


**Basic Design Study Report**  
**on**  
**The Project for Acquisition of**  
**Equipment to Strengthen The Divisional**  
**Secretaries' Offices**  
**in**  
**Democratic Socialist Republic**  
**of**  
**Sri Lanka**

**February, 1992**

**Japan International Cooperation Agency**

GRF

92-007

Basic Design Study Report on The Project for Acquisition of Equipment to Strengthen  
The Divisional Secretaries' Offices in Democratic Socialist Republic of Sri Lanka

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## PREFACE

In response to a request from the Government of Democratic Socialist Republic of Sri Lanka, the Government of Japan decided to conduct a basic design study on The Project for Acquisition of Equipment to Strengthen the Divisional Secretaries' Offices and entrusted the study to the Japan International Cooperation Agency (JICA).

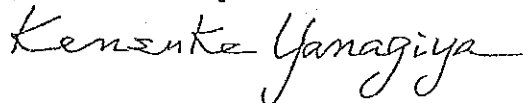
JICA sent to Sri Lanka a study team headed by Mr. Kenji Kiyomizu, Development Specialist on Civil Engineering of Institute for International Cooperation, JICA, from August 10 to September 28, 1991.

The team held discussions with the officials concerned of the Government of Sri Lanka, and conducted a field study at the study area. After the team returned to Japan, further studies were made. Then, a mission was sent to Sri Lanka in order to discuss a draft report and the present report was prepared.

I hope that this report will contribute to the promotion of the project and to the enhancement of friendly relations between our two countries.

I wish to express my sincere appreciation to the officials concerned of the Government of Democratic Socialist Republic of Sri Lanka for their close cooperation extended to the team.

February 1992



Kensuke Yanagiya

President

Japan International Cooperation Agency





**PROJECT AREA  
DIVISIONS**

**WESTERN PROVINCE**

- 1 HANWELLA (R1) \*1
- 2 HOMAGAMA (R2) \*2
- 3 DIVULAPITIYA (R1)
- 4 MIRIGAMA (R2)
- 5 AGALAWATTA (R1)
- 6 WALALLAWITA (R2)

**CENTRAL PROVINCE**

- 7 AKURANA (R1)
- 8 UDUDUMBARA (R2)
- 9 PUJAPITIYA (R2)
- 10 GALEWELA (R1)
- 11 WILGAMUWA (R2)
- 12 LAGGALA (R2)
- 13 WALAPANE (R1)
- 14 HANGURANKETHA (R2)

**SOUTHERN PROVINCE**

- 15 NIYAGANA (R1)
- 16 KARANDENIYA (R2)
- 17 HAKMANA (R1)
- 18 KAMBURUPITIYA (R2)
- 19 SURIYAWEWA (R1)
- 20 HAMBANTOTA (R1)
- 21 KATUWANA (R2)

**NORTH WESTERN PROVINCE**

- 22 KOBEIGANE (R1)
- 23 KOTAVEHERA (R2)
- 24 NIKAWERATIYA (R2)
- 25 KARUWALAGASWEWA (R1)
- 26 NAVAGATTEGAMA (R2)

**NORTH CENTRAL PROVINCE**

- 27 HOROWUPOTNA (R1)
- 28 RAMBAWA (R2)
- 29 THIRAPPANE (R2)
- 30 ELAHERA (R1)
- 31 HINGURAKGODA (R2)

**UVA PROVINCE**

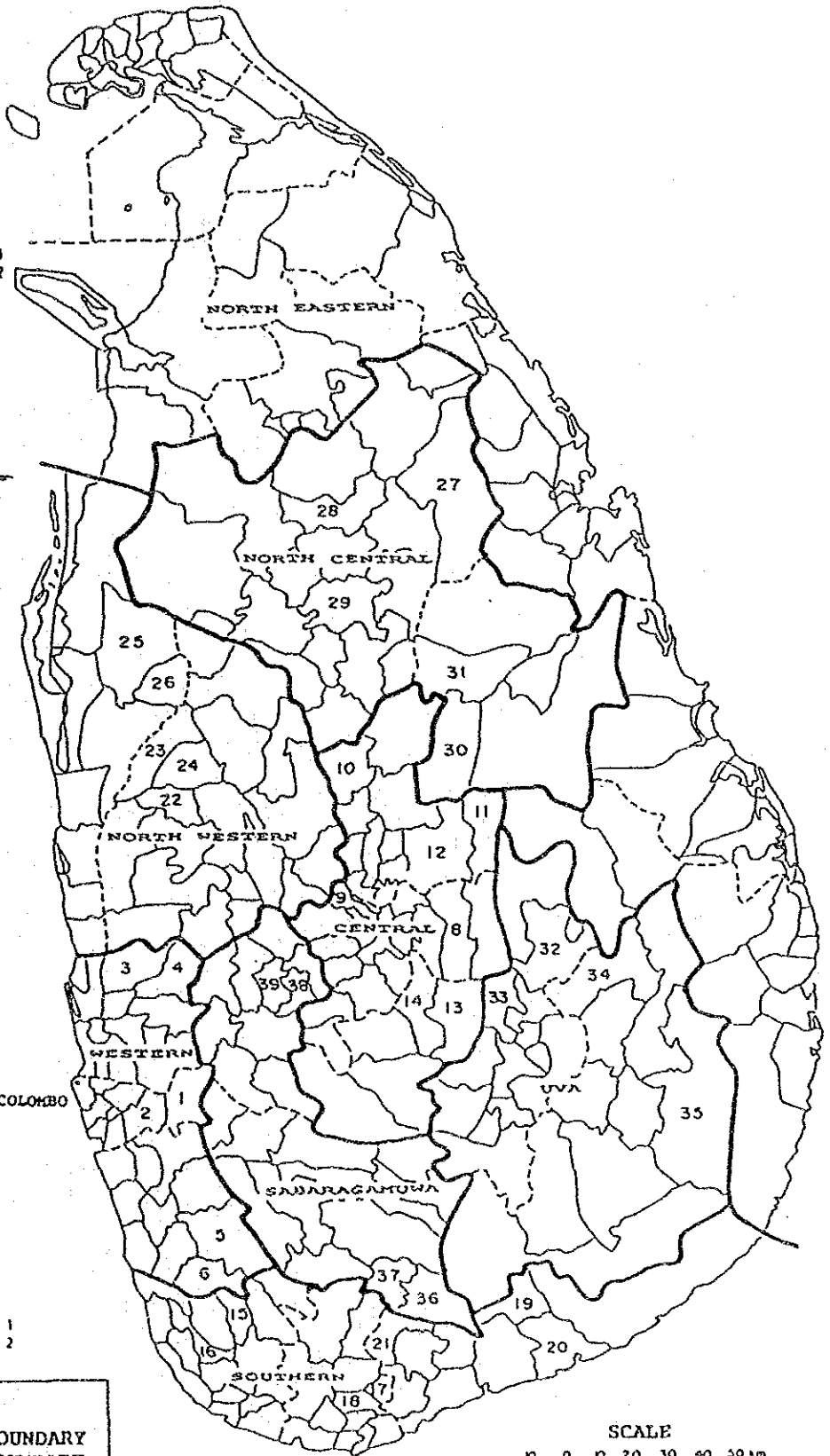
- 32 RIDIMALIYADDE (R1)
- 33 KANDEKETIYA (R2)
- 34 MADULLA (R1)
- 35 SIYAMBALANUWA (R2)

**SABARAGAMUWA PROVINCE**

- 36 EMBILIPITIYA (R1)
- 37 KOLONNE (R2)
- 38 ARANAYAKE (R1)
- 39 GALIGAMUWA (R2)

\*1 (R1) JANASAVIA ROUND 1  
\*2 (R2) JANASAVIA ROUND 2

LEGEND	
—————	PROVINCE BOUNDARY
- - - - -	DISTRICT BOUNDARY
—————	DIVISION BOUNDARY





## Photos



### Rural Road (C class) Rehabilitation

Cold mix asphalt being placed manually into potholes.



### Road Work

Local residents first dug side drains, carried embanking material and performed leveling for village road; after which the Road Development Department of the Provincial Office dispatched motor grader and road roller for paving works.



### Quarry Site

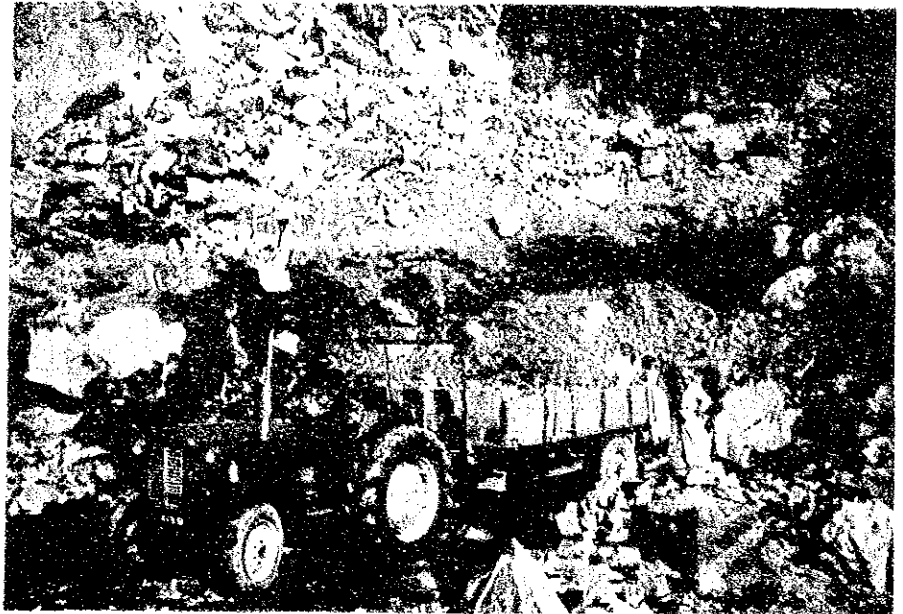
Although portable crusher, compressor, rock drill, etc. are used at the quarry site, many works are still performed by hand including excavation, grading by size, etc.





