009.

³¹ Author's interview with Mr. Jayathileke, July 21, 2009.

politicians. Therefore, it can be argued that the corrupt political culture created by the PC system does not contribute positively to provincial service provision.

4.6.4 Potential for Innovation within the PC System

Apart from the enhancement of people's participation, there is a claim that PC reform has enabled innovative programs and projects for successful service provision. By vesting certain powers to the PCs, the 1987 reform established new governance institutions, procedures, laws, and regulations. For instance, the institutions and procedures related to provincial education and road development in the PCs, although relatively small in scale and capacity, are functioning as the counterparts of the national level functions. However, the central governance always focuses on equal service provisions throughout the country, despite cultural and geo-political differences among the provinces. Because of this national-interest approach, the diverse regional, social, and cultural aspirations of people are neglected by the central policy-makers. Initiatives of locally driven development interests are often discouraged by the hindrance of rigid bureaucratic governance in the state-centered administrative system.

When the devolution reform was introduced, certain powers and functions associated with some government institutions were devolved to the provincial level, where socio-cultural and political differences within its domains were relatively small. In theory, this move should have been able to facilitate better service provision, from which most consumer-voters could benefit (Tiebout, 1956). This argument by Tiebout is proven with respect to Sri Lanka, as PC reform has brought about an atmosphere for planning and execution of new education projects, through inventive programs as needed for the enhancement of provincial education. For instance, the introduction of fisheries, a popular industry along the seashore in the NWP, as a subject in the school syllabus was determined by provincial requirements and made feasible by the PC reform. Another example is the arrangement of teacher training programs within the teachers' own localities to suit provincial requirements, which have been cited as a successful case by the Provincial Project Manager (PPM) in the PDoE in the NWP³².

³² Author's interview with Mrs. Premawathi, July 21, 2009.

As far as road development is concerned, the establishment of PCs has positively affected road development and planning in terms of data and information, which are key determinants of such development. For instance, the close interaction between road users and policy-makers has facilitated the identification of access roads, which accrue more benefits to road users on one hand, and for policy-makers to make genuine needs-assessments in the localities, on the other hand. This view was further confirmed by the Chief Engineer³³ in the planning division in the WP. The argument forwarded here is that, although certain practical impediments occur, such as delays or financial constraints, in the implementation of PC decisions, room for innovative projects and solutions within the PC system can be considered as a positive impact of the reform.

4.6.5 Equitable Service Provision

As indicated in the literature review, there are both positive and negative impacts of the decentralization reform on development with respect to service provision (Herath, 2009: 4). There is also the possibility of deepening the disparity of service provision, instead of securing equity. In order to measure the impacts of PC reform on securing equity, the GGTPR, used in the previous section, and the availability of resources in education and road development sectors, are used as indicators in this section.

Table 4.6 illustrates the changes in GGTPR in the schools in the five districts in the pre- and post- PC reform periods (1980 – 2005) in the WP and the NWP. The Puttalam district in the NWP claims the highest GGTPR, while the Colombo district in the WP claims the lowest. The Colombo district, which starts at 61 in 1980, shows some fluctuation within this period. The Puttalam district, which maintained the all-time highest rates, shows a negative trend from the pre-reform to post-reform period (1980 – 2005). These statistics also show that there is not only disparity between the two provinces, but also among districts, in the ratio of graduated teachers. Therefore, the main revelation from the statistics is that the PC reform, which was introduced to secure equitable access to education services to people in different regions, has not actually produced a significant impact in the two selected provinces.

³³ Author's interview with Mrs. A.G.A. Jayawardene, July 16, 2009.

The argument as to whether PC reform has secured equitable service provisions can be further examined by analyzing the road development activities in the two provinces. As with other sectors, vesting power to the PCs for road development focused on equitable road service provision to the local citizens in the respective provinces.

It is generally acknowledged that the success of the economic infrastructure facilities such as road development activities is largely determined by the availability of financial, physical, and human resources. Hence, whatever the changes introduced by the decentralization reform into road development, their success is determined by the strength of the resource pool.

Table 4.6: Changes in Gross Graduated Teacher-Pupil Ratio in the Districts of WP and NWP (1980 – 2005)

District	Year					
	1980	1985	1990	1995	2000	2005
Colombo (WP)	61	64	62	61	63	65
Gampaha (WP)	74	76	79	77	75	75
Kalutara (WP)	68	70	68	64	65	68
Kurunegala (NWP)	64	62	59	57	56	53
Puttalama (NWP)	100	102	105	106	104	112

Source: Education Census Report, Education Department and Provincial Educational Departments in Western and North Western Provinces, 1980 – 2005.

Under the state-centered system, the RDA accumulated and developed technical knowledge and machinery for certain construction or maintenance work, benefiting from the economies of scale as a central body. As a result, the RDA was well equipped with human and physical resources provided by the central authority for road development throughout the country. As a result of PC reform, in the road development sector, eight PRDAs responsible for provincial road network development were established, but they were provided with relatively inadequate resources, since the resources had to be divided among them. Subsequently, the PC authorities who inherited relatively small economic and political power had to carry out their road development functions within their meager financial capacity. Furthermore, the PCs were not equal in terms of their economic capacities,

It is understandable that the WP, as the most urbanized and industrialized province in Sri Lanka, and includes the capital area, prioritizes the provision of a better road network, and therefore is able to allocate more resources for road development, resulting in the accumulation of substantial machinery for the PRDA. The prioritization of road development services in the WP indicates that priority is given to the people's requirements according to the respective localities, as confirmed by the provincial road development Minister³⁴ in the WP. However, it does not imply that the PC of the NWP is not concerned about its road development. Since the NWP depends heavily on agricultural production, the province also wants to develop its road network in order to deliver products to the market swiftly.

The evident issue, however, is the capacity of the PCs to carry out their road development activities under economic constraints. The NWP is forced to be content with its relatively limited amount of machinery available for them, which adversely affects efficient and effective road service provision.

Table 4.7 illustrates the disparity in availability of staff personnel, which is similar to that of machinery. The variance in the number of engineers, technical officers, and size of the labor force exemplify the inequality in the human resource capabilities in the two PCs. One can argue that these disparities are due to differences in the priorities of each province.

Table 4.7: Disparities in Human Resources in WP and NWP

Human Resources	Road Development Authority in WP	Road Development Authority in NWP
Number of Engineers	18	6
Number of Technical Officers	69	21
Number of Draughtsman	1	1
Number of Supervisors	17	5
Number of Non-Technical	195	68
Number of Labor (Permanent + Casual)	356	70
Total	656	171

Source: Annual report, Provincial Road Development Authorities in Western and North Western Provinces, 2008

³⁴ Author's interview with Mr. Nimal Lanza, July 16, 2009.

However, it cannot be ignored that road development is a key priority in both provinces, as the WP is the most industrialized province in the country, and the NWP is mostly an agriculture-based province. Hence, transport is a crucial factor for both, requiring a good road network; therefore, both provinces should prioritize their road development. However, instead, there is a significant inequality in resource distribution that has directly affected the road development functions of the respective PCs, ultimately resulting in unequal distribution of road services for the constituencies.

4.6.6 Effective Service Provision

The availability of teachers is an integral part of effective education service provision in any context. Securing appropriate human resources, a vital factor to the distribution of equal educational opportunities among the regions, is a responsibility of the central as well as the local government, in a decentralized system.

Table 4.8 presents statistics on teacher deficiencies and surplus³⁵ in provincial schools in the two selected provinces, from 1980 to 2008. Even though the data for deficiencies and surpluses were unavailable before 1996, the existing data exposes teacher deficiency and surplus in both provinces. Significantly, the deficiencies numbered more than 2000 in the NWP over most of the study period, while the WP has recorded an average deficiency of around 200 (teachers) until 2004.

At the same time, when the surplus in the NWP was zero, the WP recorded an average surplus of 360, until 2004. The surplus increases after 2006 in both provinces, due to the recruitment of many graduates to the teaching service by a national policy to provide jobs for the unemployed graduates of the country. As a result of this central government policy to recruit graduate teachers for the provincial schools, the PCs had to take the responsibility of paying them, despite their financial constraints. These recruitments were conducted with underlying political motives (*Lankadeepa*, March 24, 2008).

³⁵ Deficiency of teachers is here defined as the lack of the required number of teachers, according to the subjects and sections (graduated, trained etc.). Surplus of teachers is defined here as availability of more than the required number of teachers, according to the subjects and sections.

Table 4.8: Change in Teachers' Deficiency and Surpluses in the WP and NWP (1980 – 2008)

Province	Type	Year									
		1980	1985	1990	1996	1998	2000	2002	2004	2006	2008
North Western Province	Deficiency	N/A	N/A	N/A	2,355	2,383	2,184	2,056	1,998	316	420
	Surplus	N/A	N/A	N/A	0	0	0	0	0	2,445	2,454
	No. of Teachers	18,039	18,907	24,115	24,713	25,074	25,079	25,638	25,687	28,345	28,321
Western Province	Deficiency	N/A	N/A	N/A	256	199	190	167	108	124	138
	Surplus	N/A	N/A	N/A	356	387	380	365	372	2,301	2,234
	No. of Teachers	35,393	38,278	42,568	41,860	41,898	42,829	42,575	42,673	45,623	45,621

Source: Education Department and Provincial Education Departments in Western and North Western Provinces, 1980 – 2008

However, before this episode of politically motivated recruitment, the WP had recorded a relatively low teacher deficiency while recording more than 350 teacher surpluses, whereas the NWP recorded a significant number of teacher deficiencies. This indicates that both PCs have mismanaged their human resources, leading directly to ineffective service provision in the education sector.

Apart from the quantitative evidence revealing ineffective service provision in education, some observations of respondents also support the argument that present educational service management is ineffective, compared with the pre-reform system. A number of reasons can be cited as contributing to such a situation. First, political intervention in positioning the educational administrative personnel effectively rendered the system fragile by wrecking human and physical resource mobilization in the province. For instance, mismanagement of the educational services at divisional and zone levels has been widespread in the post-reform period. In particular, the promotion of lower level directors, such as zone and divisional directors, often takes place to satisfy the political supporters of the ruling parties. According to the views of the Deputy Director in Education Administration in the Planning Division in the NWP³⁶, and a retired school principal³⁷ in NWP, the majority of Divisional Directors in particular, are allegedly political activists or pro-government trade union leaders who support their parties on all policy matters. In addition, several instances of

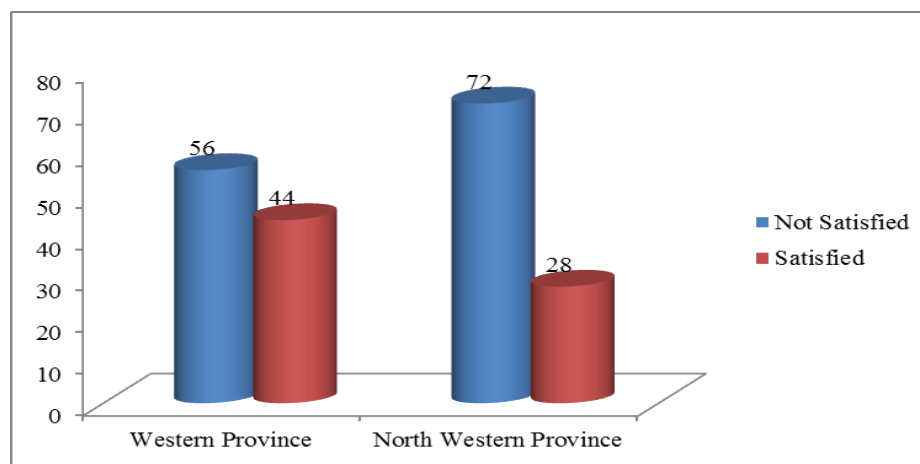
³⁶ Author's interview with Mr. Kulassoriya, July 21, 2009.

³⁷ Author's interview with Mr. J.W.K. Siriwardena, July 23, 2009.

unethical conduct of unqualified officers are pointed out by an opposition leader³⁸ and a member³⁹ of the JVP in the NWP. Some national and electronic media⁴⁰ also substantiate this argument. Such malpractice is attributed to ineffective and inefficient management, for which incompetence is responsible. This ineffectiveness in the management of the education sector can be identified as a negative impact of the PC reform in the WP and the NWP, because such mismanagement due to political interference would not be seen in the national education service. As far as road development is concerned, evaluation of the effectiveness of this service delivery requires the views of all the people involved in policy-making and implementing. The responses of beneficiaries will also be important, to see the level of effectiveness of road service provision, which is summarized in the following charts.

Chart 4.14: Beneficiaries' Perception of Quality of Overall Road Network and Reasons for Dissatisfaction regarding Road Service Provision in W/NW Provincial Councils (%)

4.14. (a): Perception of Quality of Overall Road Network

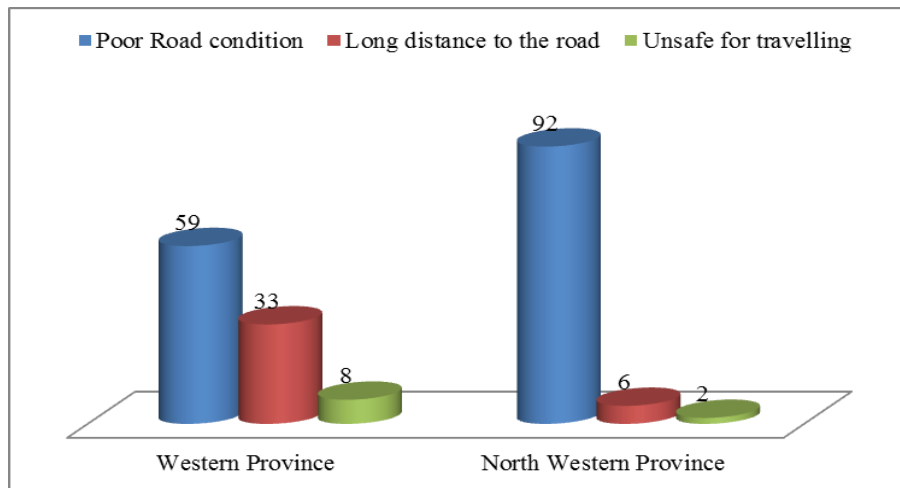


4.14. (b): Reasons for Dissatisfaction regarding Road Service Provision

³⁸ Author's interview with Mr. Shamal Senerath, July 19, 2009.

³⁹ Author's interview with Mr. Herath, July 21, 2009.

⁴⁰ As consequences of improper promotion of lower level educational officers, several instances of malpractice, mismanagement, careless handling of exams (such as distribution of erroneous question papers and answer sheets with the question papers) have been recorded in the provincial educational system and were frequently exposed in the newspapers (See the *Lankadeepa*, March 21, 2008, p. 12).