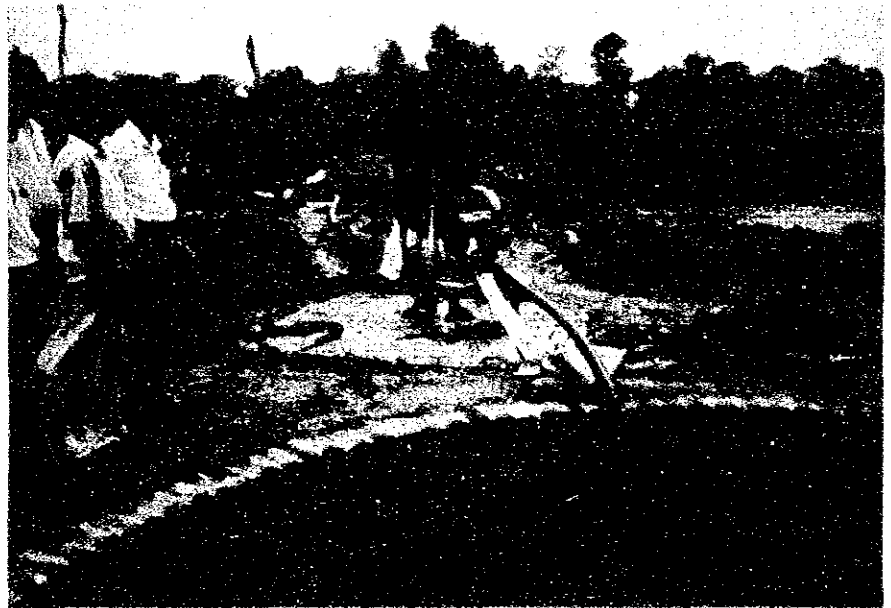
### **Transport of Crushed Rock from Quarry by Trailer**

Tractor and tiller are widely used for transport of rock material to construction sites.



### **Chili Cultivation by Farm Well**

Availability of irrigation in the dry zone from farm wells or ponds greatly influences farmer income. As a result, the Divisional Office is aggressively supporting excavation of wells for farm water. Either brick work or masonry is performed to protect well walls.



### **Production of Acacia Seedlings for Reforestation**

Production of seedlings by Janasaviya beneficiaries is being promoted for reforestation works to control erosion in the high rainfall central mountains. It is hoped that this will foster economic independence for these farmers







### **Agrarian Service Office**

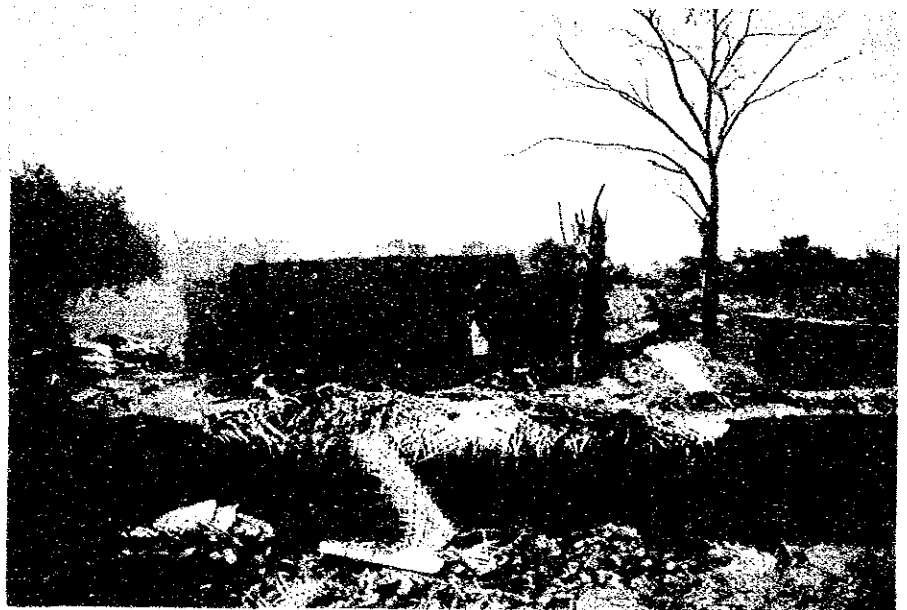
The Agrarian Service Office supports the farmer in a range of activities including small scale irrigation rehabilitation, extension of cultivation techniques, shipping of produce, etc.

The offices maintain tractors, which are applied to shipping of farm produce, and hauling of materials for construction projects at the village level.



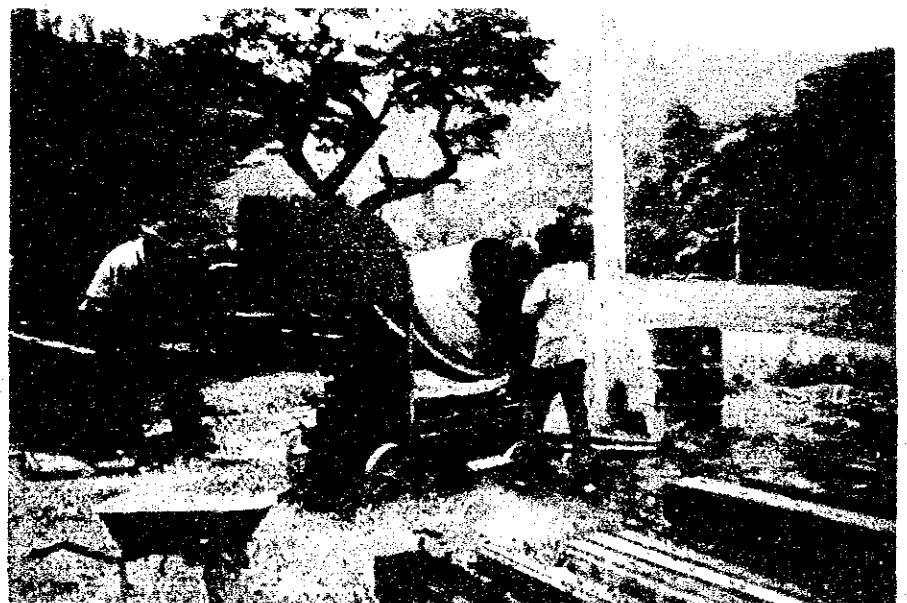
### **Brick Works by Janasaviya Beneficiaries**

Sun dried bricks are being baked here. Bricks stacked at the front are arranged so that heat reaches all bricks equally.



### **Concrete Mixer Used for Power Pole Production**

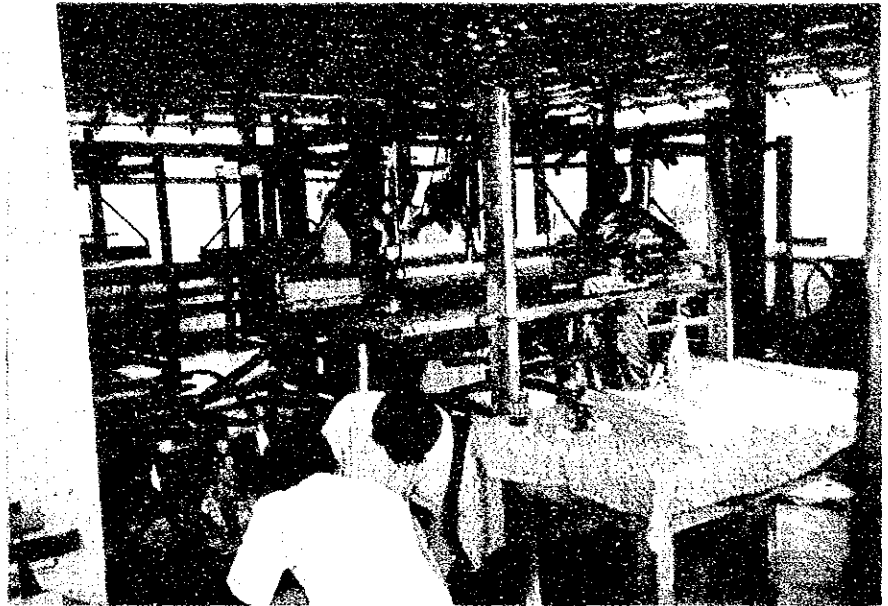
Concrete is poured into the frame in the foreground to produce power poles. This are used mainly for rural electrification.





**Weaving Center (under Janasaviya)**

This weaving center was established under Janasaviya as a Divisional Office project to nurture rural industry. Participants learn skills while at the same time earning income from sales of products including mats, table cloths, etc..



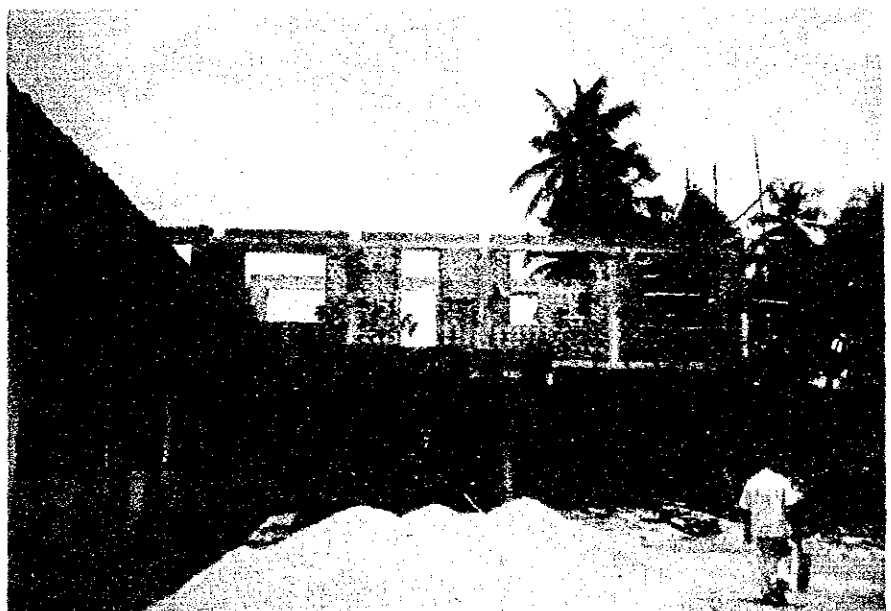
**Wood Working Training Center**

Training is targeted at rural youth to foster economic independence



**Public Facilities Construction (Divisional Office)**

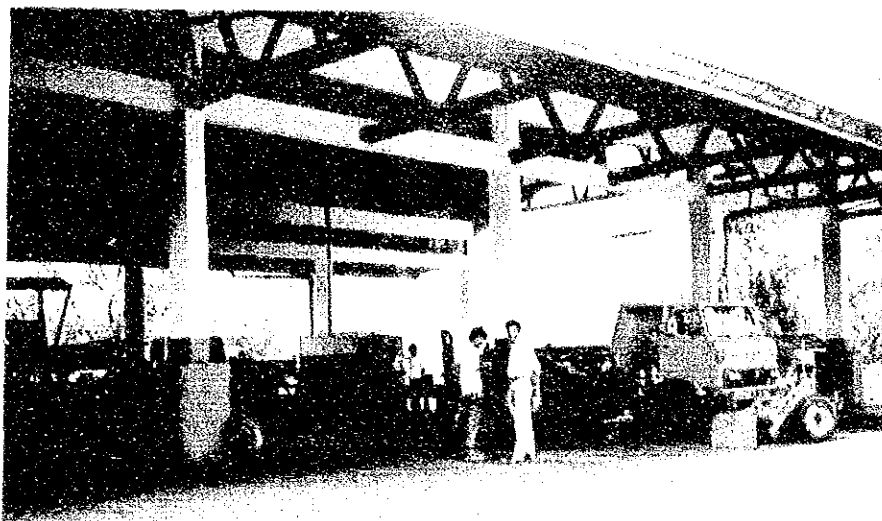
Here a Divisional Office building is under construction. Public facilities projects are a major effort of the Divisional Offices and include schools, community centers, market places, etc.





### Provincial Work Shop (Central Province)

Heavy equipment is directly managed and maintained at the existing provincial work shops. This equipment provides support to the Divisional Offices in project implementation.



### Spare Parts Storage at the Provincial Work Shop

Each work shop has storage and maintenance areas. Spare parts are carefully managed, stored and records kept. Machining equipment and work tools are also on hand for equipment and vehicle repair.



### Construction Machinery Training Center (ICTAD)

Training in motor grader operation is in progress here. Other training courses include operation of bull dozer, back hoe, dump truck, light equipment, pumps, etc. Trainees are sent from various regional government agencies in each province





## SUMMARY

Sri Lanka is situated in the Indian Ocean off the South Asia subcontinent. Total land area is 66,000 km<sup>2</sup>, and population is 17 million. The nation is a people's socialist republic. Per capita GNP in 1988 was US\$ 420, relatively high compared to neighboring countries. Successful family planning policy by successive administrations has kept population growth rate at a low 1.5%. Average life expectancy is a high 71 years. 70% of the population is Buddhist. Sri Lanka is basically an agrarian nation, with the agricultural sector accounting for 26.0% of the GDP, and 45.5% of employment. Tea and rubber, primary export items, are raised on plantations. Coconut, rice for domestic consumption, miscellaneous cereals, and vegetables are cultivated on small farms. According to recent statistics, textile products have become the number 1 export, although traditional items such as tea and gems still maintain a high percentage. The US accounts for  $\frac{1}{4}$  of Sri Lanka's export market, followed in descending order by Germany, Japan, and the UK. Major sources of imports are, in descending order, Japan, the US, the UK and Taiwan. The heavy reliance of the nation's economy on primary products makes it highly susceptible to adverse impacts from international market trends, weather conditions, and other external factors.

Particularly since the latter 1980's, economic factors of low growth, high unemployment, trade and fiscal deficit, and high price escalation have had adverse social impact.

During 1983~1989, economic growth rate was a low 3.4%, and unemployment a high 20%. In terms of ratio to GDP, fiscal deficit was 12.2%, operational deficit was 7~9%, and price escalation was over 10%. In order to address these, the Sri Lankan government requested a structural adjustment loan (SAL) from the World Bank in 1985. The Government announced a 3 year stabilization program in November 1986 including reduction of public expenditure and a flexible exchange rate policy. In March 1988, the IMF approved extension of Rs 142 million in the form of a 3 year structural adjustment fund. Sri Lanka received Rs 45 million in the first year of the program.

In the face of widening civil unrest and worsening inflation at the outset of 1989, focus was given by the present administration to the Janasaviya Programme aimed at alleviation of poverty, recognized as the major obstacle to recovery of political order. In light of these conditions, the World Bank agreed to extend an economic restructuring credit. Under the restructuring program, policy of the Sri Lankan government comprises ① stabilization of the macro-economy, ② rationalization of the public sector (including regional delegation of administrative authority), ③ stimulation of the private sector and ④ countermeasures to alleviate poverty and rectify disparities in regional levels of development.

Request for assistance in implementing the subject Project was made to the Japanese government by the Sri Lankan government in July 1990. The Project aims to support the Sri Lankan government's efforts to strengthen the provincial and divisional offices within the context of the program to steadily delegate administrative authority to regional and local entities. In response to this request, The Japanese government agreed to carry out a basic design study for equipment deployment to the targeted 7 provinces and 39 divisions.

Accordingly, a JICA Study Team was dispatched to Sri Lanka for a 50 day period (10 August ~ 28 September 1991). Findings of field survey were analyzed at the home office, and plans for equipment deployment, operation and maintenance, etc. were formulated.

Under the Project, equipment will be deployed to strengthen the divisional offices, at the center of the policy of local delegation of authority. This equipment will support the divisions in the implementation of their work programs to establish social and economic infrastructure. Equipment for training will also be deployed to support vocational and skill training of rural population targeted under the Janasaviya Programme.

At present, divisional offices have on hand none of the equipment necessary to implement their envisaged project programs. Also, the private construction sector in the targeted divisions lacks the equipment to support a planned program of infrastructure works. As a result, progress is slow in the execution of infrastructure projects to promote the rural economy. Nevertheless, the Sri Lankan government has been redeploying government service labor under the CADRE Programme. This is one link in the above mentioned policy to delegate authority and responsibility to regional and local administrative entities in an effort to improve their executive capabilities, particularly with regards to implementation of public works and social infrastructure projects. Encouraging results are beginning to be seen as a result of the CADRE Programme.

The Study Team studied conditions at the provincial and divisional offices in terms of (i) content of provincial and divisional office work programs, (ii) conditions of staff deployment, (iii) status of infrastructure projects being undertaken, and (iv) status of equipment on hand. As a result, it was confirmed that the work programs of the provincial and divisional offices are appropriate, that budget measures are being taken, and that steps are in progress to deploy necessary human resources to the provincial and divisional offices to make possible implementation of the Project.

Accordingly, it became clear that the Project warrants urgent implementation. The content of the Project is well in keeping with Sri Lankan national planning and is considered appropriate with the condition that some small reinforcement (facilities and personnel) of management, operational and



maintenance capability at the offices be carried out simultaneous to equipment deployment.

Equipment to be deployed to the provincial and divisional offices under the Project are as follows:

Provincial Level

Equipment	Nos. of Equipment							Total
	WP	CP	SP	NWP	NCP	UVA	SAB	
1 Motor grader	0	0	0	0	0	0	0	0
2 Bulldozer	1	0	1	1	0	1	0	4
3 Dump truck	1	0	1	1	0	2	2	7
4 Cargo truck	1	0	1	1	1	1	0	5
5 Loader (w/ back hoe)	1	1	0	1	1	1	0	5
6 Compressor	1	0	1	1	1	0	0	4
7 Breaker	1	0	1	1	1	0	0	4
8 Rock drill	1	1	1	1	1	0	0	5
9 Portable crusher	1	1	1	1	1	0	0	5
10 Asphalt kettle (w/ sprayer)	0	0	1	0	1	0	0	2
11 Vibration roller (walk type)	0	0	0	0	0	0	1	1
12 Road roller	0	1	0	1	0	0	1	3
13 Concrete mixer	1	1	1	1	1	1	0	6
14 Poker vibrator	1	0	1	1	1	0	0	4
15 Generator	1	0	1	1	1	1	0	5
16 Low bed trailer	0	1	1	1	1	0	0	4
17 Shop equipment (welder)	1	0	1	1	1	1	0	5
18 Facsimile	0	1	1	1	1	0	0	4
19 Pick up truck	1	1	0	1	1	1	0	5

WP Western Province  
 CP Central Province  
 SP Southern Province  
 NWP North Western Province  
 NCP North Central Province  
 UVA Uva Province  
 SAB Sabaragamuwa Province