Source: Authors field survey, July 12 – 28, 2009

Charts 4.14(a) and 4.14(b) show the constituents' responses on the quality of road services in the WP and NWP, and the reasons for their stance. The first two charts indicate the people's satisfaction levels about road services and the reasons for their dissatisfaction with the road network. A majority (56%) responded that they were dissatisfied, while only 44% were satisfied with the PC's road service provision in the WP. As far as the NWP is concerned, the vast majority of the respondents were unsatisfied, as the percentage of those unsatisfied recorded 72%. The main reason given for dissatisfaction in both provinces was poor road condition (92% in the NWP, and 59% in the WP).

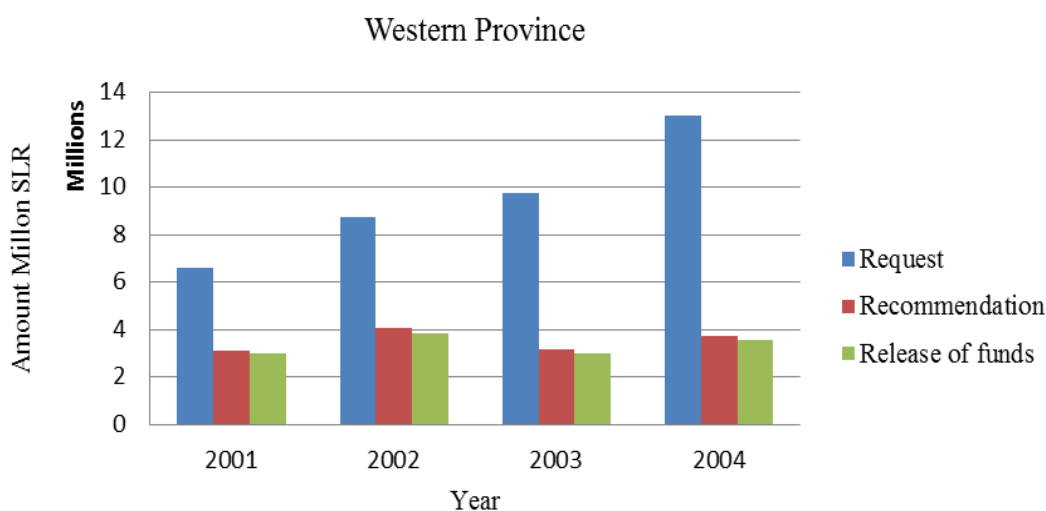
The difference in responses may reflect the road service provision of the respective provinces. The WP is the most developed province in the country and therefore, it is able to acquire relatively sufficient road construction machinery and human resources, as discussed above. However, what we can observe from these response results is that, even though the WP is relatively well equipped, compared to the NWP, people in both provinces are not content with their road service provision.

As far as the beneficiary's perception is concerned, consumers are dissatisfied with the poor road conditions in the provinces. However, in order to justify this lower satisfaction level, the response of policy-makers and administrative officers are also required. What we observed is that the poor road conditions were due primarily to defective construction and ineffective maintenance. However, even though the technical failure of the construction was the primary defect, there were other factors

that affected the outcome of the service delivery. Insufficient resources, coordinating issues, corruption, and lack of political commitment on the part of authorities have been identified by influential officials, such as the Chief Engineer⁴¹ in the planning division of the PRDA in the WP, as the major reasons for defective construction and ineffective maintenance.

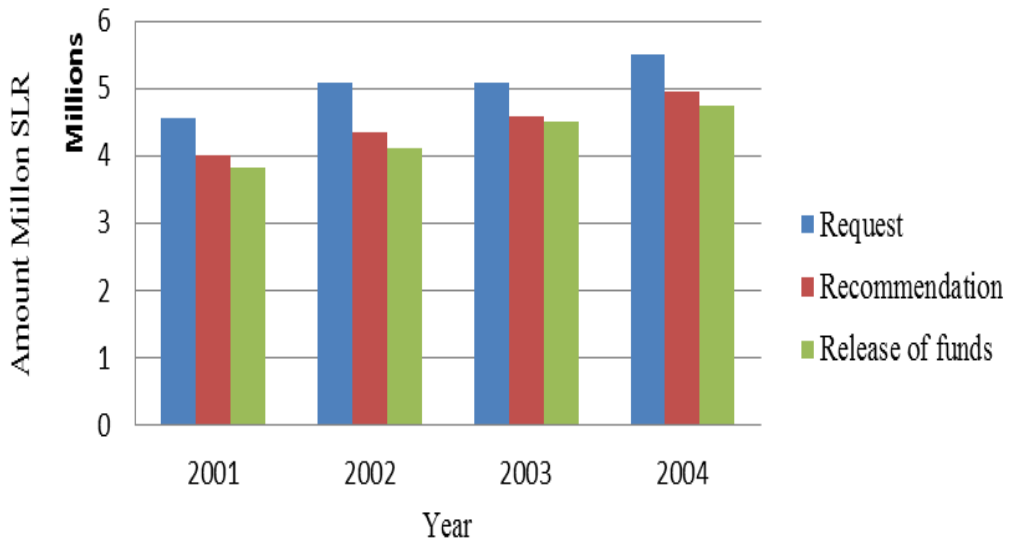
Charts 4.15 and 4.16 show the amount requested, recommended, and released by the center to the PCs, from 2000 to 2004 in the two selected provinces and nationwide. These data clearly show a considerable gap between the requested amount and the released grants, indicating deficiency of necessary finance, which leads to financial scarcity. It is obvious that when decentralized bodies formulate their budget, they frequently forecast large development budgets, inflating their capital expenditures in order to boost development. Therefore, generally, the central government in decentralized countries intervenes in the process by exercising control over allocations. Once this process is over, the allocated funds are transferred from the center to the local bodies.

Chart 4.15: Financial Details (Amounts of Requested, Recommended, and Released Grants) in WP and NWP during the Period of 2000-2004



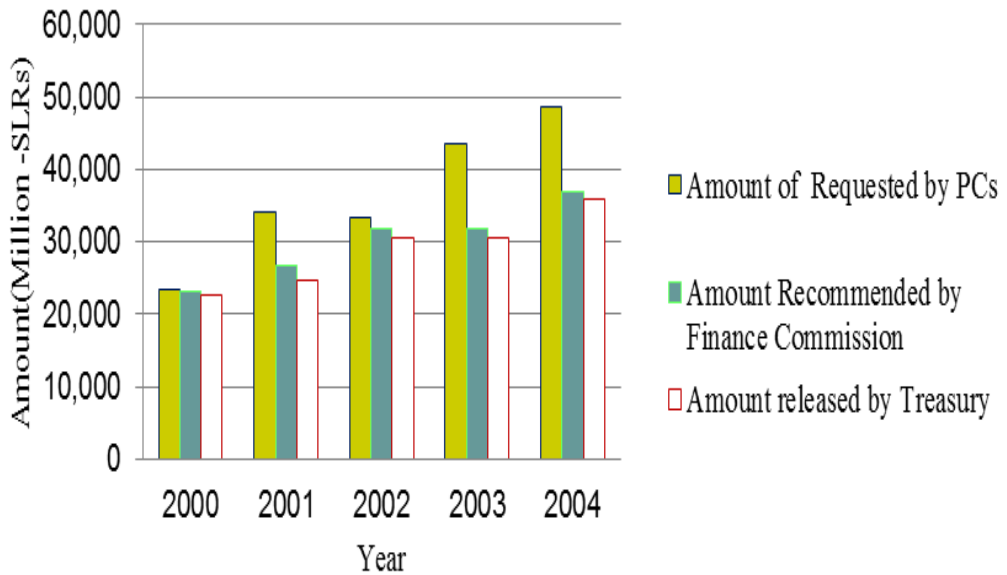
⁴¹ Author's interview with Mrs. A.G.G. Jayewardene, July 16, 2009.

North Western Province



Sources: Annual reports, Finance Commission Reports, 2001-2004

Chart 4.16: Financial Details (Amounts of Requested, Recommended, and Released Grants) Overall Provincial Administration during the Period of 2000-2004



Source: Annual Report, Finance Commission of Sri Lanka, 2004

These statistics show a trend that released funds are always less than recommended grants, both at the national and at province levels. As confirmed by the CM in the WP⁴², this situation has adversely affected the proper performing of functions.

As far as resources are concerned, it has been observed that almost all developing countries suffer from a shortage of sufficient financial resources (Bardhan, 2000; Tanzi, 1995). Decentralized governance bodies must depend heavily on the central government's transfer of funds, without which their functioning is hampered. Therefore, efficient transferring of these resources to PCs is crucial for their service provision.

However, the efficacy of the transfer is mainly determined by the procedures that must be followed. The procedure for central transfer is as follows: PCs formulate their budget in consultation with the FC and the Treasury. The PCs first produce their budget report for the FC, forecasting the expenditure and income for the following financial year. The FC and Treasury then decide on the amount to be released to the PC. However, the allocated grant for PCs is always less than their budget request.

Apart from the allocation issue, lack of coordination between the center and the PCs is also identified as a factor contributing to the ineffectiveness of PC service provision. Here, coordinating issues that seriously affected the effectiveness of PC activities can be observed in different ways. Most of the utility service providers, such as water, electricity, and telecommunication, which function under the central departments, extend their facilities by digging up roads.

A general observation in this regard is that due to lack of coordination between the central and provincial governments, the service providers such as water and telecommunications commence their work when the PRDA has completed its task, thus leading to re-digging of the roads. However, such service providers do not take any responsibility for repairing the damaged roads properly. This can often be seen in urban and suburban locations in the provinces. Defective reconstruction causes damage or deterioration in the quality of roads. Even though it requires comprehensive coordination between relevant authorities, and the central authority

⁴² Author's interview with Mr. Prasanna Ranathunge, July 13, 2009.

has the power to do so, it does not occur. Nevertheless, PCs are unable to challenge the central department or authority in any court.

As far as educational development is concerned, the same coordinating failures are rampant when the central and the provincial administrative structures are functioning simultaneously within the province. For instance, the central educational administration, which is answerable to both the MOE and the provincial education administration in the PC, appoints one officer, such as the Secretary to Education in the PMOE, who is responsible to both authorities. This kind of involvement by both the MOE and PMOE confuses the administration as to who it should obey. In such a situation, administrative officers often work in favor of central educational policies, since the central government possesses the overarching power to override PC authority. Therefore, the coordinating issues created by the existence of parallel authorities have resulted in ineffective service provision. This argument is further confirmed by the former first Provincial Secretary⁴³ in the NWP, throwing light on the adverse impact arising from coordination failure.

4.6.7 Aggravation of Family-Based Politics

Devolved governance can have both positive and negative influence on a single function (Oxhorn, 2004). The PC reform affects the democratic process in both ways, in Sri Lanka. The positive impact of PC reform for boosting local political participation has been discussed. However, there is also a view that PC reform has adversely affected democratic politics by creating opportunities for nepotism, or political lineage at the sub-national level. Such a perspective must be evaluated empirically.

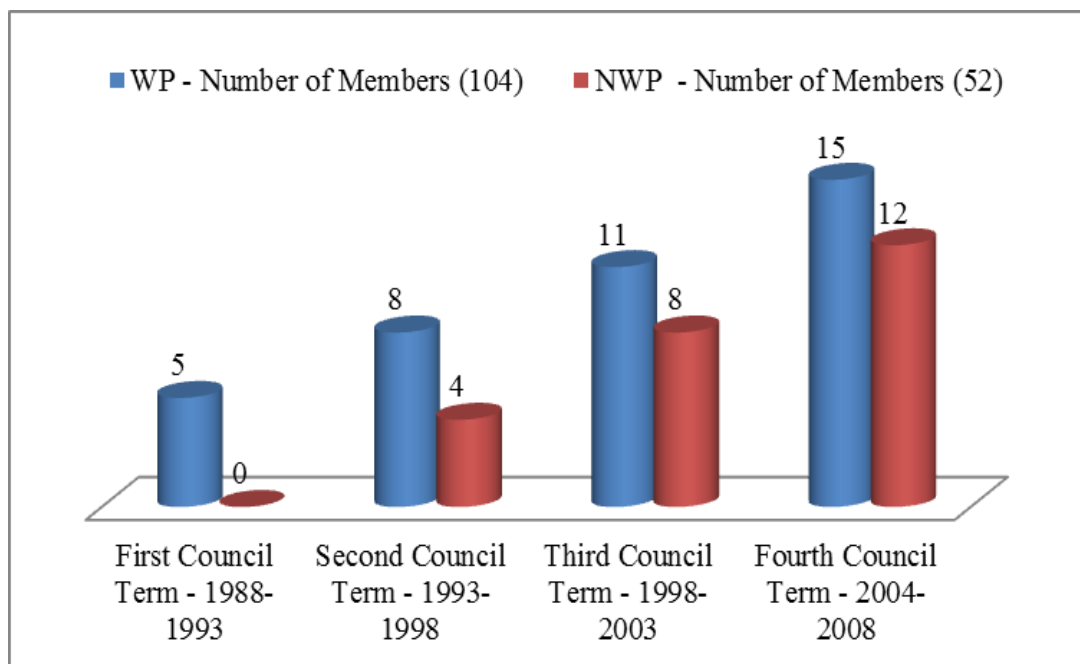
Sri Lanka, like other countries in the South Asian sub-continent, has inherited family-based politics since its independence. Enormous contributions made by charismatic individuals and families to the independence struggle have left a legacy of honor and respect for them and their families. For instance, the Gandhi family in India, the Bhutto family in Pakistan, Mujibur Rahman in Bangladesh, and the Senanayake and the Bandaranaike families in Sri Lanka can be cited as leading

⁴³ Author's interview with Mr. Y.B Dissanayeke, July 18, 2009.

examples (*Lanka*, April 13th, 2008). Notwithstanding the arguments in favor of or against family politics, according to democratic values and practices, leadership is a unique talent developed by political personalities. However, in the second and third generation politics in Sri Lanka, the family members of erstwhile stalwarts gain facile and prompt access to politics and power. Although the second-generation family relations took their place in the politics of the country on the basis of charismatic leadership, the third generation family in politics is only interested in being a member of parliament or a ruling party man. One potential argument with regard to this aggravation of political lineage is that the PC reform provides an additional opportunity for members of influential families to gain popularity and political experience in the democratic setup.

Chart 4.17 shows the number of elected PC members, who had a national and local political family background. The statistics indicate an increasing trend in members with strong political family backgrounds being elected to PCs in both the Western and North Western Provinces.

Chart 4.17: Number of Elected Members from Family-Based Politics in WP and NWP Council Terms



Source: *Lanka*, April 13, 2008

In the first term of the WPC (1988-1993), five such members were elected, while none were in the NWP (1988-1993), which recorded zero in the first term, elected four members in the second term, recording a significant increase in successive terms. It indicates that the probability of electing PC members who have a strong political family background is high.