Divisional Level

Province/District	Pick up truck	Farm tractor (4W)	2 wheel tractor	Water pump	Trailer bowser	Hand sprayer	Generator	Work shop tools	Wood work tools	Power hacksaw	Mason's tools	Molar cycle	Duplicator (w/scanner)	Survey equipment
<b>Western Province</b>														
Hanwella	1	1	1	1	0	1	1	1	1	1	1	1	1	1
Divulapitiya	1	1	1	1	1	1	0	1	1	1	0	1	1	1
Agalawatta	1	1	1	0	1	0	1	0	1	1	1	1	1	1
Honagama	1	1	1	1	1	1	0	1	1	1	1	1	1	1
Mirigama	1	1	1	1	0	1	1	1	1	1	1	1	1	1
Walallawita	1	1	1	1	0	1	1	1	1	1	1	1	1	1
Sub.Total	6	6	6	5	3	5	4	5	6	6	5	6	6	6
<b>Central Province</b>														
Akurana	1	1	1	1	1	1	1	1	0	1	1	1	1	0
Gallewela	1	1	1	1	1	1	1	1	0	1	1	1	1	0
Walapane	1	1	1	1	1	1	1	1	0	1	1	1	1	0
Udadumbara	1	1	1	1	1	1	1	1	0	1	1	1	1	0
Pujapitiya	1	1	1	1	1	1	1	1	0	1	1	1	1	0
Kilgamuwa	1	1	1	1	1	1	1	1	0	1	1	1	1	0
Laggalla	1	1	1	1	1	1	1	1	0	1	1	1	1	0
Hanguranketha	1	1	1	1	1	1	1	1	0	1	1	1	1	0
Sub.Total	8	8	8	8	8	8	8	8	0	8	8	8	8	0
<b>Southern Province</b>														
Suriyawewa	1	1	1	1	1	1	1	1	1	1	1	1	1	0
Niyagama	1	0	1	1	1	0	1	1	1	0	0	1	1	0
Hakmana	1	1	1	0	0	0	1	0	1	0	0	1	1	0
Hambantota	1	0	1	1	1	0	1	0	0	0	0	1	1	1
Karadeniya	1	1	1	1	1	0	0	1	1	0	0	1	1	0
Kamburupitiya	0	1	0	1	1	1	1	1	1	0	0	1	0	1
Katuwaha	1	1	1	1	0	0	1	1	0	0	1	0	1	0
Sub.Total	6	5	6	6	5	2	6	5	5	1	2	6	6	2
<b>North Western Province:</b>														
Kobeigane	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Karuwalagaswewa	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Kotawehera	1	1	1	1	1	0	1	1	1	1	1	1	1	1
Nikaweratiya	1	1	0	1	1	1	0	1	1	1	1	1	1	1
Navagattegama	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Sub.Total	5	5	4	5	5	4	4	5	5	5	5	5	5	5
<b>North Central Province</b>														
Horowepathana	1	1	1	1	1	0	1	1	1	0	1	1	1	0
Elehara	1	1	1	1	1	1	0	1	1	0	1	1	1	0
Rambewa	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Tirappane	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Hingurakgoda	1	1	0	0	1	0	1	1	0	0	1	1	1	0
Sub.Total	5	5	4	4	5	3	4	5	4	2	5	5	5	2
<b>Uva Province</b>														
Ridimaliyadde	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Madulla	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Kandaketiya	1	0	0	1	1	0	1	0	0	0	0	1	1	1
Siyambaladuwa	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Sub.Total	4	3	3	4	4	3	4	3	3	3	3	4	4	4
<b>Sabaragamuwa Province</b>														
Embilipitiya	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Aranayake	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Kolonne	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Galigamuwa	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Sub.Total	4	4	4	4	4	4	4	4	4	4	4	4	4	4
<b>Total</b>	<b>Total</b>	<b>38</b>	<b>36</b>	<b>35</b>	<b>36</b>	<b>34</b>	<b>29</b>	<b>34</b>	<b>35</b>	<b>27</b>	<b>29</b>	<b>32</b>	<b>38</b>	<b>23</b>

Project execution structure will include the Regional Development Division (of the Ministry of Policy Planning and Implementation) at the apex, and the workshops and Provincial Planning and Monitoring Division at the 7 provincial offices, and the Planning Unit at the 39 divisional offices as principal executing entities.

Anticipated impacts of the Project are as follows:

#### Strengthening of project implementing capability of divisional offices

Deployment of equipment to the divisional offices under the Project will strengthen their capability to implement social and economic infrastructure projects. This is highly significant as the 39 divisions targeted under the Project are in areas of backward development, and the envisaged projects at the divisional level will greatly contribute to regional economic development.

#### Improvement of Agricultural Production and Economic Infrastructure

Construction and rehabilitation of wells and small scale irrigation facilities using equipment deployed under the Project will increase farm income. Road rehabilitation, etc. and other economic infrastructure projects will greatly contribute to promoting the rural socio-economy.

#### Establishment of Social Infrastructure

Establishment of potable water supply, schools, hospitals, and other social infrastructure using equipment deployed under the Project will serve to enhance the living environment in rural areas.

#### Expanded Employment Opportunity

Equipment for vocational and skill training to be deployed under the Project will support and expand the training efforts in progress by the Sri Lankan government under the Janasaviya Programme. This will contribute to expanded job opportunity for the Janasaviya beneficiaries.

As can be seen from the above, the Project will have a range of impacts. Nevertheless, maximum effectivity will hinge on the formulation and execution of an appropriate management, operational and maintenance program for equipment. Accordingly, it is recommended that the following be carried out by the executing agency (Ministry of Policy Planning and Implementation):

- (i) Appropriate measures to establish storage and repair facilities at the divisional offices for the deployed equipment.
- (ii) Assignment under the CADRE Programme of appropriate technical staff for equipment O/M at the divisional offices.
- (iii) Appropriate budgetary measures for equipment O/M.
- (iv) Establishment of a monitoring system under the direction of RDD for continuous and regular check of operational and maintenance condition of the equipment after deployment.

The degree of success in implementation of the Project can be expected to have a large impact on similar projects to follow during the Janasaviya round III and subsequent rounds (a total 11 planned).



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## ABBREVIATION

MPPI	Ministry of Policy, Planning & Implementation
RDD	Regional Development Division
ERD	External Resources Division
ICTAD	Institute for Construction Training and Development
PC	Provincial Council
CS	Chief Secretary
GA	Government Agent
DS	Divisional Secretary
PS	Pradeshiya Sabha
JICA	Japan International Cooperation Agency
WP	Western Province
CP	Central Province
SP	Southern Province
NWP	North Western Province
NCP	North Central Province
UVA	Uva Province
SAB	Sabaragamuwa Province
NEP	North Eastern Province
JSP	Janasaviya Programme
IRDP	Integrated Rural Development Programme
ERC	Economic Restructuring Credit
SAL	Structural Adjustment Loan
PFP	Policy Frame Papers
CADRE	
SDR	Special Drawing Rights

WB	World Bank
ADB	Asian Development Bank
IMF	International Monetary Fund
NORAD	Norwegian Agency for Development Cooperation
SIDA	Swedish International Development Agency





Main Text



## CHAPTER 1 INTRODUCTION

### 1.1 Background of Request

At present, the Sri Lankan government is vigorously pursuing a national policy comprising ① stabilization of the macro-economy, ② rationalization of the public sector (including regional delegation of administrative authority), ③ stimulation of the private sector and ④ alleviation of poverty and rectification of skewed development levels among regions.

Under its program of regional delegation of administrative authority, the Sri Lankan government envisages a large shift of responsibility to the provincial and divisional office level. In line with this, it has thus become necessary to upgrade the administrative capability of the provincial and divisional offices.

The provincial offices and particularly the divisional offices currently lack the required construction equipment to effectively carry out infrastructure projects. The Project accordingly aims to procure an appropriate range and numbers of such equipment for deployment principally to the divisional offices to strengthen their function as executive agency for development projects at the divisional level. The Project would be implemented against the background of the Janasaviya Programme of the Sri Lankan government which has as its objective alleviation of rural poverty through fostering of economic independence.

### 1.2 Dispatch of Study Team

In response to the request by the Sri Lankan government for Grant Aid assistance in procuring the necessary equipment to carrying out the Project, the Japan International Cooperation Agency dispatched a Basic Design Study Team to identify an appropriate Project scale and content for Grant Aid cooperation from the Japanese government.

The JICA Study Team, headed by Kenji Shimizu, carried out field study in Sri Lanka during 10 August ~ 28 September 1991 (50 days). During this period, the Team met with concerned officials and personnel of the Sri Lanka side, and visited related facilities under the Project. (see Appendix for Team members and dispatch schedule, list of persons interviewed, collected data and drawings, and minutes of discussions). Home office collation, analysis and evaluation of field study results was performed and a Draft Final Report compiled in mid-December 1991. A mission was dispatched by JICA for 9 days (14 December ~ 22 December) to Sri Lanka to brief concerned officials on the contents of the Draft Final Report, and obtain their comments on the same. On 24 January 1992, the Sri Lankan government issued a memorandum indicating its concurrence on the content of the the Draft Final Report. Copies of the Minutes, the foregoing

memorandum, etc. are included in the Attached Materials at the end of this volume.

## CHAPTER 2 PROJECT BACKGROUND

### 2.1 Country Description

#### (1) General

Sri Lanka is located in the Indian Ocean off the South Asian subcontinent. Its land area is 66,000 km<sup>2</sup>. Climate is generally warm, and divided into a wet zone (rainfall over 1900 mm per year: stretching from north to east) and dry zone governed chiefly by rainfall pattern and elevation.

Population is composed of a number of ethnic groups: Sinhalese, Tamil, Muslim (Moor and Malay), Burger (descendants of Europeans) Veddah (formerly nomadic hunter-gatherers in jungled areas), etc. Sinhalese comprise the largest group, accounting for 70% of the population, followed by the Tamils accounting for 20%.

Major languages on the island are Sinhalese and Tamil. English and Malay are also spoken. 70% of the population is Buddhist, 15% Hindu, and 7.5% Islamic and Christian.

Sri Lanka became an independent socialist republic in 1948. There have been a number of administrations since independence, with transition in all cases by democratic election. The Government has historically emphasized social welfare programs, and social indicators of literacy, school enrollment, infant mortality, child berth mortality and average life expectancy are at relatively superior levels compared to nearby countries.

Nevertheless, per capita GNP is low at US\$ 420 (1988 data). Disparities in income and skewed development between regions both exhibit an intensifying trend. Also, ethnic strife between Sinhalese and Tamils continues, although less intense since 1990. This disturbance has had a serious impact on public security since 1983.