The reason for such a trend is that people often opt to elect their PC members from those who have already had political exposure, compared with other candidates. Most of the candidates who come from reputed families are better known and have been more exposed to the political system than other candidates. Therefore, voters are more confident that those members are capable of fulfilling their electoral promises, as they are strongly supported by the hierarchies in the political parties.

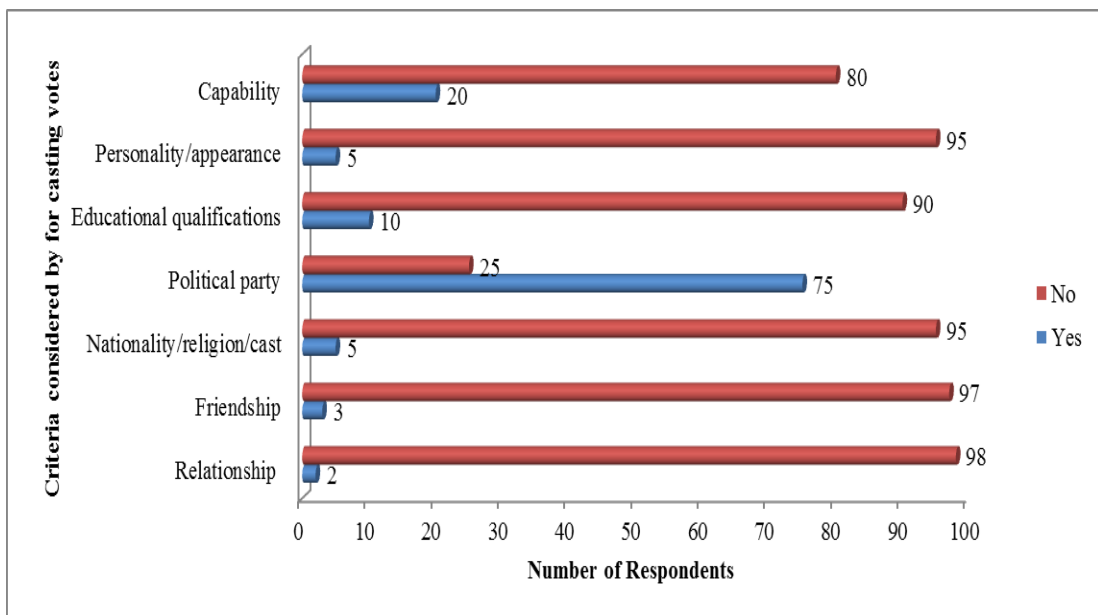
Such a view was endorsed by Mr. Shantha Bandara, a Minister in the NWPC. However, the view of Mr. Dayasiri Jayasekara, opposition party parliamentarian in the Kurunegala district in the North Western Province, strongly denies Bandara's argument that political lineage is aggravated by the PC system. This argument highlights the tendency of the family members of national politicians to perpetuate their own political and economic status. Thus, the families that have already enjoyed political power and privilege make a tedious effort to perpetuate their lineage in politics. Nevertheless, the problem is that the opportunities to enter national level politics are restricted, due to limitations on the number of elected members in the Parliament. After the introduction of the PC system, however, these other members of political families received the chance of carving out for themselves a place in sub-national level politics. The proportional representation system introduced by the PC reform has been a leading factor for aggravation of political lineage. According to this argument, the opportunity for candidates from the same families to be elected is high, as the majority of them come from already reputed political families under the PC election system. In the proportional representation system, constituents must cast their preferential votes for three candidates, and here, the high profile political family of the nominee, rather than his/her qualification and experience, is significant in the selection.

However, there is another important perspective to this argument, in the context where priority is given to the political party of the candidate rather than to other factors, as confirmed in Chart 4.18. Chart 4.18 shows the results of the survey

about criteria considered by voters in electing their representatives to the PCs. The majority of the respondents believe that they should elect a suitable representative for PCs on the basis of political party. The fact that this group comprises 75% of the respondents indicates voters' priority on political party over any other qualification. The question that arises here is: Why is the political party so important for voting in PC elections?

The answer is related to the representation and election system. What we have observed from PC reform is that the proportional election system, which followed the preferential voting system, is provisioned for electing the council members of the PCs. Thus, under the proportional electoral system, the provinces are considered as an electorate and the number of members who get elected from the district is determined by the population, the geographical size, and the socio-economic condition of the district. The distinction of this proportional system is that not only the winning party in the electorate, but also the losing parties, obtain representation according to the proportion of the received votes. The political parties and independent groups that contest the election must submit nomination lists for respective electorates.

Chart 4.18: Criteria Considered by Citizens for Casting Votes in W/NW Provincial Council Elections



Source: Author's field survey, July 12 – 28, 2009

However, except for the candidates from leading political parties such as United National Party, Sri Lanka Freedom Party, and Peoples Liberated Front, candidates from other small parties or groups, or individuals contesting the elections, are often marginalized. This situation perpetuates the domination of the PC system by major political parties. Hence, the leading political figures in the main parties often include their relatives on nomination lists. Thus, it can be argued that national and local political elites have used the PCs as breeding grounds for their family members to enter politics, as pointed out by Mr. Dayasiri Jayasekara. Moreover, they sustain their future political and economic prospects by providing jobs for their relatives. Therefore, based on these observations, one can argue that the PC system has perpetuated political lineage. In this context, the election system of PCs, which was introduced under the PC reform, is a key factor for the consolidation and continuation of such family politics.

4.6.8 Election-Related Violence

As far as local democracy is concerned, another impact generated by PC reform is the escalation of election-related violence, raising concern about the extent to which decentralization has enhanced democracy. The following Table shows the instances of such violence, as provided in Police records.

Table 4.9 reveals the number of election-related violence from 1977 to 2009 in Parliamentary and PC elections in Sri Lanka. It indicates that, except for the 1977 general election, other elections that were held until 1989 did not experience many incidents of election-related violence. After that, however, election-related violence increased during the 1988 to 2009 period. The question to be answered is: What kind of relationship exists between the PC system and election-related violence in Sri Lanka?

Prior to the introduction of PC reform, other than the Presidential elections, the main elections held in Sri Lanka were the general elections. Before the election reform in 1982, general elections under the majority electoral system were held on the basis of wards. Under the ward-based simple-majority election system, competition was evident among the competing party members. The competing candidates were often familiar with each other and with the voters in the area.

These circumstances forced the candidates to behave well in democratically conducted elections, or else they would not get elected at the next election, as the ultimate decision-making power of their fate rested with the voters. However, the proportional electoral system under the 1987 PC reform was used for the first time at the 1988 general election. Even though the data regarding the first PC election-related violence is unavailable, the figures for consecutive elections show a remarkable increase in election-violence in Sri Lanka. The 1993 PC election held in the North Western province recorded the highest number of occurrences of violence, vote rigging, and intimidation by competing party candidates.

The escalation of election-related violence has been influenced by various factors. Among them, the nature of the election system of the country plays a key role, as the proportional electoral system of the PC system seems to have aggravated violence in the election process. Under the proportional electoral system, electing of candidates is determined by the preferential votes each individual receives at the election. The proportion of the vote received by each party also determines the number of seats in each party. Thus, there are two types of competition: one between rival party members, and another within the party itself. Since the election system regards the entire province as one single electorate, the candidates try to collect as many votes as possible from the particular province, requiring that they cover a relatively larger area for canvassing.

Unprecedented competition prompts the candidates to spend enormous amounts of money for their political campaigns. Due to the limited number of seats in PCs and the large number of candidates, the probability for clashes between rivals in opposite parties and sometimes with candidates within the same party is high. Therefore, one can argue that the new election system under the PC reform has contributed to a drastic increase in election-related violence. The validity of this argument is corroborated by the views presented by many respondents during the author's interviews and survey.

However, one may wonder, when the general election is conducted under the same electoral system, why it does not also generate such unnecessary competition. The answer to this question seems to be found in the election system itself. In the general election, the district, a relatively small geo-political area compared to the province, is considered as the electorate for a relatively small number of Members of Parliament. Therefore, the scale of competition among the same party members

remains relatively low, since the number of candidates engaging in political canvassing is also low. In contrast, in the PC election, the number of candidates for PCs is high. The necessity for a large number of candidates affects the political process differently.

Table 4.9: Election-Related Violence (1977 – 2009)

Type of Elections and Year of Election	Number of Incidents Recorded			
	Serious incidents	Murders	Minor incidents	Total Incidents
1977 General Election	610	-	1,128	1,738
1982 Presidential Election	239	17	-	639
1988 PC Election	-	-	723	723
1989 General Election	-	3	-	03
1993 PC Election	435	1	2,011	2,447
1994 General Election	2,256	4	1,698	4,000
2001 General Election	2,456	3	2,173	4,632
2004 PC Election	3,015	5	2,445	5,665
2004 General Election	2,425	3	1,276	3,704
2009 PC Election	1,286	4	2,975	3,965

Source: Centre for Monitoring Election Violence, 2010

First, the respective political parties must identify many suitable candidates from their relevant electorates, as they are aware of the significance of winning the PC elections. Therefore, they choose the most popular people, rather than the most competent candidates. Second, as a large number of candidates are engaged in active politics in a single electorate, rivalry among the parties also increases. Under these circumstances, most of the parties obtain the support of the political underworld, to face challenges from the opposition, indicating that the candidates are more concerned about the number of votes than maintaining democratic values or practices. Therefore, they are prepared to use any kind of tactics, such as intimidation or vote-rigging, in order to increase preferential votes. Based on these observations, it is

reasonable to argue that the PC reform resulted in the increase of election-related violence at local levels where PC elections are held.

4.7 Chapter Conclusions

The analysis presented in this chapter was based on primary and secondary data from the questionnaire survey and interviews by the author. The analysis produced a number of findings to highlight the impacts of the PC reform. As far as the contribution of the reform on provincial service provision is concerned, the present study, based on three proxy functions — political participation, education, and road development — could not find significant improvement of service provision in the post-reform period in the two examined provinces, except for improvement in people's participation.

As far as the impacts of PC reform on local service provision are concerned, the study found mixed results with its proxy functions. People's participation, which was used as a proxy of democracy, has benefited from the reform, as evidenced by the quantitative improvement in minority participation in the governing processes of the respective provinces. Moreover, opportunities for innovation in the service provision mechanism can be regarded as another positive impact of the reform.

The study also highlighted several adverse impacts generated by the PC reform. Increasing inequality and ineffectiveness observed in the study are negative impacts of the reform on education and road development. Moreover, an increasing tendency towards political lineage and escalation of election-related violence are also negative impacts of the reform on local democracy of the country.

As far as negative impacts generated by the PCs reform are concerned, some associated factors have been identified, which, rather broadly, have been categorized as internal and external factors. The internal factors, which stem from certain pitfalls of the reform itself, are identified as inadequate resources, coordination issues, legal constraints, incompetency of PC management, and the domination of central government. Lack of political commitment and dedication on the part of politicians at both central and provincial levels, which is likely to hinder implementation of any public sector reform, has been identified as an external cause of such negative impacts. However, it is noteworthy that except for the lack of political commitment

and dedication of the politicians in the political hierarchy, all other adverse factors can be attributed mainly to the defective design of the PC reform in Sri Lanka.

Chapter Five

Conclusion and Policy Recommendations

5.1 Conclusion

Many countries in Asia, Africa, and Latin America that introduced state-centered development approaches in the post-Second World War period have failed to sustain their expected development goals and objectives (Cohen and Peterson, 1999; Falleti, 2005). Consequently, decentralization, an innovative institutional governance approach originated in theory by Tiebout (1956), has emerged as a multi-dimensional, politico-economic solution to the prevailing developmental impasse. Thus, decentralized governance began to be accepted by various international agencies worldwide, and many national governments consented to adopt it towards the end of 1970s and early 1980s. In common with many developing countries, Sri Lanka also adopted a decentralized framework of governance by introducing a devolution reform under the 13th amendment to her Constitution in 1987. The amendment came at a crucial juncture, when state-centered governance was reaching a crisis point, and amidst international pressures to adopt decentralization as a means to solve the long drawn-out internal civil conflict.

Some theorists on decentralization reform insist that decentralization has positive effects on development (Bird, 1982; Rondinelli, 1986; Tiebout, 1956). However, many recent treatises and case studies have demonstrated that decentralization has not always guaranteed positive results. Moreover, there is a dearth of comprehensive study in developing countries on the impact of decentralization. Even the existing literature has certain methodological drawbacks, such as inappropriate research approaches (Bardhan, 2002; Bahl and Ling, 1992). Therefore, more empirically oriented research appears to be necessary for evaluating the actual contribution and impact of decentralization in the context of developing countries. The present study on the Sri Lankan experience was an attempt to contribute to the literature on this subject, by conducting empirical research on a developing country. The objective of the study was to conduct an impact evaluation of decentralization reform that had been introduced under the Provincial Councils Act of

1987 in Sri Lanka, and to identify the factors that determined the performances of decentralized service provision.

In order to achieve the above, three research questions were formulated. First, what are the changes that have taken place with regard to the local service provision mechanism after the introduction of the PC reform? Second, what kind of impact did the PC reform generate on local service provision? Finally, what factors have contributed to the impact of the Provincial Councils' service provision? These research questions were examined according to the conceptual framework developed for this study, based on conventional and commonly used methodologies for policy evaluation.

Two Provincial Councils out of eight were selected for this case study, and a comparative analysis of decentralization was undertaken in the context of pre- and post-reform in terms of three devolved proxy functions: local participation; local education; and local road development. Primarily, three sources of data were used in the study: (1) data collected through interviews with policy makers and policy implementers; (2) data collected from constituencies (consumer-voters) through a questionnaire survey; and (3) secondary data from published and unpublished sources. Both quantitative and qualitative approaches were used for the analysis of these data.

This study arrived at three main conclusions based on its findings. First, the present study has shown that the PCs reform is significant for establishing a second-tier governance body in Sri Lanka for the first time in the modern history. As observed in conventional theory (Livack, Junaid, and Bird, 1998: 2), decentralization reform brought governance to the sub-national level. The democratically elected PCs have been entrusted with power guaranteed by the Constitution. One can see that the newly established PES and PRDA reflect the administrative and structural changes in education and road development sectors that replaced the state-centered bureaucratic hierarchy. Furthermore, the establishment of the FC, as well as the Provincial Courts, reflected institutionalization of new procedures for the transfer of financial authority from the center to the provinces, and structural changes in the judicial system in the country, respectively. These tangible changes lead one to conclude that the PC reform has brought structural changes in governance and procedural changes in local service provision, and, as the theoretical constructs on decentralization envisaged, enhancement of democracy in Sri Lanka.