This long term civil disturbance has promoted economic stagnation, forced greater military expenditure, and discouraged investment in tourism and other sectors. The economy has been further stricken by drop in world prices for traditional exports of tea and natural rubber, and agricultural production has fallen due to various factors including drought. These conditions have combined to create a poor balance of international payments.

Other serious socio-economic troubles include rising inflation, and shortage of employment opportunity.

In order to strengthen the national economy, the Government has directed efforts at market liberalization policy, fiscal reform, restructuring in the public sector and expanded job opportunities. In addressing the foregoing, the Government agreed with the IMF to an overall framework for structural adjustment in 1988, and has been vigorously pursuing the same.

The Ministry of Higher Education is the responsible agency for the educational system in Sri Lanka. The system is broadly divided into 3 components: ① general education (primary and secondary school) ② higher education and ③ technical/vocational.

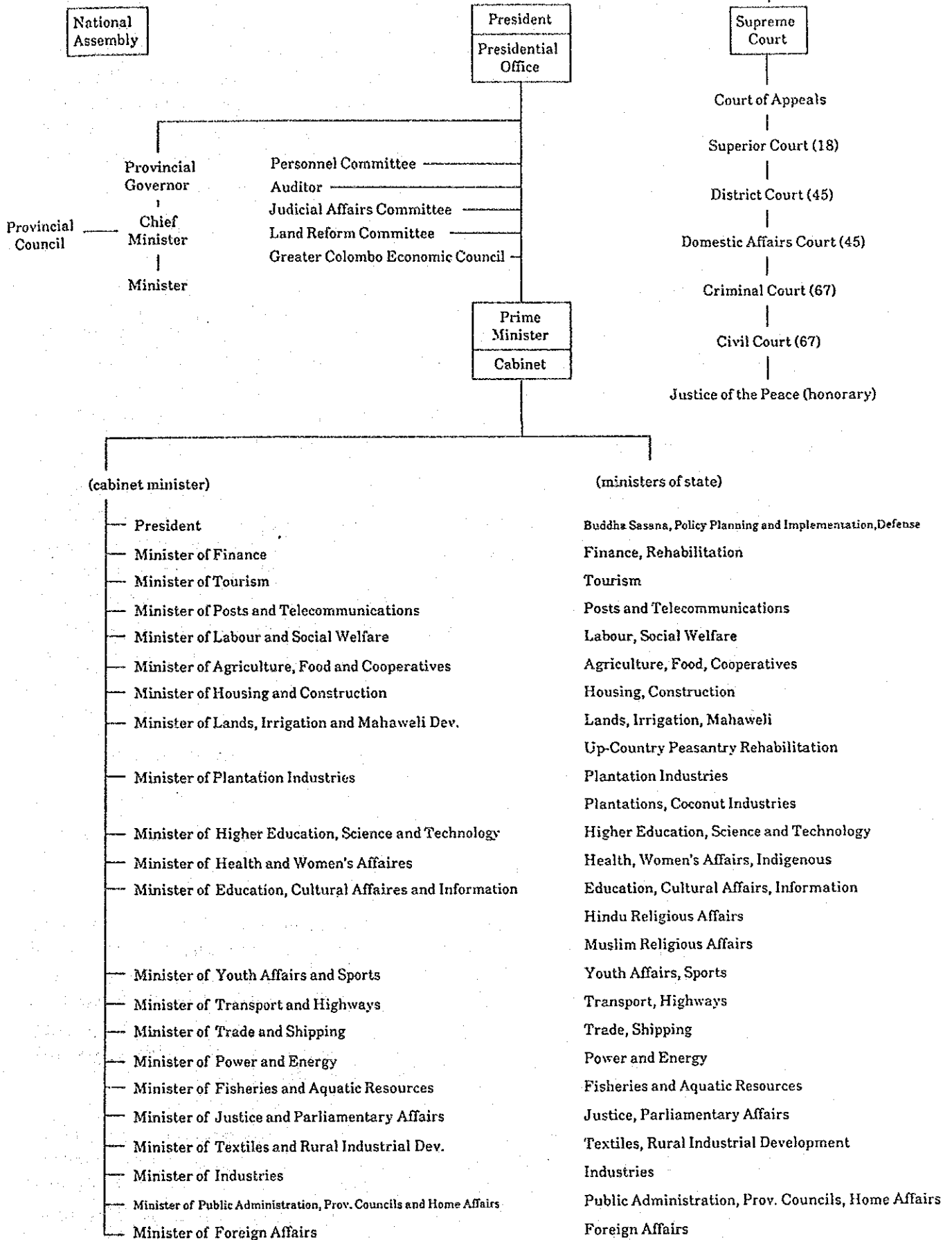
General education comprises a 5-3-3-2 system including obligatory education and an initial 3 year high school period and subsequent 2 year high school period (college preparatory). Almost all primary and middle schools are government run. There is virtually no difference between sexes in enrollment rate. Total enrollment rates for each year of the obligatory education period are at high levels of 82~92%. Higher education is overseen by the University Grants Commission, and comprises universities and technical schools. Degree programs are 3 years for the humanities and commerce, 4 years for agriculture, engineering and veterinary medicine, and 5 years for medicine. Higher education enrollment is 30,000 at present. Ratio between humanities and science majors was 54:46 in 1988, with a higher proportion of students seeking degrees in the humanities. The Government would like to encourage a greater number of science majors; however, recruitment of qualified university professors has proven difficult.

#### (i) Central Administrative Agencies

The national administrative structure as of 31 December 1989 is shown in Figure 2.1-1.

The President functions as head of state and chief executive of the administrative apparatus and cabinet. The President is elected by the people and serves for a 6 year term. The cabinet oversees the functions of government and is responsible to the Parliament. The Prime Minister is appointed by the President. There are 22 central government ministries, each headed by a cabinet minister. A corresponding one or several ministers of state serve for each ministry.

Figure 2.1-1 National Government



## (ii) Regional Administrative Agencies

Administratively, Sri Lanka comprises 8 provinces, 25 districts and 289 divisions. The Government has established provincial councils at the sub-national level as part of its program of regional delegation of authority. These councils exist for the smooth execution of development planning at all administrative levels, and are a key part of the present effort at executive restructuring.

## (2) Population

Population as of 1989 is 17 million, with a relatively high population density of 260 persons/km<sup>2</sup>. Roughly 60% of the total population concentrates in wet zone which occupies  $\frac{1}{4}$  of the nation's land area. Average population growth in 1980~88 was 1.5%, which is well below that of neighboring India, Bangladesh and other southeast Asian countries.

The causes for this low population growth lie in (i) a high education level and (ii) an aggressive promotion of family planning since 1953. A high 62% of the population is of productive age, which is in line with that of middle income nations. As a result, the degree of dependent support is the lowest among south and southeast Asian countries. In contrast with other developing countries, Sri Lankan demography does not exhibit the sharp trend of migration from rural area to urban centers. Urban population growth rate is a low 1.3%.

## (3) General Fiscal Status

### (i) Government Finance

Government policy since 1977 has stressed (i) improvement of international payments, (ii) smaller scale government and (iii) improved administrative efficiency. Stabilization and restructuring of the economy has been pursued with assistance from the IMF and World Bank. However, increased difficulty in procurement of funding on the international money market since 1984, rise in the price of tea in 1983~85, and civil disturbance have combined to delay implementation of reforms.

Foreign reserves dropped sharply in 1985, with concomitant rise in trade deficit. This placed additional pressure on the urgency of economic restructuring. As a result, the Government requested a SAL (Structural Adjustment Loan) from the World Bank in the fall of 1985. In November



1986, the Government announced a 3 year stabilization program including cuts in public expenditure and a flexible exchange rate policy.

Recommendations of the ARC (Administrative Reform Committee), Tariff Policy Committee (TPC) and Industrial Policy Committee (IPC) established in 1986 were adopted, and in March 1988 a 3 year SAF (Structural Adjustment Fund) from the IMF totaling 142 million SDR was approved. 45 million SDR were allocated in the first year.

The 1988~90 Policy Frame Papers (PFP) are based on the aforementioned 3 year stabilization program, and has as its principal targets ① administrative reform, ② an industrial reform package, and ③ public expenditure reevaluation. Table 2.1-1 shows target and actually achieved values.

Table 2.1-1 PFP Target Values and Actual Achievement

(Unit: %)

	1988		1989		1990-92 (Target)
	Target	Actual	Target	Actual	
Actual GNP	5.5	2.7	2.0	12.3	2-4
Inflation	7.5	14.0	12.0	11.6	12-7
Budget deficit / GNP	11.0	15.0	12.5	9.9	12-8
Operating deficit / GNP	8.2	9.0	10.3	7.6	10-6
Foreign reserves (import months)	2.0	1.0	-	-	1.5
Government outlay / GNP	-	34.0	33.8	31.3	34-29

At the outset of 1989, the new administration postponed implementation of the stabilization policy in the face of worsening inflation. Instead, focus was placed on (i) free lunch program and (ii) implementation of the Janasaviya Programme in recognition of poverty as a major social destabilizing factor and its alleviation as a prerequisite for return of political stability.

Despite original anticipation that deficit would decrease somewhat for the 1989 budget, an over optimistic tax income forecast resulted in net deficit increase. In October 1989, the IMF allocated an SAF of 67 million SDR for the subsequent fiscal year in view of drop in foreign reserves to

only 3 weeks worth. Macro economic targets under the 1990~92 PFP are as shown in Table 2.1-1; however, in a number of sectors actual achievement has been greater. As a result, success in both reduction of budget deficit and operational deficit have been achieved. Unfortunately, inflation has been spurred by cuts in subsidies, raising of public utility rates and currency devaluation.

#### (ii) International Balance of Payments

During the 2 year period 1985~86, export price of tea dropped, resulting in relative export earnings compared with the previous year. After 1987, however, international payment balance showed improvement with resurgence of the price of tea and expanded export of industrial products (chiefly textiles and garments).