Second, the study concluded that the normative argument of Tiebout, the advocate of decentralization concept who argued for improvement of performance of local service provision (Tiebout, 1956: 47) does not apply across the board. This conclusion is verified by the insignificant improvement of performance indicators of the proxy functions, such as student performance at the G.C.E. O/L examination and the gross teacher-pupil ratio in the pre- and post-reform periods in the WP and the NWP.

The third conclusion of the study was that the PC reform has affected service provision such as education, road development, and local democracy in different ways. As far as local democracy and its enhancement are concerned, it is evident that the reform had a positive impact on people's participation in the governing processes. One major indicator in that respect was increased participation of minority groups in the governing processes. The creation of a healthy atmosphere for innovation in service provision, such as education and road development, can be cited as another positive impact of the reform.

As for the negative impacts of the PC reform, the study revealed such aspects as disparity, ineffectiveness, escalation of family-based politics and an alarming increase in election-related violence. As far as disparities in development are concerned, contrary to theory of decentralization as the key to balanced regional development, its operation in Sri Lanka raises questions due to the persistent inter- and intra-provincial disparities in the country. For example, it is observable that there is a disproportionate distribution of educational service provision in the provinces. The criteria used for this study, GTPR and teacher deficiency and surplus, showed the prevailing inter- and intra-provincial disparity among the districts and provinces in the education service sector. With respect to road development activities, inequalities were seen with respect to capacities of institutions and the availability of human and physical resources, as well as their functioning, in both PCs.

The study also indicated that the PC reform has not absorbed competent politicians for national polity in the selected provinces on one hand, while on the other, it has resulted in an alarming increase of political violence. A large number of novices and close relations of politicians already entrenched in national politics are being elected at the PC level. The increasing trend of political lineage involving a politically powerful class that resorts to election violence has resulted in nullifying the

objectives of decentralization. The election mechanism of the PCs seems to encourage the politically powerful classes to enter the local election through their privileged positions, thus destroying the prospects for enhancement of democracy.

The impact of decentralization reform on development is determined by different factors under different contexts. Lack of resources, poor coordination, legal constraints, incompetence of PC management, and the domination of the central government are found to be the major drawbacks of the system. Lack of political commitment on the part of national and local level politicians in the decentralization of power and responsibilities was identified as another negative factor. A further drawback is the inappropriate design of the reform itself, to which other defects can also be attributed. Based on these facts and findings, the present study concluded that decentralization reform, as a means of developmental governance, did not have the desired impact on development. It also concluded that the nature of the impact of a reform was mainly determined by the design of the reform itself, as well as contextual factors.

5.2 Limitations of the Study

Decentralization reforms, which are formulated to achieve multi-dimensional objectives, can create a range of issues related to the socio-economic and political life of people. The evaluation of the entire scope of reforms will be an uphill task for any single researcher. Facing such difficulties, this study was confined to three areas, i.e., education, road development, and democratic development, as the proxy functions of development service provision of the PCs. The attempt towards evaluation of the impact of PC reform in Sri Lanka should include a considerable number of PCs in its sample. However, this study was limited to two PCs (the WP and the NWP), which were selected on the basis of socio-economic indicators in the country. Hence, the conclusions of the research are based on these two case studies and the selected proxy functions. Accordingly, the findings of the study have a restricted application to the two selected PCs and the related proxy functions, and even within them, to a selected number of variables, and may differ in other contexts.

Of the proxy functions, only voter turnout, number of PC members from the minority communities (people's participation proxy), deficiency and surplus of staff,

examination results (education), and physical and human resources (road development) were examined, while financial management, recruitment and transfer procedures, and technology application in the construction of roads were not examined. As far as data are concerned, one limitation is the unavailability of data pertaining to the allocations made for road development and to education in the respective provinces in the pre-reform era.

5.3 Contribution of the Study

The dearth of empirical study on decentralization and the unconvincing findings of some of the existing studies have caused some doubt among policy-makers about the effectiveness of decentralization. This situation is worse in developing countries, where only a few comprehensive empirical studies have been conducted. In this regard, the present study significantly contributes to the body of literature on decentralization, particularly in relation to two aspects: First, it contributes by presenting a case study on decentralization in a developing country. Second, it significantly enhances the understanding of policy-makers seeking constructive measures to mitigate the negative impacts of decentralization, such as political violence, inefficiency, corruption, and political lineage, and to enhance the efficiency of local service provision, which is a fundamental requirement for more balanced development in Sri Lanka.

5.4 Policy Recommendations (Short-Term)

5.4.1 Introduction of a New Provincial Council Election System

The PC reform was an attempt to introduce democratic governance at the provincial level in order to strengthen local democracy. However, we have observed two major negative impacts: namely, an alarming increase in political lineage and election-related violence, which threaten local democracy and public faith in the system. The study indicated a relationship between these two and the existing election system of the PCs.

The election system is a crucial aspect in determining democratic governance, because it is responsible for shaping the attitudes, values, and practices of the people with respect to politics. The election system should create an environment for the voters to elect their preferred representatives, while making legal provision to secure the accountability of the representatives, as well. As far as the existing PC election system is concerned, it has failed with respect to both objectives. In the present system, the district is considered as an electorate. It covers relatively a vast geographical area, which in turn, requires more numbers of members for its PC. This creates competition even among the same party members for preferential votes, as their election is determined by these votes. Election-related violence is a seems to be outcome of this unhealthy competition. The absence of a close relationship between the voter and his/her elected representative has also contributed to violent behavior of contestants and voters. Furthermore, as the district-based electorate is large, and an elected member does not have a specific locality to look after, both accountability and representation of the PC's members are weakened.

Under the present PC election system, priority has been given to the political parties rather than to the candidates. Anyone willing to contest comes through a nomination list presented by a political party. The decision-makers of the respective political parties manipulate the nomination list in their favor, by giving priority to their family members. This political lineage has destroyed the core values and practices associated with local democracy.

Therefore, the ward-based system, which provides for election of only one member under a simple majority, would be a solution. The justification of this argument is as follows: The proposed system will minimize election-related violence and political lineage in the country in two ways. First, a small electorate coming under a single representative will strengthen the relationship between the representative and voters by securing trust between both parties. It will also discourage the candidates from engaging in malpractice and violence in their election campaigns, as they have to come back to the ward to compete for another term. Second, although national and regional politicians attempt to gain advantage for their relatives, all candidates must fulfill their duties in order to be elected from their wards, lest they be rejected. Even in the case where a candidate has gained popularity due to his or her family background, he or she needs to secure the trust of the people to defeat the potential

rival candidates. These changes will minimize violence, and reduce political lineage to some extent, thereby safeguarding representative democracy in the country.

5.4.2 Residency in the Electorate

What we have observed about the present election system in the PCs is that candidates who infiltrate from outside the local communities exploit all avenues to increase their vote bank. Election-related violence is a direct result of the election malpractices in which they engage. In the present system, the constituencies are too extensive, and most candidates have nothing to do with that particular locality. Therefore, it is difficult to instill the spirit of decentralization in the minds of voters, as the election itself does not encourage such a spirit. Candidates generally attempt to harness votes from all over the province, which means that the election campaign requires a substantial amount of money and mobilization of resources. This scenario deprives many local residents who want to develop their areas of an opportunity to elect the desired candidates. It nullifies the spirit of the decentralization reforms, and in fact, works contrary to that ideal. Therefore, a law should be imposed to ensure that a candidate should have been a resident of the same electorate for a considerable number of years at the time of the election. Such a law is necessary to counter the election-related violence and capturing of power by a limited number of influential political families, as discussed below.

If the electorate is limited to one ward where the candidate is a permanent resident, it could minimize both the intense political manipulations and substantial costs involved. Furthermore, this would also prevent prominent national-level political figures from outside the electorate from entering the race. If such outsiders are permitted to enter the competition, it reduces the local residents to the position of the bystanders in a process that in fact, had been instituted for their own benefit with their full-fledged involvement. Moreover, if permanent residency for a candidate in the local area for a considerable period is introduced as a condition for eligibility, it would be difficult to manipulate and marginalize the local residents by the political elite of the country, who currently monopolize these provincial polls by introducing their family members to contest elections by exercising their political clout.

5.5 Policy Recommendations (Long-term)

5.5.1 Decentralized Administration

Rondinelli (1981) and Olowu (1993) argue that the success of decentralization reform requires certain pre-conditions, such as political commitment, proper design of the reform, sound economic background, availability of competent local administration, and existence of democratic values and practices. The absence of such conditions could hamper the smooth functioning of decentralization reforms.

What we have experienced in Sri Lanka is that notwithstanding the absence of the above preconditions, PC reform has generated some positive impacts, as well. For instance, it has created an atmosphere for innovative projects and programs in service provision. Therefore, what Sri Lanka requires is a decentralization reform that stimulates the positive impacts, and discourages the adverse impacts.

The ultimate objective of decentralization reform is to work out a new system that can ensure efficient, effective, and fair service delivery over which the people have democratic control. Such a reform should be formulated by considering previous experience with such decentralized governance, and the history and culture of the people of that particular country or locality in which such a reform is attempted (Dairokuno, 2002: 96-97).

This study proposes the establishment of a single administrative structure to replace the administrative mechanism of the present PCs and that of the central government, within which the administrative powers are delegated from the national level to the provincial level, to the district level and, finally, to the community level. The administrative officers at each level should be empowered to make the final decision regarding administration. This new mechanism should consist of the administrators of the National Administrative Service. The central government should formulate the national level policies, while the provincial level policies should be formulated by the PCs. The policies relating to both should be implemented by the new administration. Provision should be made to ensure the participation of the decision-makers (political bodies of both the central government and the PC) and administrators of the new structure in the entire process, from policy formulation to project evaluation. In addition, constitutional provisions should be made available to

secure checks and balance between first, the political body (political authority) of both the central government and that of PCs, as well as the new administrative authority; and second, between the political body of the central government and that of the Provincial Councils, in order to ensure provincial autonomy.

The proposal for a new administrative structure seeks to minimize inter-regional and intra-regional disparities, problems associated with scarcity of human and physical resources, and the institutional and functional overlaps, which arise due to the existence of parallel administrative structures. The proposal to introduce checks and balance in governance is intended to ensure both the autonomy and cooperation between the policy-makers (politicians) and policy implementers (bureaucrats) of the new administrative structure, and also between the national level and provincial level political bodies (central and provincial), in order to overcome political interference by both the central and provincial governments.

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ANNEXURE1: Questionnaire of the Field Survey

ANALYZING IMPACT OF DECENTRALIZATION ON DEVELOPMENT: A STUDY OF PROVINCIAL COUNCILS SYSTEM IN SRI LANKA

Questionnaire

Sample No.	
Date:	
Name of Enumerator:	

A: BACKGROUND INFORMATION

1. Province:
2. District:
3. Electorate Division:
4. Pradeshiya Sabha Division.:
5. Grama Niladari Division:

B: RESPONDENT'S GENERAL INFORMATION

1. Name of the respondent:.....
2. Address:.....
3. Age: (Years):.....
4. Ethnicity:.....
5. Religion:.....

6. Educational Qualification:

a. None		d. G.C.E (A/L)	
b. Primary		e. Diploma/Degree	
c. G.C.E. (O/L)		f. Other	

7. Occupation

a. Farmer		b. Labor	
c. Self-employer/businessman		d. Government service/retired	
e. Private sector		f. Others	

8. Civil Status

a. Married		b. Unmarried	
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9. Ownership of your residence:

a. Own		b. On lease		c. Joint owner		d. Rented	
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10. Monthly income of her/him (Rs.)

Less than Rs. 2,500/-	
Rs. 2500 – 5000	
Rs. 5000 – 7500	
Rs. 7500 – 10000	
Rs. 10000 – 15000	
More than Rs. 15000	

C: INFORMATION ON TRANSPORT

1. Usual mode of transport

Motor car	
Motor bicycle	
foot bicycle	
Tractor	
land master	
Foot	

2. Distance to the nearest town:

Less than 1 km	
1 – 5 km	
6 – 10 km	
11 – 15 km	
More than 15 km	

3. Distance to the nearest hospital:

Less than 1 km	
1 – 5 km	
6 – 10 km	
11 – 15 km	
More than 15 km	

4. Distance to the nearest school:

Less than 1 km	
1 – 5 km	
6 – 10 km	
11 – 15 km	
More than 15 km	

D: VOTING BEHAVIOR

1. Are you eligible for voting?

a. Yes		b. No	
--------	--	-------	--

2. Are you a tax payer in PCs?

a. Yes		b. No	
--------	--	-------	--

3. Have you heard about PCs activities?

a. Yes		b. No	
--------	--	-------	--

4. Do you know that what PC is doing in your area?

a. Yes		b. No	
--------	--	-------	--

5. If yes, rank them according to importance to your life

Development planning and physical planning	
Road development	
Public health	
Education	
Public utility services	
Community services	
Other (specify)	
No idea.	

5. Have you cast your vote in the last PC election?

a. Yes		b. No	
--------	--	-------	--

6. Do you believe that you can elect representatives who are most suitable represent the community for your local affairs?

a. Yes		b. No	
--------	--	-------	--

7. If yes, for the above question explain your ideas:

.....

.....

.....

8. If no, explain your ideas:

.....

.....

.....

9. What are the qualifications that you consider when casting your vote for PC election candidates?

Relatives	
Friendly relations	
Nationality/religion/cast	
Political party	
Educational qualifications	
Personality/appearance	
Capability	
Other	

10. What is your opinion on current election system of the Provincial Councils?

Very good	
Good	
Bad	
very bad	

11. Can you satisfy with relationship between citizen and PC representative members?

a. Yes		b. No	
--------	--	-------	--

12. If no, explain why?

13. If yes, explain why?

14. What are your suggestions to improve the political obligation of the PC representatives?

F: ROAD DEVELOPMENT (main objective of this section is to observe the people’s general “perception” over the road development activities of PCs

1. Are you satisfied with the **overall road network** in your area?

a. Yes		b. No	
--------	--	-------	--

2. If yes, what are the reason/reasons?

a. Better road condition		Explain:
b. Easy access to the road		
c. Safe traveling		
d. Other		

3. If no, what are the reason/reasons?

a. Poor road condition		Explain:
b. Long distance to the road		
c. Unsafe for traveling		
d. Other		

4. Have you ever complained about poor road conditions?

a. Yes		b. No	
--------	--	-------	--

5. If yes, to whom did you complain?

PS representatives	
Provincial council member	
Parliamentarian of the area	
Related minister of the government	
President	
Media	
NGO	
CBO	
Donor agencies	
Others (please specify)	

6. What are the reasons for unsatisfactory **road network** of the area, rank them

Geographic setting of the area	
Defective constructions	
Poor maintenance after constructions	
Poor quality inspection over the construction and maintenance	
Low quality construction technology	
Use of low quality materials	
Politicians" priority for selected areas	
Consider only about quantitative expansion, not the quality of the road	
Other (specify)	

7. Do you know who is/are engaged in road construction process in your area?

a. Yes		b. No	
--------	--	-------	--

8. If yes who?

Pradeshiya Sabha	
Provincial Council	
Road Development Authority of the Central Government	
Private Companies (local)	
Overseas agents	
Other (.....)	

9. Do you know the open tender system of assigning road construction/maintenance?

a. Yes		b. No	
--------	--	-------	--

10. If yes, are you satisfied with the tender system?

a. Yes		b. No	
--------	--	-------	--

11. If no, what are the reasons (Rank them)?

Lack of transparency/openness of calling and offering tenders	
Nepotism and favoritism when offering the tender	
Conditional ties for contractors are not specified	
Lack of public involvement	
Delays in the process	
Political interference	
Bureaucratic barriers	
Other (.....)	

12. Is there a system that you can take part in road construction/maintenance of your area?

a. Yes		b. No	
--------	--	-------	--

13. If yes, what are the institutions?

Pradeshiya Sabha	
Provincial Councils	
Farmer Organizations	
Religious Institutions	
CBO	
NGO	
Other (.....)	

14. Are you satisfied with the PC involvement in quality assessment after road construction?

a. Yes		b. No	
--------	--	-------	--

15. If yes, what are the reasons?

16. If no, what are the reasons?

17. What are your suggestions to improve the PC involvement in road development?

F: EDUCATION (Main purpose of this section is to identify the perception of the beneficiaries over the provision of educational service of the PCs)

1. What is the status of your nearest school in the area?

a. National school	
b. Central collage	
c. Major school (Maha vidhayalaya)	
d. Primary school	

2. Who are the responsible authorities to function that school?

a. Central government	
b. Provincial Councils	
c. No idea	

3. Human and physical resource environment of the school

No. of students	No. of teachers	No. of classes for each grade	No. students for one class	No building	Available other facilities
>500	>50	1	>10	>5	Play ground
1000-1500	50-100	2	10-20	5-7	Science lab
1500-2000	100-150	3	20-30	7-9	Library
2000-2500	150-200	4	30-40	9-11	Computer
2500<	200<	5	40<	11<	Technical/art center

4. Available curriculum classes for the high school (A/L)

Art subject with all subject on national curriculum	Art subject without all subject on national curriculum
Commerce subject with national curriculum	Commerce subject without national curriculum
Science subject with national curriculum	Science subject without national Curriculum
Mathematics subjects with national curriculum	Mathematics subjects without national curriculum
Others.....	Others.....

5. What is your general idea about the school educational performances?

a. satisfied	
b. unsatisfied	

6. If 'satisfied' what are the reasons for your opinions?

Availability of the physical infrastructure (building/desk and chairs/labs/computer center/library etc.	
Availability of the well trained and qualified teaching staff (human resource)	
Quality management of the school	
Consisting facilitation and monitoring process of the regional politicians and administrators	
Dedication and sound relationship between teachers and parents of the students	
Other...	

7. If 'unsatisfied', what are the reasons for your opinions?

Lack of related physical infrastructure (building/labs/ computer center/library etc.	
insufficient trained and qualified teaching staff(human resource)	
inefficient management of the school	
Lack of facilitation and monitoring process of the politicians and administrators	
Distance and jeopardize relationship between teachers and parents of the students	
Political influence over the management	

Thank you very much for your response and kind corporation

ANNEXURE 2: Analyzed Data of the Questionnaires Survey

Educational Qualification

Qualification	Western (%)	North Western (%)
Primary	10	15
G.C.E. (O/L)	50	55
G.C.E (A/L)	30	25
Diploma/Degree	8	5

Occupation

Occupation	Western (%)	North Western (%)
Farmer	15	65
Self employer/businessman	20	5
Private sector	25	10
Labor	17	8
Government service/retired	23	12

Usual mode of transportation

Mode of Transport	Western (%)	North Western (%)
Public bus	60	55
Motor car	2	1
Motor bicycle	20	17
foot bicycle	15	18
Foot	3	10

Distance to the nearest town

Distance to the Nearest Town	Western (%)	North Western (%)
Less than 1 km	10	5
1 – 5 km	80	6
6 – 10 km	10	32
11 – 15 km		50
More than 15 km		7

Distance to the nearest hospital	Western (%)	North Western (%)
Less than 1 km		
1 – 5 km	5	1
6 – 10 km	60	12
11 – 15 km	25	22
More than 15 km	10	65

Distance to the Nearest School	Western (%)	North Western (%)
Less than 1 km	5	1
1 – 5 km	12	3
6 – 10 km	28	23
11 – 15 km	43	58
More than 15 km	12	15

Do you know that what PC is doing in your area?

Answer	Western (%)	North Western (%)
Yes	85	78
No	15	22

If „Yes“, rank them that what PC is doing according to importance to your life

Answer	1 (%)	2 (%)	3 (%)
Road development	10	20	42
Public health	30	25	38
Education	60	55	20

Have you casted your vote in the last PC election.

Do you believe that you can elect representatives who are most suitable represent the community for your local affairs?

What are the qualifications that you consider when casting your vote for PC election candidates?

Answer	Yes	No
Relatives	2	98
Friendly relations	3	97
Nationality/religion/cast	5	95
Political party	75	25
Educational qualifications	10	90
Personality/appearance	5	95
Capability	20	80

What is your opinion on current election system of the Provincial Councils?

Very good	2
Good	8
Bad	78
very bad	12

Can you satisfy with relationship between citizen and PC representative members?

Part 1: Road development (main objective of these sections is to observe the people's general 'perception' over the road development activities of PCs

Are you satisfied with the overall road network in your area?

If yes, what are the reason/reasons?

Description	Percentage
Better road condition	80%
Easy access to the road	12%
Safe traveling	8%

If no, what are the reason/reasons?

Description	Percentage
Poor road condition	92%
Long distance to the road	5%
Unsafe for traveling	3%

Have you ever complained about poor road conditions?

If yes, to whom did you complain?

Description	Percentage
PS representatives	90%
Provincial council member	5%
Parliamentarian of the area	2%
Media	2%
NGO	1%

What are the reasons for unsatisfactory road network of the area?

Description	Mean
Geographic setting of the area	1.02
Defective constructions	1.8
Poor maintenance after constructions	5.2
Poor quality inspection over the construction and maintenance	5.8
Low quality construction technology	2.7
Use of low quality materials	3.6
Politicians" priority for selected areas	6.4

Do you know who is/are engaged in road construction process in your area?

If yes who?

Description	Percentage
Pradeshiya Sabha	60%
Road Development Authority of the Central Government	22%
Provincial Council	18%

Do you know the open tender system of assigning road construction/maintenance?

If yes, are you satisfied with the tender system?

If yes, what are the reasons? Endnotes

Description	Mean
Lack of transparency/openness of calling and offering tenders	1.2
Political interference	2.2
Conditional ties for contractors are not specified	2.9
Nepotism and favoritism when offering the tender	3.5
Bureaucratic barriers	4.8
Lack of public involvement	5.2
Delays in the process	5.8

Is there a system that you can take part in road construction/maintenance of your area?

If yes, what are those?

Description	Percentage
Samurdhi	50%
Farmer Organizations	34%
CBO	13%
Pradeshiya Sabha	3%

Are you satisfied with the PC involvement in quality assessment after road construction?

Part 2: Education (Main purpose of this section is to identify the perception of the beneficiaries over the provision of educational service of the PCs)

What is the status of your nearest school in the area?

Description	Percentage
Major school (Maha Vidhayalaya)	83%
Primary school	11%
Central collage	5%
National school	1%

Who are the responsible authorities to function that school?

Description	Percentage
Central government	1
Provincial Councils	83
No idea	16

Human and physical resource environment of the school

No: of students	%	No: of teachers	%	No: of classes for each grads	%	No: student s for one class	%	No: buildin gs	%
>500	13%	>50	48%	1	11%	>10	0%	>5	28%
1000-1500	78%	50-100	52%	2	65%	10-20	2%	5-7	52%
1500-2000	7%	100-150	6%	3	12%	20-30	11%	7-9	15%
2000-2500	1%	150-200	1%	4	8%	30-40	65%	9-11	4%
2500<	1%	200<	0%	5	4%	40<	22%	11<	1%

Available other facilities	Yes%	No%
Play ground	96%	4%
Science lab	58%	42%
Library	69%	31%
Computer center	12%	88%
Technical /art center	78%	22%

Available curriculum classes for the high school (A/L)

Description	Percentage
Only Art subject	66%
Commerce subject & Art subject	28%
Science subject , Commerce subject & Art subject	6%

What is your general idea about the school's educational performances?

Description	Percentage
Satisfied	78%
Unsatisfied	22%

If 'satisfied' what are the reasons for your opinions

Description	Frequency	Percentage
Availability of the physical infrastructure (building/desk and chairs/labs/computer	54	12
Availability of the well trained and qualified teaching staff(human resource)	18	4
Consisting facilitation and monitoring process of the regional	45	10
Dedication and sound relationship between teachers and parents of the students	27	6
Quality management of the school	36	8
Total respondents	450	100

If “unsatisfied”, what are the reasons for your opinions?

Description	Frequency	Percentage
Lack of required physical infrastructure (building/labs/computer center/library, etc.	54	12
Insufficient trained and qualified teaching staff (human resource)	18	4
Political influence over the management	45	10
Distance and jeopardized relationship between teachers and parents of the students	27	6
Inefficient management of the school	36	8
Inefficient facilitation and monitoring process of education	270	60
Total respondents	450	100

ANNEXURE 3: List of Interviewees

No.	Name	Status	Interview Date	Time	Venue
1	Mr. Prasanna Ranathunge	Chief Minister and Minister for Finance and Planning, Law and Order, Land, Education, Provincial Administration, Manpower and Employment and Economic Development in WP	2009.07.13	9.00am-10.00am	PC Chief Minister Office in Batharamulla
2	Mr. Nimal Lansa	Minister for Road Development, Power and Energy, Housing and Construction, Fisheries and Tourism in WP	2009.07.13	11.00am-12.30pm	PC Ministry office, in Batharamulla
3	Mr. Udaya Gammanpilla	Minister for Agriculture, Agrarian Development, Irrigation, Livestock Development, Industries and Environment in WP	2009.07.13	13.30pm-14.45pm	PC Ministry office, in Batharamulla
4	Mr. Jagath Angage	Minister for Health, Indigenous Medicine, Social Welfare, Women's Affairs and Child Probation in WP	2009.07.13	15.45pm-17.00pm	BMICH in Bauddahloka Mawatha, Colombo
5	Mr. Reginold Cooray	Former Chief Minister for Finance and Planning, Law and Order, Land, Education, Provincial Administration, Manpower and Employment and Economic development in WP	2009.07.13	19.00pm-21.00pm	Private Resident in Kalutara

6	Mr. Susil Premjayatha	Minister of Education	2009.07.14	10.30am - 11.30am	Ministry Office, Isurupaya, Battaramulla
7	Mr. Upali Kodikara	Minister in Provincial Transport, Sports and Youth Affairs, Culture and Aesthetic Affairs, Cooperative Development, Food Supplies, Distribution and Rural Development in WP	2009.07.14	13.30 pm- 14.30 pm	PC Ministry office in Bathramulla Colombo
8	Dr. Asoka Gunawardena	Former Chairman, Finance Commission	2009.07.14	17.00pm 19.00pm	Resident Office, Colombo 7
9	Mr. T. B Ekanayake	Deputy Minister in Ministry of Highway and Road Development	2009.07.15	10.30pm- 11.30pm	Ministry Office, Sethsiripaya, Battaramulla
10	Mr. O.K. Nayananda	Former Secretary of Finance Commission	2009.07.15	13.00pm- 14.30pm	National Foundation Institute, Colombo
11	Mr. D. D. M. Waidasekara	Former Director in Internal Revenue and member in Board of Directors in CPA (Centre for Policy Studies)	2009.07.15	15.00pm- 16.30pm	Centre for Policy Studies, Colombo 7
12	Mr. J. A. D. L. Hemachandra	Director, Provincial Education Department WP	2008.07.16	9.00am- 10.00am	Provincial Educational Department, Colombo-07
13	Ms. L. R. S. Jayawardena	Assistant Director of Education (Administrative and Mathematics) WP	2009.07.16	11.00am. 13.00 pm	Provincial Education Department Office, Colombo 07
14	Mr. Athukorala	Deputy Director in PRDA WP	2009.07.16	14.30pm- 15.30pm	PRDA office, Kithulwatte Road, Borella
15	Ms. A. G. G. Jayawardena	Chief Engineer - Planning (PRDA WP)	2009.07.16	16.00pm- 17.00pm	PRDA office, Kithullwatha road, Borella

16	Mr. Athula Wijesinghe	Chief minister and Minister for Finance and Planning, Law and Order, Land, Education, Provincial Administration, Manpower and Employment and Economic Development in WP	2009.07.17	9.00am-10.30am	Chief Minister office of PC building in Kurunegala
17	Mr. Shantha Bandara	Minister for Agriculture, Agrarian Development, Irrigation, Livestock Development, Industries and Environment)	2009.07.17	19.00pm-21.00pm	Personal Resident, Maharachchimulla Narammala
18	Mr. Sumith Rajapaksha	Member of PC NW	2009.07.18	20.00pm-21.30pm	Resident Place, Tallwatte, Alawwa
19	Mr. Gamini Jayawickrama Perera	Party Parliamentarian (UNP), first Chief Minister of NW PC	2009.07.19	8.00am-10.00am	Resident in , Bopitaya Giulla
20	Mr.A.B. Nimal Bandara	Former chief Minister in NW PC	2009.07.19	13.00pm-14.30pm	Resident Place, Lake Street, Kurunegala
21	Mr. U.B. Vijekoon	former Minister and Kurunegala District UNP party MP	2009.07.19	16.00pm-18.30 pm	Rajapeella Hotel, Kurunegala
22	Mr. Shamal Senarath	Opposition Party leader (UNP) in North-Western PC	2009.07.19	20.30pm-21.30 pm	Resident Place, Narammala
23	Mr. Dayasiri Jayasekara	Member of Parliament (UNP) in Kurunegala District	2009.07.19	17.00pm-18.00pm	Resident place, Wariyapola
24	Mr. Upali Herath	Former PC Council Member in NW PC Kurunegala District	2009.07. 22	20.00pm-21.30pm	Resident, Dambadeniya
25	Mr. Jayathilake	Former Provincial Commissioner in NW Province	2009.07.20	20.00pm-21.30pm	Resident, Giriulla
26	Mr. Y. B. Disaanaayekke	First Provincial Secretary in NW PC (Retired Civil	2007.07.21	9.00am-10.30 am	Resident, Puwakkgass handiya, Kurunegalla