Imports on the other hand showed increase centering on intermediate and capital goods. Tightening of policy brought this trend under control in 1989, but recovery of the private economy in 1990 resulted in a return to increased imports. Trade deficit in 1989 decreased, falling below 10% of GDP. Recent operational deficit as well has recently been at a low 7.6%.

Trade deficit and operational deficit in 1990 showed some minor increase; however both dropped in ratio to GDP. As reference, international balance of payments figures are given in Table 2.1-2.

Table 2.1-2 International Balance of Payments (1986~1989)

	86	87	88	89
(1) Import/Export				
Export (US\$ 1,000,000)	1,207	1,392	1,476	1,546
(ratio to previous year)	(▲8.2)	(15.3)	(6.0)	(4.7)
Export (US\$ 1,000,000)	1,969	2,071	2,239	2,241
(ratio to previous year)	(▲3.4)	(5.2)	(8.1)	(0.1)
Trade balance (US\$ 1,000,000)	▲762	▲679	▲763	▲695
Trade balance / GDP (%)	11.9	10.2	10.9	9.8
(2) Operational Balance				
Operational deficit (US\$ 1,000,000)	▲605	▲522	▲597	▲545
Operational deficit / GDP (%)	9.5	7.8	8.5	7.6
(3) Foreign Debt / Foreign Reserves				
Debt total (US\$ 1,000,000)	3,786	4,163	4,724	4,677
DSR (%)	26.4	27.7	28.7	24.4
Foreign Reserves (US\$ 1,000,000)	338	255	222	238
Foreign Reserves / annual mo. import value	2.1 mo.	1.5 mo.	1.2 mo.	1.3 mo.

Note: 1) Grants are not included in operational balance  
2) Foreign reserves according to IMF

Data: Central Bank of Sri Lanka

Recently textiles have achieved the number 1 export ranking, despite a traditionally high performance of the traditional export items of tea and gems. Imports comprise mainly machinery, fiber, food and petroleum. The US accounts for  $\frac{1}{4}$  of the export market, followed by Germany, Japan and the UK. Major sources of imports in descending order are Japan, the US, the UK, and Taiwan.

(iii) Industrial Structure

Sri Lanka is basically an agrarian nation. The agricultural sector accounts for 26.0% of the GDP and 45.5% of employment (see Fig. 2.1-2). Primary export items of tea and rubber are chiefly cultivated on plantations. Coconut, rice, cereals and vegetables are raised under small scale farm management. Changes in sector wise export structure during 1970~1989 are shown in Fig. 2.1-3

Figure 2.1-2 Industrial Structure (Sector Wise GDP) (unit: %)

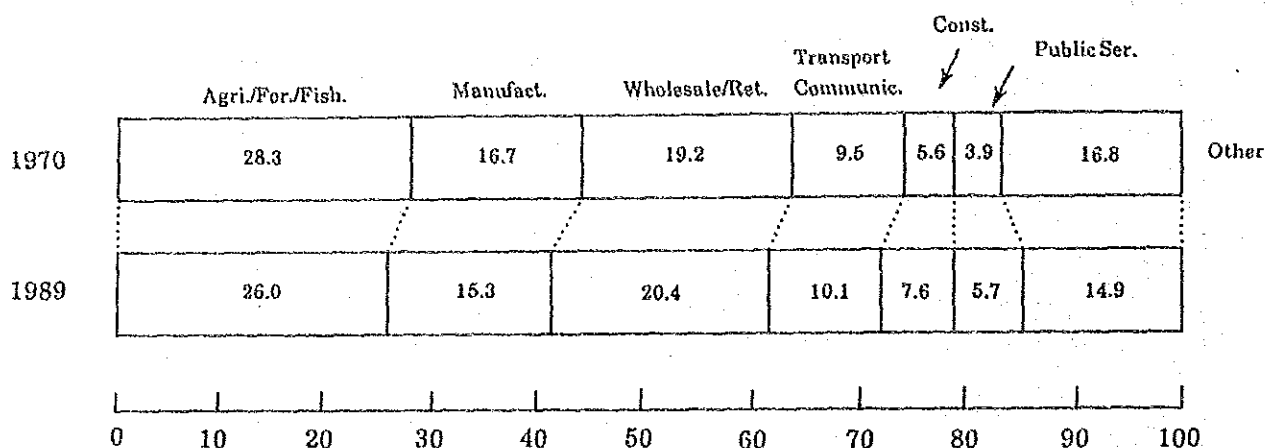
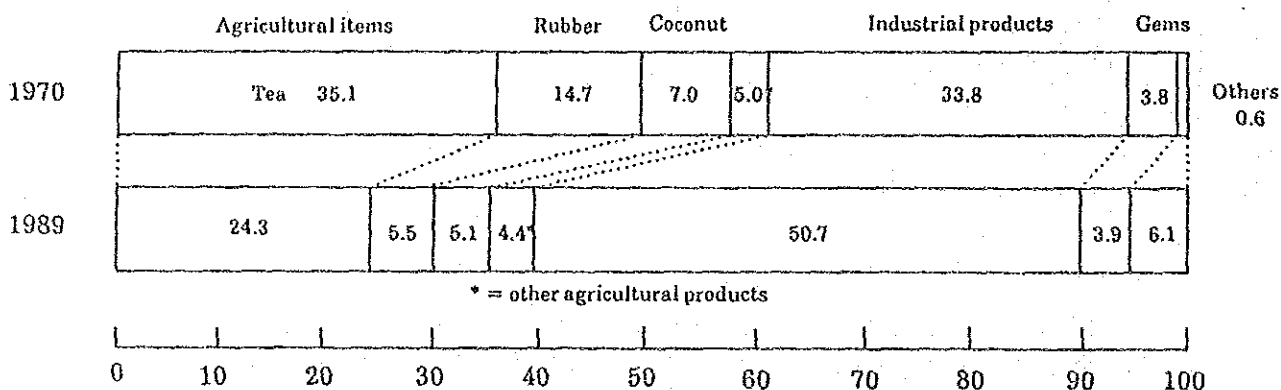


Figure 2.1-3 Export Structure (customs base) (unit: %)



The above figures indicate that, although there has been relatively little change in the industrial structure of the country over the past 20 years, exports of industrial products have grown significantly. Rubber on the other hand has shown a sharp drop in export over the past 10 years.

#### (iv) Price Trends

Although prices remained relatively stable during 1985~1987, they began to rise after 1988. Since 1990, inflation has been over 10%, accelerated by currency devaluation, cessation of subsidies for sugar, wheat, etc. and raising of bus fares and electricity rates.

#### (v) External Debt

Mid term and long term external debt in 1989 was US\$ 4.67 billion, showing only minor reduction over 1988. 60% of external debt is the result of loans for project implementation, reflecting aggressive public investment policy from the latter 1970's to the mid 1980's. Major creditors in descending order are Japan, the World Bank and the US. External debt repayment ratio was 24% in 1989; although still at a high level this was an improvement over 1988 (28.7%).

#### (vi) Fiscal Balance of Payments

Fiscal balance showed marked improvement in 1989 as a result of large increase in tax income, and reductions of capital expenditure and loans to government run enterprises. As a result, domestic borrowing which had supported deficit spending was reduced roughly in half, weakening a major factor for inflation.

Fiscal structure is indicated for reference in Table 2.1-3.

Table 2.1-3 Fiscal Structure

(unit: Rs 1,000,000)

	1987	1988	1989	1990	(GDP ratio)
Income / grant aid	46,822	48,337	60,410	68,062	24.0
Income	42,145	41,749	54,003	61,262	21.6
Tax income	35,119	35,946	47,419	55,920	19.7
Others	7,026	5,803	6,584	5,342	1.9
Grants	4,677	6,588	6,407	6,800	2.4
Expenditure	63,894	76,532	79,093	89,861	31.7
Operating expense	69,560	46,132	54,981	64,161	22.6
Capital expense	22,816	22,878	19,644	21,053	7.4
Loan - repayment	1,518	7,522	4,468	4,647	1.6
Operating balance	2,585	-4,383	-979	-2,899	-1.0
Fiscal balance*	-21,749	-34,783	-25,091	-28,599	-10.1
Fiscal balance**	-17,072	-28,195	-18,684	-21,799	-7.7
Finance	17,072	28,195	18,684	21,799	7.7
External loans	5,716	7,128	5,926	10,558	3.7
Internal loans	11,356	21,067	12,758	11,241	4.0

Note: \* does not include grants

\*\* includes grants

Data: "Annual Report", Central Bank of Sri Lanka

#### (4) Assistance Trends

Since 1984, Sri Lanka has accepted US\$ 500,000,000 in assistance. Of this, 80% has been project base, with the remainder comprising equipment and material supply and food assistance. (see Table 2.1-4)

Major sources of assistance have been Japan, the US, Germany, Sweden and the UK. Japan has been by far the largest donor since 1986, contributing over US\$ 100,000,000.

International donor agencies have included the World Bank, the Asian Development Bank and United Nations affiliated organizations. ADB surpassed the World Bank in 1988 as the largest international agency source of loan. (see Table 2.1-5)

The largest sector targeted for assistance has been agriculture (40%), reflecting the agrarian base of the country. Other major sectors targeted are power and gas development (16.7%) and equipment and material supply (10.4%). Technical assistance has also increased in recent years.