27	Mr. U. L. S Podinileme	Additional Director in Provincial Education-Administrative NW PC	2009.07.21	13.00pm-14.00pm	Provincial Educational Department office, Kandy road, Kurunegala
28	Mr. Premawathi	Provincial Project Manager (PPM) of (SEMP and EKSP) Projects	2009.07.21	11.00am-12.00am	Provincial Educational Department office, Kandy Road, Kurunegala
29	Mr. N. H. W. Kulasoori Ya	Deputy Director in Educational Planning NW PC	2009.07.21	15.00pm-16.00pm	Provincial educational Department office, Kandy Road Kurunegala
30	Mr. M. M. Silva	Deputy Director in Personal-NW PC	2009.07.21	6.15pm-17.30pm	Provincial Education Department Office, Kandy Road, Kurunegala
31	Mr. Sheltn Peiris	Member of Provincial council NWP	2009.07.22	14.30pm-16.00pm	Dadugammuwa, Kuliypitiya
32	Mr. Chandana Prasad Yapa	Member of Provincial Council in NWP	2009.07.22	18.00pm-19.00pm	Iriyagolla, Yakkwila
33	Mr. Nimala Herath	Members of Provincial Council NWP	2009.07.23	10.00am-12.00pm	Mahakirinda, Mahagirilla, Nikawarativa
34	Mr. A.H.M. Alevi	Members of Provincial Council NWP	2009.07.23	14.30pm-15.30pm	Badabeddawatta Pannala
35	Mr. U. Jorge Perera	Member of provincial Council WP	2009.07.23	12.00am-13.30pm	Dalugama, Kelaniya
36	Mr. Karunarattne	Retired Divisional Educational Director in Giriulla Educational Division NWP	2009.07.24	14.30pm-16.00pm	Dellikanuange Giriulla
37	Mr. J. W. K. Siriwardena	Retired school Principala, Matiyagene Mahavidyalaya, NWP	2009.07.24	17.00pm-18.00pm	Athuruwala, Giriulla
38	Prof. Ranjith Nawaratne	Professor in Political Science, Dept. of Political Science, University of Peradeniya	2009.07.25	10.30am-12.00am	Dept. of Political Science, University of Peradeniya

39	Prof. M.O.U .De Soyza	Professor in Political Science, Dept. of Political science, University of Peradeniya	2009.07.25	12.30pm- 14.00pm	Dept. of Political Science, University of Peradeniya
40	Mr. Jayasundara	Divisional Secretary , Narammala Divisional Secretariat	2009.07.27	10.30am- 12.00am	Divisional Secretariat Negombo Road, Narammala

Annexure 4: Summary of the Interviews

Interviewee's Responses on Impacts of the PC System

Positive Impacts of PC Reform (Common Responses)

- ❖ The central government's monopoly on public service provision has been devolved to the PCs by introducing sub-national level governance at the provincial level. This is a significant milestone of the political and governance sphere of the country.
- ❖ The regional and local political leaders, and social and ethnic groups who were deprived due to the limited opportunities in national politics in the sub-national level, received the opportunity to become involved with politics and governance more actively in their respective localities
- ❖ The attention of local politicians on development of local service provision such as local education and road development has increased considerably. Due to frequent involvement of the local politicians, compared with the pre-devolution scenario, the people's preference on their own public good and services has increasingly been reflected in the governance process.
- ❖ Under the centralized system, regional and local needs were always secondary, as central government focuses on national priorities.
E.g.: Construction and maintenance of small bridges, culverts, and draining systems of the localities have become an obligation of PC politicians, as they look forward to be elected in the next election.
E.g.: Provision of necessary physical and human resources facilities for local schools has become a determinant of popularity of the PC members.
- ❖ More opportunities have been created for young leadership at the local levels.
- ❖ More opportunities for women's representation in society.
- ❖ More opportunities have been created to include the discriminated-against ethnic minorities and low-caste social and cultural groups by the national political system of the country. This has been occurring in two ways. On one hand, the mainstream political parties in the respective PCs try to accommodate minority and other marginalized groups by offering candidacy to potential citizens to run as a candidate of their parties. On the other hand,

the minority and other marginalized groups in diverse society have also been able to run, to represent their preference in respective PCs. This transformation of regional politics was brought about by devolution reform, and living standards of local communities previously ‘discriminated’ against under the centralized system have gradually been improving.

- ❖ The knowledge and understanding of local citizens, as well as local politicians, on politics and governance activities have immensely improved by the existence of close interaction and engagement with local political actions at the provincial level.

Negative Impacts

- ❖ Instead of using political opportunities for formulating development policy alternatives to improve the socio-economic standards at sub-national levels, the PCs have been manipulating for victory of party politics. Therefore, the much needed development objectives are overwhelmed by petty political benefits.
- ❖ Politically frustrating for the people.
- ❖ Escalation of political and election-related violence in the country. (Localization of violence.)
- ❖ Widespread existence of nepotism/political lineage (family politics).
- ❖ Consolidating power of the main parties throughout country by providing opportunities for governance process of party patronage at the local level in the party hierarchy.
- ❖ Aggravation of social and political divisions, instead of strengthening integration.

Comments on Governance Imperatives

Positive Impacts of Devolved Governance

- ❖ The political and administrative institutional underpinnings required for successful identification of local priorities and needs have been set up by PC reform. It has effectively contributed to successful decision-making, and execution of local service provision process at the sub-national level.
- ❖ Working capacity and commitment of the local public servant have been enhanced by a healthy working environment, such as close proximity of the working place or the opportunities to work on their community projects. It has led to an improvement in the working capacity of the public servants.

Negative impact of devolved governance

Political interference in local service provision throughout the governance process, from decision-making, implementation, to evaluation of service provision, has considerably increased. Even though, under the previous system, political intrusiveness could be seen, the number of instances of political involvement was relatively low, and the nature of the involvement was not that great.

E.g. Road development: The selection of roads for construction and maintenance in the provincial road network is influenced by political motivation rather than the consideration of other crucial factors, such as population density, motor traffic, condition of the road, location of hospital, schools, etc.

E.g. Provincial education: Political interference in education management has phenomenally increased due to the PC reforms. Under the previous system, District Directors and Divisional Directors (Appointment of Zone Educational Director, Divisional Educational Directors and school principle (head masters) were appointed mostly on merit. After the PC reform, most such appointments are politically motivated.

Provincial Education

Positive

- ❖ Opportunity to introduce constructive, innovative educational reform to improve quality of education of the province.

E.g. Curriculum changes

E.g. Close monitoring and evaluation

E.g. Ability to conduct teacher training programs

- ❖ Creating the opportunity to cooperate among the three main components that determine the success of school education.

Ex: Students/teachers/parent (School development organization)

Negative aspects

- ❖ Deterioration of educational management (mismanagement)
Irresponsibility (defective examination paper printing and inefficient examination conducting)
- ❖ Politicization of education (Appointment of zonal and divisional directors and school head masters, teacher service transfers)
- ❖ Localization of corruption (enrolment process of pupils)
- ❖ Shortage of teachers as well as excess
- ❖ Central – provincial conflicts (coordinating failure)
- ❖ Central government domination (legal, financial, administrative, and political)

Road Development

Positive Aspects

- ❖ Improvement of needs assessment (ability to prioritize road development projects).
- ❖ Setting up efficient information channel for planning, implementation, and evaluation.

- ❖ Ability to improve people's awareness of better road usage in various localities.
- ❖ Better opportunity for use of local human resources in order to overcome scarcity of capital (social capital).

Negative Aspects

- ❖ Inefficiency of resource use (due to the lack of political prioritization).
- ❖ Poor quality construction and maintenance.

Due to lack of technical and human resource capacity, see the table (inadequacy of machinery and technical workers of the PRDA/lack of legal and financial autonomy)

ANNEXTURE 5: Provincial Council Act

PROVINCIAL COUNCILS ACT No. 42 OF 1987

An Act to Provide for the Procedures to be followed in Provincial Councils: For Matters Relating to the Provincial Public Service, and Matters Connected therewith or Incidental Thereto.

BE it enacted by the Parliament of the Democratic Socialist Republic of Sri Lanka as follows:-

1. This Act may be cited as the Provincial Councils Act, No. 42 of 1987, and shall come into operation in respect of all or any of its provisions, on such date or dates as the president may appoint, by Order published in the Gazette, not being a date or dates prior to the coming into operation of the Thirteenth Amendment to the Constitution.

PART I

MEMBERSHIP OF PROVINCIAL COUNCIL

2. Where a Provincial Council is established for a Province by virtue of Article 154A of the Constitution, the President shall, by Order published in the Gazette, assign a name to such Council and specify the number of members such Provincial Council shall consist of. In specifying such number, the President shall have regard to the area and population of the Province for which that Provincial Council is constituted.
3. No person shall be qualified to be elected as a member of a Provincial Council or to sit and vote as a member of such Council –(a) if such person is subject to any of the disqualifications specified in paragraphs (a)(b) , (c), (d) ,(e) , (f) and (g) of Article 91(1) of the institution (b) If such person is under any law, disqualified from voting at an election of members to a local authority; (c) If he is a Member of Parliament;(d) If he is a member of any other Provincial Council or stands nominated as a candidate for election for more than one Provincial Council; (e) `If he is stands nominated as a candidate for election to a Provincial Council, by more than one recognized political party or independent group.
4. No member of a Provincial Council shall sit or vote as such member until he has taken or subscribed the oath, or made or subscribed the affirmation, set out in the Fourth Schedule to the Constitution. (1) If a member of any Provincial council (a) Becomes subject to any disqualification mentioned in section 3; or (b) Resigns his seat by writing under his hand addressed to the Chairman, his seat in the Provincial Council shall thereupon become vacant.

(2) If for a period of ninety days a member of the Provincial Council is without permission of the Council absent from all meetings thereof, the Council may declare his seat vacant: Provided that in computing the said period of ninety days, no account shall be taken of any period during which the Council is prorogued for more than four consecutive days.

5. (1) If a person sits or votes as a member of a Provincial Council before he has complied with the requirements of section 4, or when he knows that he is not qualified, or that, he is disqualified, for membership thereof, he shall be liable in respect of each day on which he so sits or votes to a penalty of one hundred rupees to be recovered as a debt due to the State.

PART II

MEETINGS AND CONDUCT OF BUSINESS OF PROVINCIAL COUNCILS

7. (1) Every Provincial Council shall, as soon as may be, choose two members of the Council to be respectively Chairman and Deputy Chairman thereof and, so often as the office of Chairman or Deputy Chairman becomes vacant, the Council shall choose another member to be Chairman or Deputy Chairman, as the case may be. (2) A member holding office as Chairman or Deputy Chairman of a Provincial Council – (a) Shall vacate his office if he ceases to be a member of the Council; (b) May at any time by writing under his hand addressed, if such member is the Chairman, to the Deputy Chairman, and if such member is the Deputy Chairman to the Chairman, resign his office; (c) May be removed from his office by a resolution of the Council passed by a majority of the whole number of members of the Council (including those not present) : Provided that whenever the Council is dissolved, the Chairman shall not vacate his office until immediately before the first meeting of the Council after the dissolution. (3) While the office of Chairman is vacant, the duties of the office shall be performed by the Deputy Chairman or, if the office of Deputy Chairman is also vacant, by such member of the Council as may be determined by the rules of procedure of the Council. (4) During the absence of the Chairman from any sitting of the Council, the Deputy Chairman, or, if he is also absent, such person as may be determined by the rules of procedure of the Council, or, if no such person is present, such other person as may be determined by the Council shall act as Chairman. (5) There shall be paid to the Chairman and the Deputy Chairman of the Provincial Council such salaries and allowances as may be fixed by the Provincial Council, by statute and, until provision in that behalf is so made, such salaries and allowances as the Governor may, with the approval of the President, by order, determine.
8. (1) At any sitting of the Provincial Council, while any resolution for the removal of the Chairman from his office is under consideration, the Chairman, or while any resolution for the removal of the Deputy Chairman from his office is under consideration, the Deputy Chairman, shall not,

though he is present, preside, and the provisions of subsection (4) of section 7 shall apply in relation to every such sitting as they apply in relation to a sitting from which the Chairman or, as the case may be, the Deputy Chairman is absent. (2) The Chairman shall have the right to speak in, and otherwise to take part in the proceedings of, the Provincial Council while any resolution for his removal from office is under consideration in the Council and shall, notwithstanding anything in section 10, be entitled to vote only in the first instance on such resolution or on any other matter during such proceedings but not in the case of an equality of votes.

9. (1) Subject to the provisions of this Act and to the rules and standing orders regulating the procedure of a Provincial Council, there shall be freedom of speech in every Provincial Council. (2) No member of the Provincial Council shall be liable to any proceedings in Court in respect of anything said or any vote given by him in the Council or any Committee thereof, and no person shall be liable in respect of the publication by, or under, the authority of such Council, of any report, paper, votes or proceedings. (3) The provisions of subsections (1) and (2) shall apply in relation to persons who by virtue of any written law have the right to speak in, and otherwise to take part in, the proceedings of, a Provincial Council or any committee thereof as they apply in relation to members of that Council.
10. (1) Save as otherwise provided in this Act, all questions at any sitting of the Provincial Council shall be determined by a majority of votes of the members present and voting other than the Chairman or person acting as such. (2) The Chairman or person acting as such shall not vote in, the first instance but shall have and exercise a casting vote in the case of an equality of votes. (3) A Provincial Council shall have the power to act notwithstanding any vacancy in the membership thereof, and any proceedings in any such Council shall be valid, notwithstanding that it is discovered subsequently that some person who was not entitled to do so, sat or voted or otherwise took part in the proceedings. (4) The quorum to constitute a meeting of a Provincial Council shall be one third of the total number of members of the Council. Where one-third of the number of members is an integer and fraction, the integer immediately higher to that integer and fraction shall be deemed to be the one third of the number of members for the purpose of this section. (5) If at any time during a meeting of a Provincial Council there is no quorum, it shall be the duty of the Chairman, or person acting as such, either to adjourn the Council or to suspend the meeting until there is a quorum.
11. A Provincial Council may make rules for regulating, subject to the provisions of this Act, its procedure and the conduct of its business: Provided that the Provincial Council shall, after consultation with the Chairman of such Council and with the approval of the President. Make rules- (a) For securing the timely completion of financial business; (b) For regulating the procedure of, and conduct of business in, the Provincial Council in relation to any financial matter or to any statute for the appropriation of moneys out of the Provincial fund of the province;

- (c) for prohibiting the discussion of, or the asking of questions on, any matter which affects the discharge of functions of the Governor in so far as he is required by the Constitution or this Act, to act in his discretion.
12. (1) the validity of any proceedings in a Provincial Council shall not be called in question on the ground of alleged irregularity of procedure. (2) No officer or member of a Provincial Council in whom powers are vested, by or under this Act, for regulating the procedure, or the conduct of business, or for maintaining order, in such Council shall be subject to the jurisdiction of any Court in respect of the exercise by him of those powers.
 13. The property of the State shall, save in so far as Parliament may by law otherwise provide, be exempt from all taxes imposed by or under any statute made by a Provincial Council.
 14. (1) a statute pending in a Provincial Council shall not lapse by reason of the prorogation of such Council. (2) A statute pending in a Provincial Council shall lapse on dissolution of the Council
 15. (1) The Governor shall make rules for the allocation of business among the Ministers in so far as it is not business with respect to which the Governor is by, or under, the Constitution required to act in his discretion. (2) Save as otherwise provided in this Act, all executive action of the Governor, whether taken on the advice of his Ministers or otherwise, shall be expressed to be taken in the name of the President. (3) Orders and other instruments made and executed in the name of the by the Governor, and the validity of an order or instrument which is so authenticated shall not be called in question on the ground that it is not an order or instrument, made or executed by the President.
 16. (1) all contracts entered into in the exercise of the executive power of the Governor of the Province, shall be entered into, and performed, in the name of the Provincial Council constituted for that Province, as if such Provincial Council were a body corporate. (2) All actions in relation to the exercise of such executive power shall be brought by, or against such Provincial Council, as if such Provincial Council were a body corporate.
 17. (1) A Provincial Council shall have its own secretarial staff. (2) A Provincial Council may, by statute, regulate the recruitment, and conditions of service, of persons appointed to its secretarial staff.
 18. Subject to paragraph (4) of Article 154B of the Constitution, no discussion shall take place in a Provincial Council with respect to the conduct of the President or the Governor or a Judicial Officer or a Member of Parliament.