Assistance for the Mahaweli project accounted for over half that directed at the agricultural sector during 1981~1987. Since 1987, investment in the said project has decreased. (see Table 2.1-6)

Table 2.1-4 Assistance by Type

Summary of Aid Receipts by Calendar Year 1965-1989

(US\$ 1,000,000)

	Project Aid	Commodity Aid	Food Aid	Other Aid	Total	Exchange rate Rs./US \$
1965	n. a.	n. a.	1.5	n. a.	1.5	4.76
1966	5.4	19.0	6.1	n. a.	30.5	4.75
1967	1.0	36.4	7.1	n. a.	44.5	4.76
1968	6.8	24.9	18.8	n. a.	50.5	5.9524
1969	15.1	27.3	24.3	2.0	68.7	5.9524
1970	7.3	31.0	25.7	-	64.0	5.9524
1971	14.6	35.5	20.6	30.6	101.3	5.9524
1972	19.8	29.5	28.6	5.7	83.6	6.1672
1973	21.0	29.1	15.9	1.2	67.2	6.3745
1974	18.4	42.8	47.9	2.6	111.7	6.6686
1975	43.3	54.6	66.5	41.0	205.4	7.0166
1976	50.2	56.2	43.2	20.4	170.0	8.4266
1977	82.2	58.8	62.7	-	203.7	a
1978	93.8	94.9	59.0	3.2	250.9	15.6067
1979	109.5	125.0	36.0	-	270.5	15.5692
1980	187.4	100.3	38.3	-	326.0	16.5344
1981	240.2	82.8	37.4	9.0	369.4	19.3513
1982	310.7	64.2	33.1	-	408.0	20.80
1983	330.9	68.3	51.2	12.0 <sup>b</sup>	462.4	23.03
1984	396.1	67.6	72.4	-	536.1	25.5
1985	403.6	55.8	41.8	-	501.2	27.25
1986	444.4	53.9	48.6	-	546.9	28.05
1987	401.7	39.7	47.5	-	488.9	29.5354
1988	445.6	80.4	48.6	-	574.6	31.8866
1989	429.4	62.6	44.0	-	536.0	36.3156

Note: a: The average exchange rate for the period 1. Jan. 1977 to 14. Nov. 1977 is

1 US\$ = 7.8846 S. L. Rupees.

The average exchange rate for the period 15. Nov. 1977 to 31. Dec. 1977 is

1 US\$ = 15.8538 S. L. Rupees.

b: Represents Relief Assistance.

\* Exclude Commercial Borrowings.

Source: "Foreign Aid Indicators, Sri Lanka 1989" ERD, Ministry of Finance and Planning



Table 2.1-5 Major Sources of Assistance 1986-1989

(US\$ 1,000,000)

	1 9 8 5	1 9 8 6	1 9 8 7	1 9 8 8	1 9 8 9
Canada	22.8	19.6	18.0	24.6	13.7
W. Germany	47.3	63.5	30.3	27.1	32.1
Japan	86.2	118.7	101.2	192.6	177.8
Sweden	34.2	23.8	18.3	4.4	4.1
United Kingdom	6.3	15.5	8.6	16.8	15.9
United States	95.7	61.7	44.3	57.6	50.6
A. D. B.	30.9	41.9	48.7	64.5	80.1
UN Group	24.1	21.8	27.1	24.5	12.4
World Bank Group	73.3	88.9	87.6	62.7	58.1
Other	61.5	57.7	79.4	79.6	77.0
Sub-Total Aid-Group	482.3	513.1	463.5	554.4	521.8
Non-Aid Group Total	19.2	33.8	25.3	20.2	14.0
TOTAL DISBURSEMENTS	501.5	546.9	488.8	574.6	535.8

\* Exclude Euro Currency Loans and Commercial Borrowings.

Source: "Foreign Aid Indicators, Sri Lanka 1989" ERD, Ministry of Finance and Planning

Table 2.1-6 Sector Wise Assistance Value 1980-1989

(US\$ 1,000,000)

Aid Receipts by Sector and Calendar Year, 1980-1989

SECTOR	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total (80~89)
I. Agriculture, Forestry and Fisheries	105.24	91.37	174.16	202.07	279.98	262.52	221.70	194.46	228.09	189.40	(1,940) (40.84%)
A. Agriculture	52	23	116	105	89	127	79	105	136	107	938 (19.75)
B. Forestry	-	0	-	1	2	3	10	3	4	2	26 (0.54)
C. Fisheries	3	1	1	1	5	2	5	3	2	3	28 (0.58)
D. Food	38	37	33	51	72	42	49	48	49	34	453 (9.54)
E. Dairy and Livestock Development	2	1	3	1	1	2	2	3	2	3	19 (0.40)
F. Rural Development	4	5	10	11	13	18	17	19	16	19	132 (2.79)
G. Irrigation & Water Management	5	24	11	32	97	69	59	14	20	12	344 (7.24)
H. Of which Mahaweli, Development Programme	(88)	(57)	(130)	(161)	(178)	(167)	(123)	(78)	(64)	(61)	(1,106) (23.27)
2. Manufacturing	18	23	10	6	17	15	29	36	16	27	196 (4.12)
3. Construction	2	2	2	3	19	33	47	32	46	20	205 (4.32)
4.A. Electricity & Gas	71	69	89	95	92	56	68	79	94	78	791 (16.66)
B. Water Supply & Sanitation Services	11	15	16	23	24	18	33	16	18	12	184 (3.88)
5.A. Transport & Storage	18	14	27	27	20	15	22	7	16	38	204 (4.30)
B. Communications	0	8	5	8	19	5	13	18	28	22	126 (2.65)
6. Banking, Insurance and Real Estate	-	-	-	0	3	3	7	3	-	-	15 (0.31)
7. Ownership of Dwellings	-	0	-	0	0	2	0	0	4	-	7 (0.15)
8. Public Administration & Defence	-	0	-	-	-	0	1	-	-	3	4 (0.09)
9. Services	25	52	19	28	6	31	36	48	42	73	360 (7.57)
10. Miscellaneous Commodities	63	83	54	56	44	36	46	33	40	38	494 (10.39)
11. Balance of Payment Support	6	9	0	-	-	-	-	-	-	0	15 (0.31)
12. Technical Assistance	8	2	12	15	14	24	24	22	43	44	208 (4.39)
TOTAL	326	369	408	462	536	501	547	489	575	535	4,750 (100)

## 2.2 Project Area and Socioeconomic Status

Divisions under the Janasaviya Round I and Janasaviya Round II programs are targeted under the Project. As shown in the administrative map, these total 39 divisions in 18 districts of 7 provinces (excluding the North East Province).

Population density is greatest in the Western Province (1,426 persons/km<sup>2</sup>); next is Sabaragamuwa Province (670 persons/km<sup>2</sup>), followed in descending order by the Southern Province (374 persons/km<sup>2</sup>), Central Province (358 persons/km<sup>2</sup>), North Western Province (240 persons/km<sup>2</sup>), Uva Province (126 persons/km<sup>2</sup>), North Central Province (125 persons/km<sup>2</sup>).

Principal industries in the Project area are food crops and export oriented crops. Cottage industry is developed in the Western Province, due in part to its proximity to Colombo. (see Table 2.2-1)

Targeted divisions generally exhibit backward development, and warrant urgent measures to alleviate poverty.

Table 2.2-1 Chief Socioeconomic Indicators for Targeted Divisions

Province / District	Area (km <sup>2</sup> )	Population (1,000)	Population Density (person/km <sup>2</sup> )	Major urban center with economic influence	Distance to major urban center (km)	Time required to major urban center (hr)	Chief industry	Climate
<b>Western Province</b>	3,375	4,811	1,426	Colombo				
Hanwella	246	164	667	Colombo	40	1	agriculture, cottage industry	wet
Biyulapitiya	193	165	855	Colombo	60	1.5	agriculture, cottage industry	wet
Agalawatta	36	78	2,167	Colombo	90	1.5	agriculture, cottage industry	wet
Honagama	139	159	1,144	Colombo	20	0.5	agriculture, cottage industry	wet
Hirigana	187	125	668	Colombo	65	1.5	agriculture, cottage industry	wet
Nalawita	212	501	2,363	Colombo	104	3	plantation, cottage industry	wet
<b>Central Province</b>	5,606	2,009	358	Kandy				
Akurana	32	49	1,531	Kandy	10	0.5	export crops, commercial	wet
Gallewela	194	61	316	Hatale	32	1.0	agriculture	dry
Halapane	306	123	402	Kandy	78	2.0	agriculture	dry
Udumbura	250	25	86	Kandy	46	1.5	agriculture	wet
Pujapitiya	53	59	1,105	Kandy	15	0.5	agriculture (export crops)	wet
Hilgamuwa	99	27	272	Kandy	68	2.0	agriculture	dry
Laggalla	389	14	36	Kandy	62	3.0	agriculture	dry
Hanguranketha	267	90	336	Kandy	27	1.0	agriculture	wet
<b>Southern Province</b>	5,543	2,075	374	Galle				
Suriyawewa	153	42	275	Galle	144	3	agriculture	dry
Hiyagana	135	31	230	Galle	43	0.8	agriculture	wet
Hakwana	55	36	655	Hafara	24	0.5	agriculture	wet
Hambantota	155	45	290	Galle	120	2	agriculture	dry
Karadeniya	164	85	518	Galle	40	1	plantation, agriculture	wet
Kambarupitiya	100	53	529	Galle	65	1.5	agriculture	wet
Katuwaha	179	65	363	Galle	97	2	agriculture	dry
<b>North Western Province</b>	7,824	1,878	240	Kurunegala				
Kobeigane	126	30	241	Kurunegala	48	1	agriculture	dry
Karunagalaswewa	523	22	41	Kurunegala	90	1.5	agriculture, animal husbandry	dry
Kotawehera	252	44	174	Kurunegala	56	1.4	agriculture	dry
Nikaweraliya	207	37	177	Kurunegala	40	1	agriculture	dry
Navagalligama	126	13	107	Kurunegala	75	1.5	agriculture, animal husbandry	dry
<b>North Central Province</b>	10,531	1,313	125	Anuradhapura				
Horowepathana	845	33	138	Anuradhapura	54	1.0	agriculture	dry
Elchere	379	43	113	Polonnaruwa	43	1.5	agriculture	dry
Rambewa	305	28	91	Anuradhapura	16	0.4	agriculture	dry
Tirappane	394	28	71	Anuradhapura	24	0.5	agriculture, animal husbandry	dry
Hingurakoda	339	87	257	Polonnaruwa	15	0.5	agriculture	dry
<b>Uva Province</b>	8,405	1,062	126	Badulla				
Ridimaliyedde	371	48	129	Badulla	68	2	agriculture	dry
Madulla	72	25	347	Badulla	70	3	agriculture	intermediate
Kandaketiya	161	79	173	Badulla	40	1.2	agriculture	wet
Siyabaladuwwa	997	41	41	Badulla	137	4	agriculture	dry
<b>Sabaragamuwa Province</b>	2,510	1,680	669	Ratnapura				
Embilipitiya	223	105	471	Ratnapura	92	2	agriculture	intermediate
Aranyake	106	65	615	Kegalle	30	0.8	agriculture	wet
Kolonne	126	33	261	Ratnapura	125	2.5	agriculture	wet
Galligamuwa	148	78	527	Kegalle	7	0.2	agriculture	wet
<b>Sri Lanka</b>	65,610	16,806	256					

Source : "Questionnaire-C" and "Resource Profile"

### 2.3 Natural Conditions

As target divisions are scattered throughout the entire country, a discussion of natural conditions in the Project area is essentially a summary of overall conditions in the country.