PART III

FINANCE

19. (1) there shall be a Provincial Fund for each Province into which shall be paid- (a) The proceeds of all taxes imposed by the Provincial Council of that Province; (b) The proceeds of all grants made to such Provincial Council in respect of the Province, by the Government of Sri Lanka; (c) The proceeds of all loans advanced to the Provincial Council from the Consolidated Fund of Sri Lanka; and (d) All other receipts of the Provincial Council (2) No moneys out of the Provincial Fund of a Province shall be appropriated except in accordance with, and for the purposes, and in the manner, provided in this Act. (3) No sum shall be withdrawn from the Provincial Fund of a Province except under a warrant under the hand of the Chief Minister of the Province. (4) No such warrant shall be issued unless the sum, has by statute of the Provincial Council, been granted for services for the financial year during which the withdrawal is to take place or is otherwise lawfully charged on the Provincial Fund of the Province. (5) The custody of the Provincial Fund of a Province, the payment of moneys into such Fund, and all other matters connected with, or ancillary to, those matters shall be regulated by rules made by the Governor.
20. (1) There shall be established a Emergency Fund in the nature of an impress to be entitled "Emergency Fund of the Province" into which shall be paid from and out of the Provincial Fund of the Province such sums as may, from time to time, be determined by statute made by the Provincial Council, and such Fund shall be held by the Governor to enable advances to be made by him out of such Fund. (2) No advances shall be made out of the Emergency Fund of the Province except for the purposes of meeting unforeseen expenditure pending authorization of such expenditure by the Provincial Council under appropriations made by statute under sections 26 and 27. (3) The Governor may make rules regulating all matters connected with or ancillary to, the custody of, the payment of moneys into, and the withdrawal of moneys from, the Emergency Fund of the Province.
21. (1) The Minister in charge of the subject of Finance may give guarantees in respect of loans raised by a Provincial Council (2) Immediately after a guarantee is given under sub section (1), the Minister in charge of the subject of Finance shall, lay a statement of such guarantee before Parliament. (3) Any sum required for the fulfillment of a guarantee given under subsection (1) shall be paid out of the Consolidated Fund of Sri Lanka. (4) Any sum paid out of the Consolidated Fund of Sri Lanka in fulfillment of guarantee given under subsection (I) shall be repaid, together with interest thereon, at such rate as may be determined by the Minister in charge of the subject of Finance, by the Provincial Council, in such manner and over such period, as the Minister in charge of the subject of Finance may determine. (5) A Provincial Council may not, without the consent of the Minister in charge of the subject of Finance, raise any loan if there is still outstanding any part of a loan which has been made in respect of a Provincial Council out of the Consolidated Fund of Sri Lanka or in respect of which a guarantee has been given under subsection (1).

22. Foreign aid negotiated by the Government for a project or scheme in a Province shall be allocated by the Government to such project or scheme.
23. (1) Article 154 of the Constitution shall apply to the audit and accounts of the Provincial Fund of a Province. (2) A copy of the Auditor-General's report relating to the accounts of the Provincial Fund of a Province shall be submitted to the Governor who shall cause it to be laid before the Provincial Council.
24. (1) A statute in relation to any subject with respect to which the Provincial Council has power to make statutes, shall not be introduced into, or moved in, a Provincial Council except on the recommendation of the Governor, if such statute makes provision for any of the following matters, namely:-The imposition, abolition, remission, alteration or regulation of any tax; (b) The amendment of the law with respect to any financial obligations undertaken, or to be undertaken, in respect of the administration of the province; (c) The appropriation of moneys out of the Provincial Fund of the Province; (d) The declaring of any expenditure to be expenditure charged on the Provincial Fund of the Province or the increasing of the amount of any such expenditure; (e) The receipt of money on account of the Provincial Fund of the Province or the custody or issue of such money. (2) A statute shall not be deemed to make provision for any of the matters aforesaid by reason only that it provides for the imposition of fines or other pecuniary penalties, or for the demand or payment of fees for licenses or fees for services rendered, or by reason that it provides for the imposition, abolition, remission, alteration or regulation of any tax by any local authority or body, to local purposes. (3) A statute which, if enacted and brought into operation would involve expenditure from the Provincial Fund of a Province shall not be passed by the Provincial Council of the Province, unless the Governor has recommended to that Council the consideration of the statute.
25. (1) The Governor of a Province shall in respect of every financial year, at least five months before the expiration of such financial year, cause to be laid before the Provincial Council of that Province, a statement of the estimated receipts and expenditure of the Province for that year, in this Part referred to as the "annual financial statement". (2) The estimates of expenditure embodied in the annual financial statement shall show separately-(a) The sums required to meet expenditure described by this Act as expenditure charged upon the Provincial Fund of the Province; and (b) The sums required to meet other expenditure proposed to be made from Provincial Fund of the Province, and shall distinguish expenditure on revenue account from other expenditure. (3) The following expenditure shall be expenditure charged on the Provincial Fund of the Province :- (a) The emoluments and allowances of the Governor; a. The charges payable in respect of loans advanced in respect of the Province from the Consolidated Fund of Sri Lanka including interest, amortization

payments, and other expenditure connected therewith; (c) The salaries and allowances of the Chairman and the Deputy Chairman of the Provincial Council; a. Any sums required to satisfy any judgment, decree or award of any court or arbitral tribunal, entered against the Provincial Council; (e) Any other expenditure declared by the Constitution or by law made by Parliament, or by statute made by the Provincial Council, to be so charged.

26. (1) So much of the estimates as relates to expenditure charged upon the Provincial Fund of the Province shall not be submitted to the vote of the Provincial Council, but nothing in this subsection shall be construed as preventing the discussion in the Provincial Council of any of these estimates. (2) So much of the said estimates as relates to expenditure shall be submitted in the form of demands for grants to the Provincial Council, and the Provincial Council shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand, subject to a reduction of the amount specified therein. (3) No demand for a grant shall be made except on the recommendation of the Governor.
27. (1) As soon as may be after the grants under section 26 have been assented to by the Provincial Council there shall be introduced a statute to provide for the appropriation out of the Provincial Fund of the Province, of all moneys required to meet- (a) The grants so made by the Provincial Council; and (b) The expenditure charged on the Provincial Fund of the Province but not exceeding in any case the amount shown in the statement previously laid before the Council. (2) No amendment shall be proposed to any such statute in the Provincial Council which will have the effect of varying the amount or altering the destination of any grant so made or of varying the amount of any expenditure charged on the Provincial Fund of the Province and the decision of the person presiding as to whether an amendment is inadmissible under this subsection, shall be final. (3) Subject to the other provisions of this Act, no money shall be withdrawn from the Provincial Fund of the Province except under appropriation made in accordance with the provisions of this section.
28. (1) The Governor shall- (a) If the amount authorized by any statute made in accordance with the provisions of section

29. to be expended for a particular service for the current financial year is found to be insufficient for the purposes of that year or when a need has arisen during the current financial year for supplementary or additional expenditure upon some new service not contemplated in the annual financial statement for that year; or (b) if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, cause to be laid before the Provincial Council, another statement showing the estimated amount of that expenditure or cause to be presented to the Provincial Council with such previous approval, a demand for such excess, as the case maybe. (2) The provisions of sections 25, 26 and 27 shall have effect in relation to any such statement and expenditure or demand and also to any statute to be made authorizing the appropriation of moneys out of the Provincial Fund of the Province to meet such expenditure or the grant in respect of such demand as they have effect in relation to the annual financial statement and the expenditure mentioned therein or to a demand for a grant and statute to be made for the authorization of appropriation of moneys out of the Provincial Fund of the Province to meet such expenditure or grant.
30. (1) Notwithstanding anything in the foregoing provisions of this Part, the Provincial Council shall have power to make any grant in advance in respect of the estimated expenditure for a part of any financial year pending the completion within a period of four months of the making of the grant of the procedure prescribed in section 26 for the voting of such grant and passing of the statute in accordance with the provisions of section 27 in relation to that expenditure and the Provincial Council shall have power to authorize by statute, the withdrawal of money from the Provincial Fund of the Province for the purposes for which the said grant is made. (2) The provisions of sections 26 and 27 shall have effect in relation to the making of any grant under subsection (1) or to any statute to be made under that subsection as they have effect in relation to the making of a grant with regard to any expenditure mentioned in the annual financial statement and the statute to be made for the authorization of appropriation of moneys out of the Provincial Fund of the Province to meet such expenditure.
31. Notwithstanding anything in the foregoing provisions of this Part, the Governor may authorize such expenditure from the Provincial Fund of the Province as he deems necessary for a period of not more than six months beginning with the date of the constitution of the Provincial Fund of the Province, pending the sanction of such expenditure by the Provincial Council.

PART IV
PROVINCIAL PUBLIC SERVICE COMMISSION

32. The President shall appoint the Chief Secretary of each province, with the concurrence of the Chief Minister of that Province. (1) Subject to the provisions of any other law the appointment, transfer, dismissal and disciplinary control of officers of the provincial public service of each Province is hereby vested in the Governor of that Province. (2) The Governor of a Province may, from time to time, delegate his powers of appointment, transfer, dismissal and disciplinary control of officers of the provincial public service to the Provincial Public Service Commission of that Province. (3) The Governor shall provide for and determine all matters relating to officers of the provincial public service, including the formulation of schemes of recruitment and codes of conduct for such officers, the principles to be followed in making promotions and transfers, and the procedure for the exercise and the delegation of the powers of appointment, transfer, dismissal and disciplinary control of such officers,

In formulating such schemes of recruitment and codes of conduct the Governor shall, as far as practicable, follow the schemes of recruitment prescribed for corresponding officers in the public service and the codes of conduct prescribed for officers holding corresponding officers in the public service.

33. (1) there shall be a Provincial Public Service Commission for each Province which shall consist of not less than three persons appointed by the Governor of that Province. The Governor shall nominate one of the members of the Commission to be the Chairman. (2) No person shall be appointed or continue as a member of a Provincial Public Service Commission if he is a Member of Parliament, a member of a Provincial Council, a public officer, a judicial officer or officer of a provincial public service. (3) Every member of a Provincial Public Service Commission shall hold office for a period of five years from the date of his appointment, unless he earlier resigns his office by a writing under his hand addressed to the Governor of the Province or is removed from office by such Governor for cause assigned, but shall be eligible for re- appointment.(4) The Governor may grant leave from his duties to any member of a Provincial Public Service Commission and may appoint a person qualified to be a member of such Commission to be a temporary member for the period of such leave. (5) A member of a Provincial Public Service Commission may be paid such salary as may be determined by the Provincial Council for that Province. The salary payable to any such member shall be charged on the Provincial Fund of the Province and shall not be diminished during his term of office. (6) A Provincial Public Service Commission shall have power to act notwithstanding any vacancy in its membership and no act or proceeding of such Commission shall be, or deemed to be, invalid by reason only of any such vacancy or any defect in the appointment of a member.

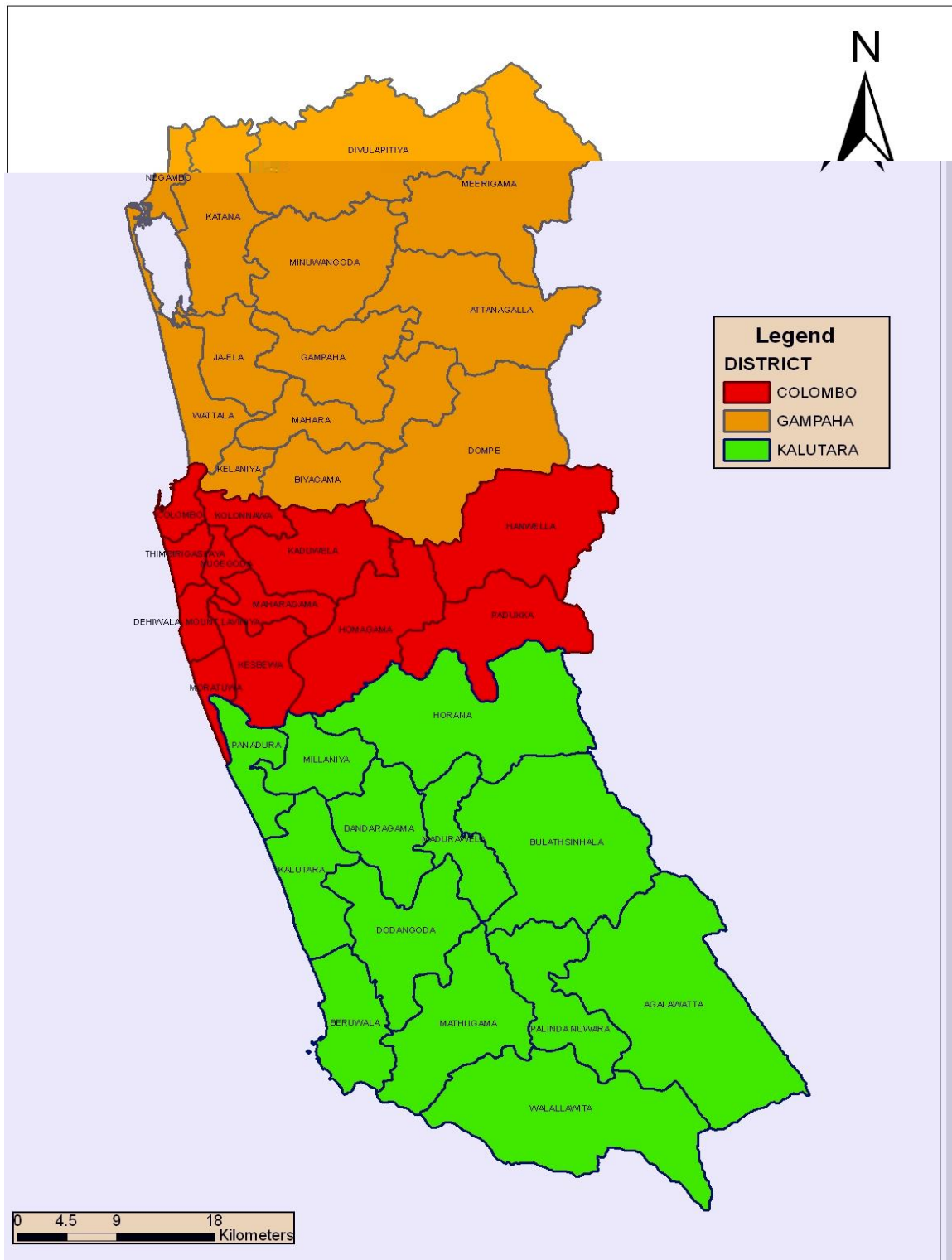
(7) For the purposes of Chapter IX of the Penal Code, a member of a Provincial Public Service Commission shall be deemed to be a public servant.
(8) The Governor of a Province shall have the power to alter, vary or rescind any appointment, order of transfer or dismissal or any other order relating to a disciplinary matter made by the Provincial Public Service Commission of that Province

34. Every person who, otherwise than in the course of duty, directly or indirectly, by himself or by any other person, in any manner whatsoever, influences or attempts to influence, any decision of a Provincial Public Service Commission or any member thereof shall be guilty of an offence and shall on conviction by the High Court after trial without a jury be liable to a fine not exceeding one thousand rupees or to imprisonment for a term not exceeding one year or to both such fine and imprisonment.; Provided that nothing in this section shall prohibit any person from giving testimonial or certificate to any applicant or candidate for any office in the Provincial Public Service.
35. A person appointed to any office in the Provincial Public Service shall not enter upon the duties of his office until he takes and subscribes the oath, or makes and subscribes the affirmation, set out in the Fourth Schedule to the Constitution.
36. If any difficulty arises in giving effect to the provisions of this Act and, in particular, in relation to the constitution of a Provincial Council for a Province, the President may, by order, take such action, not inconsistent with the provisions of this Act, as appears to him to be necessary, or expedient for the purpose of removing such difficulty.

37. (1) (a) The President may by Proclamation declare that the provisions of this subsection shall apply to any two or three adjoining Provinces specified in such Proclamation (hereafter referred to as "the specified Provinces"), and thereupon such Provinces shall form one administrative unit, having one elected Provincial Council, one Governor, one Chief Minister and one Board of Ministers, for the period commencing from the date of the first election to such Provincial Council and ending on the date of the poll referred to in subsection (2) of this section, or if there is more than one date fixed for such poll, the last of such dates. (b) The President shall not make a Proclamation declaring that the provisions of subsection (1) (a) shall apply to the Northern and Eastern Provinces unless he is satisfied that arms, ammunition, weapons, explosives and other military equipment, which on 29th July, 1987, were held or under the control of terrorist militant or other groups having as their objective the establishment of a separate State, have been surrendered to the Government of Sri Lanka or to authorities designated by it, and that there has been a cessation of hostilities and other acts of violence by such groups in the said Provinces. (2) (a) Where a Proclamation is made under the provisions of subsection (1) (a), the President shall by Order published in the Gazette, require a poll, to be held in each of the specified Provinces, and fix a date or dates, not later than 31st day of December, 1988, for such poll, to enable to the electors of each such specified Province to decide whether- (i) Such Province should remain linked with the other specified Province or Provinces as one administrative unit, and continue to be administered together with such Province or Provinces; or (ii) Such Province should constitute a separate administrative unit; having its own distinct Provincial Council, with a separate Governor, Chief Minister and Board of Ministers. (b) The President may, from time to time, at his discretion, by subsequent Orders published in the Gazette, postpone the date or dates of such poll. (3) Where at the poll held in each of such specified Provinces, the decision of the electors in each such Province is that such Province should remain linked with the other specified Province or Provinces, such specified Provinces shall continue to form one administrative unit, having one elected Provincial Council, one Governor, one Chief Minister and one Board of Ministers, and the Provision of any written law relating to Provincial Councils shall be construed as if the specified Provinces were one Province: Provided that if at such a poll in the Eastern Province, the decision of the electors of such Province is that such Province should remain linked with the Northern Province, a poll shall not be required in the Northern Province, and accordingly such Provinces shall form one administrative unit, having one elected Provincial Council, one Governor, one Chief Minister and one Board of Ministers. (4) (a) Where two or more Provinces are specified in such Proclamation, and the decision of the electors of one such Province is that such Province should constitute a separate administrative unit, having its own distinct Provincial Council, with a separate Governor, Chief Minister and Board of Ministers, the Provinces specified in the Proclamation shall forthwith cease to form one administrative unit, and separate Provincial Councils, with a separate Governor, Chief Minister and Board of Ministers shall be deemed to have been established and constituted for each such Province with effect from the date on which the result of such poll is declared ; and the President shall thereupon by Order

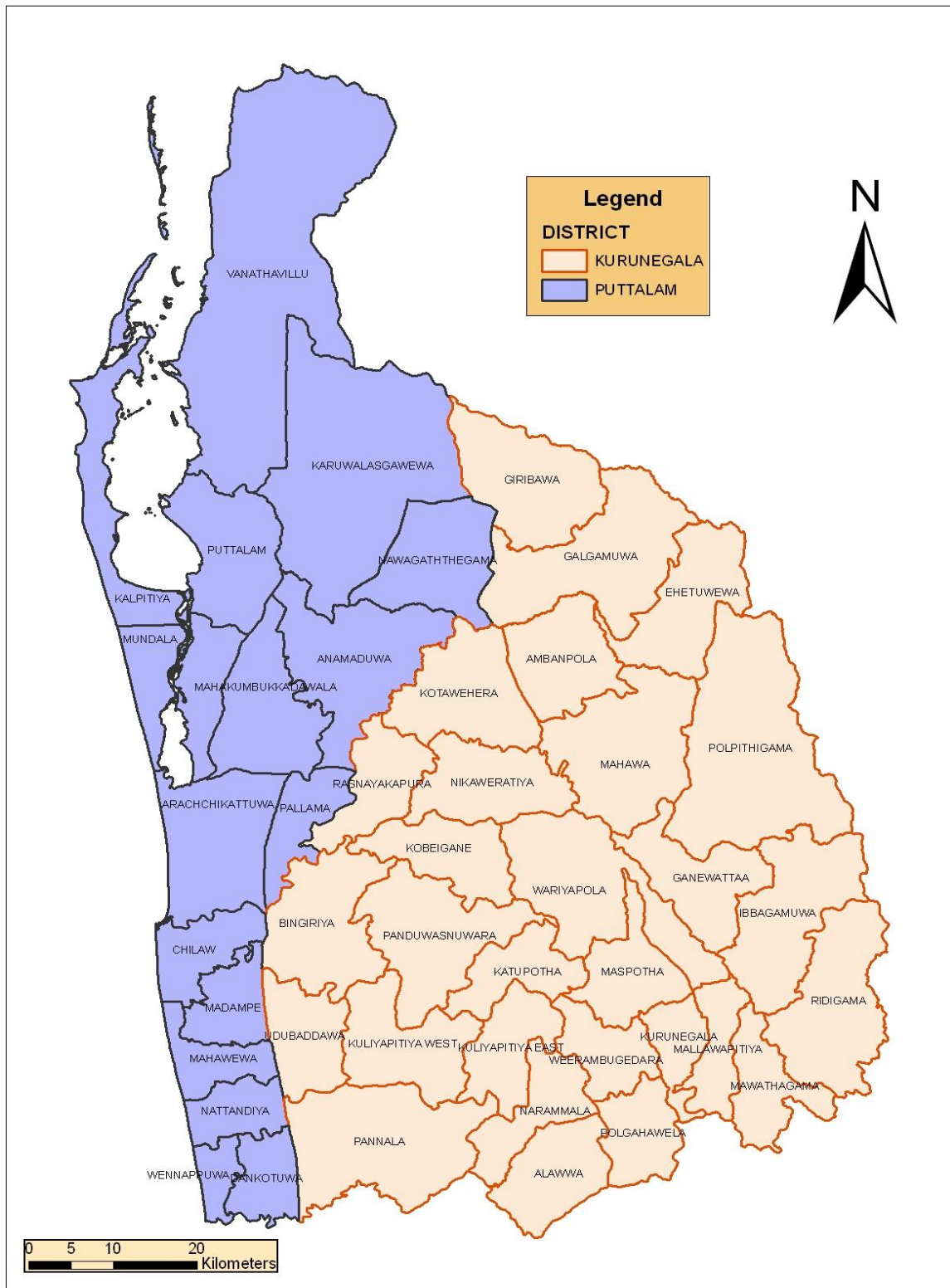
published in the Gazette cancel the poll in the other specified Province or Provinces, if such poll has not already been held. (b) The President may, by order published in the Gazette, make such provisions may be necessary for the distribution of the property of such specified Provincial Councils, and with respect to the officers and servants of, contracts entered into by, and actions instituted by, and against, such Councils during the period when such Provinces formed one administrative unit. (5) Such poll shall be conducted by the Commissioner of Elections, and the President may make regulations under this subsection providing for all matters relating to the conduct of such poll. (6) The elections of a Province shall be deemed to have decided in favor of proposal submitted to such electors at such poll if such proposal has been approved by an absolute majority of the valid votes cast at such poll. (7) Every such poll will be monitored by a Committee of three persons consisting of the Chief Justice, who shall be the Chairman thereof and two other persons appointed by the President, who shall report to the President.

ANNEXURE 6: Divisional Secretariat Divisions in Western Province



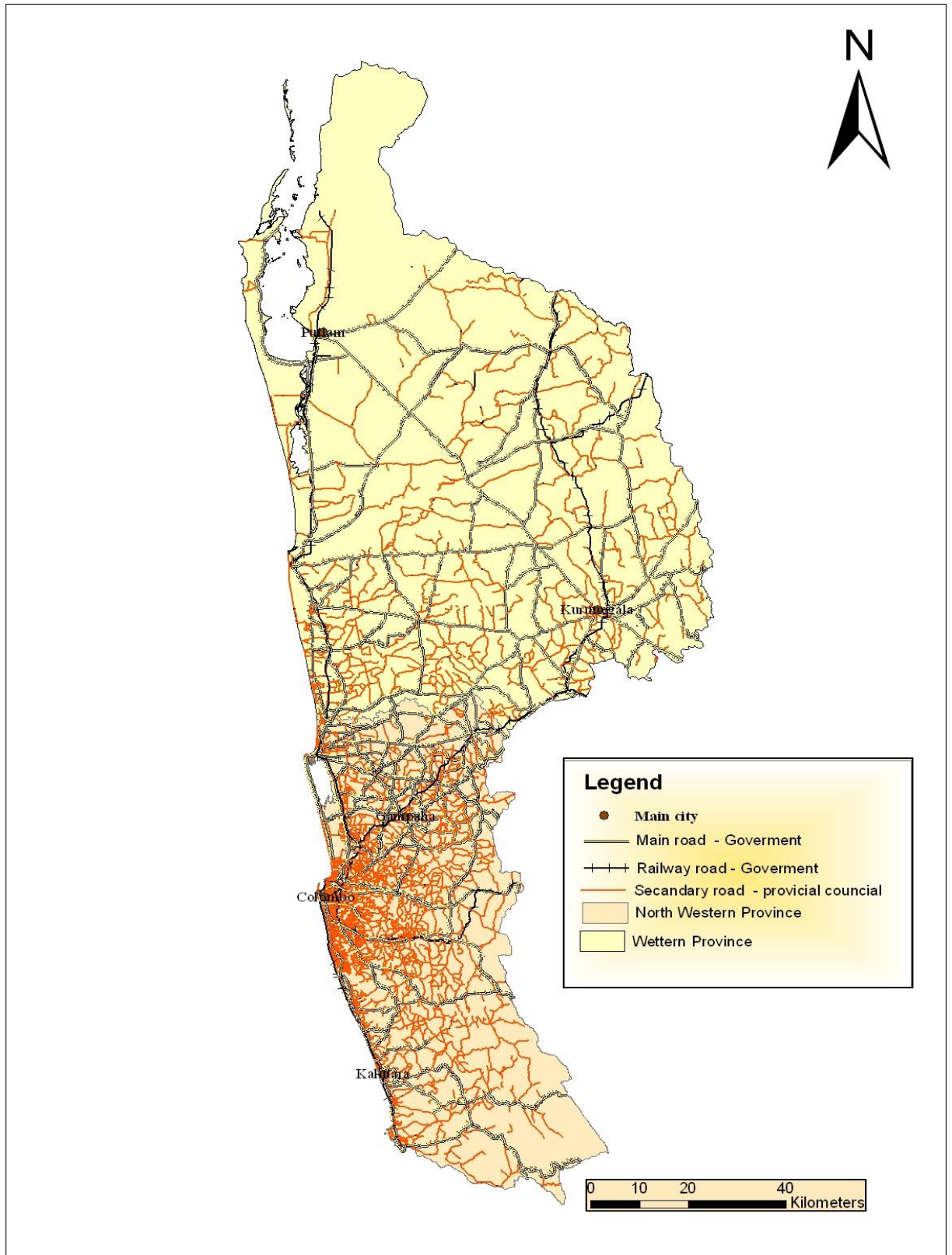
Source: Compiled by the Department of Geography, University of Kelaniya, Sri Lanka

ANNEXURE 7: Divisional Secretariat Divisions in Western Province



Source: Compiled by the Department of Geography, University of Kelaniya, Sri Lanka

ANNEXURE 8: Road Network in Western and North Western Provinces



Source: Compiled by the Department of Geography, University of Kelaniya, Sri Lanka