The Horton plain region and the Nuwara Eliya highland are located in the south-central portion of the island. The Sabaragamuwa highland runs south~west from the Kandy-Matare mountains extending to the north. Flat land is restricted in the west, east and south of the country, and extends broadly in the north. Rivers flow in radial fashion to the southwest, east, north, northwest, and northeast from the central massif.

Rainfall concentrates during the southwest monsoon (April~September) and northeast monsoon (November~March). The southwest monsoon hits the mountains extending from the center to south of the island and drops its large volume of rainfall on the southwest slopes of the said range and southwest flatland. On the other hand, at this time less than 500 mm fall on the northern half, eastern portion, southeast and northeastern slopes of the central mountains; in the foregoing areas dry weather continues for an extended period. Areas with rainfall over 1,900 mm are classified as wet zone and those with less rainfall as dry zone.

Wet zone occupies  $\frac{1}{4}$  of the country and is where 60~70% of the nation's population reside. The wet zone is the site of the majority of tea, rubber and coconut cultivation, as well as 40% of paddy area. Wet rice under tank irrigation is farmed in dry zone near rivers. Slash and burn cultivation is practice in jungle highland (Chena).

Temperature is relatively stable throughout the year (average temperature: 26°C), although some fluctuation is seen in the dry zone during April~June and December~February. Cool regions are also found in mountainous area such as Nuwara Eliya where average temperature is 16° and average humidity 75%.

## 2.4 Social Environment

### (1) Roads and Other Public Infrastructure

Total road length in Sri Lanka is 30,000 km. Of this, 30% comprises A class road connecting Colombo with provincial capitals, and B Class roads connecting to other major urban centers. These roads are essentially 100% paved. Rural, farm and branch roads comprise 40% of the total road network. D class roads are gravel surface, and passable by vehicles only in the dry season. E class roads are generally passable by jeep type vehicle only. Other public infrastructure such as water service, schools, hospitals, transportation facilities, etc. are incomplete in rural areas and require strengthening. Rural electrification must also be addressed.

### (2) Energy

Energy needs in Sri Lanka are currently met by wood (78%), petroleum (18%), electricity (3.0%), and the remainder by coal. In order to meet the heavy reliance on wood, as much as 9 million tons of timber are felled annually. As a result, forested area has decreased to 4 million ac at present from 7 million ac in 1960. Electrification of households has reached 24% as of 1986.

Issues in the energy sector which must be addressed are (i) reduction of over dependence on wood, (ii) development of oil fired and other alternative energy sources, (iii) restructuring of power generation policy, (iv) introduction of energy saving technologies, (v) improvement of transmission loss ratio, (vi) expansion of the power grid, etc.

## 2.5 Related Planning

### (1) National Development Planning

The Government, in consultation with the IMF and World Bank, has pursued market liberalization and tightened fiscal policies under the previous Jayawardena administration and the present Premadasa administration.

Until 1985, serious efforts at economic restructuring were not pursued due to the relative ease of capital procurement on the international money market, as well as high export prices.

However, economic conditions took a sharp turn for the worse in 1985, forcing attention to be focused on immediate urgent measures and long term reform policies.

The Government announced a 3 year stabilization program in November 1986 comprising cuts in public expenditure and a flexible exchange rate. A Policy Framework Paper (PFP) was submitted in 1988 based on the foregoing program. The PFP stressed ① administrative reform, ② an industrial reform package, and ③ reevaluation of public expenditure.

Escalating civil disturbance and inflation in 1989 forced recognition of urgent measures to alleviate unemployment and poverty as essential for social stability. The PFP formulated against this background emphasized ① economic restructuring and ② alleviation of unemployment and poverty in order to ease the social cost for structural reform.

In addition to the above, integrated rural development programs (IRPD's) are being pursued at present in 16 out of the 25 districts in the country, also aimed at alleviation of poverty.

In order that the above programs would most reflect the needs of the population, as well as yield equal benefits to all segments of society, the central government has pursued a policy of delegation of authority and responsibility to regional and local administrative units.

The economic restructuring being carried out in consultation with the IMF and the World Bank, and based on the 2nd year PFP comprise the following specific components:

#### ① Stabilization of the Macro-Economy

- i) Reduction of budget deficit and international payments deficit

- ii) Raising of public utility rates (electricity, bus, wheat)
- iii) Reduction / suspension of subsidies (wheat, railroads, rice ,etc.)
- iv) Tax reform (introduction of value added tax, expansion of taxable base)
- v) Maintenance of competitive exchange rate

## ② Rationalization of Public Sector

- i) Administrative reform (reduction of personnel over 3~4 years by 80~90 thousand, raising of of public servant morale by suspension of political appointments)
- ii) Rationalization of public expenditure (welfare related expenditure, public investment planning)

## ③ Private Sector Stimulation

- i) Easing of controls and incentive system reform
- ii) Lowering of customs duties (4 categorization)
- iii) Expansion of private sector role distribution of rice, fertilizer, wheat, etc.
- iv) Reform of national enterprises (bus, plantation)

## ④ Countermeasures for Poverty

- i) Reevaluation of food stamp system (reduction of recipients)
- ii) Shift to production oriented Janasaviya
- iii) Reassessment of free lunch program (shift to program directed at pre-school children and undernourished mothers)

Sector wise allocation plan for Government development budget is shown in Table 2.5-1. Budget for development projects fluctuates greatly from year to year, with weight ranging 28%~56%. Economic infrastructure is targeted for largest allocation at over 40%, in an effort to establish infrastructural base for



efficient function of private sector activities. The next largest sector allocation is for agriculture. Human settlements and social infrastructure are third at 15~16%.

Budget allocation pattern well reflects the development policy of (i) social infrastructure to stimulate the private sector, and (ii) alleviation of poverty.

## (2) Related Development Planning

Related development planning include the Janasaviya Programme, CADRE Programme and IRDP's.

### (a) Janasaviya Programme

Sri Lanka confronts problems of high unemployment and poverty, with serious impact on both political and socio-economic stability. With assistance from the World Bank and the IMF, the Government has pursued a policy of liberalized economy and fiscal restraint in an effort to restructure the national economy. However, in addition to these which potentially place a short term burden on that segment of society least prepared to bear the same, the Government has also vigorously promoted measures to alleviate poverty including food stamps, school mid-day meals and since 1989, the Janasaviya Programme.

The program is being implemented under loan from the World Bank. Executing agencies are the newly established Janasaviya Trust Fund in collaboration with the Employment and Poverty Policy Planning Unit of the MPPI and partner organizations (both governmental and non governmental).

The focus of the program is to provide Rs 2,500 / month over a 2 year period to poverty stricken households with income less than Rs 700 / month, while at the same time carrying out various assistance projects to encourage economic independence of poor families.

The programme was by nature consumption oriented at the outset. However, a process as follows was anticipated: capital supply to poverty stricken households → increased demand for necessities → increased utility rate of productive capacity → capital accumulation → investment in improved production.

The Janasaviya Programme began with a first round in 1989, targeted at 29 divisions. A second round is now underway aimed at 30 divisions. The second round embodies some modifications based on experience from

the first round, including addressing (a) difficulty in selecting beneficiaries, (b) excessive number of beneficiaries, (c) importance of shift from consumption to production orientation in order to support sustained development. A total of 11 rounds are ultimately planned for the programme.

Targets and procedures of the Janasaviya Programme are described below.

The Janasaviya Trust was established to develop and support the following sectors:

- a. Human resources
- b. Projects contributing to increase in employment opportunity
- c. Technical cooperation
- d. Management training

The following funding is provided to achieve the above:

(i) Credit Fund

Credit to assist the poor and unemployed to achieve occupational independence.

(ii) Community Projects Fund

Funding extended to projects economically viable for the PO and which contribute to expanded employment opportunity for the poor, and projects to construct infrastructure.

(iii) Human Resources Development Fund

- . Strengthening of PO capability (project planning, implementation and evaluation)
- . Technical training to Janasaviya Programme beneficiaries

(iv) Nutrition Fund

Funding for nutritional supplement to pregnant women, nursing mothers, and children under 3 years old.

The most recent Janasaviya Programme guidelines set out the the following procedure:

- (1) On the basis of detailed survey of food stamp recipients, poor households are classified according to income into 3 groups:

under Rs 700 / month, Rs 700~1,000 / month, and over Rs 1,000 / month. Households with income level under Rs 700 / month are targeted as programme beneficiaries.

- (2) Beneficiaries choose either paid employment or technical training as a means of achieving occupational independence.
- (3) Beneficiaries provide 20 days of labor during the month prior to receiving benefits under the programme.
- (4) Provision of funds to beneficiaries.
- (5) Divisional planning units carry out vocational training of beneficiaries.

Achievement under Janasaviya Round I is indicated in Table 2.5-2. Of targeted households with initial income of under Rs 700 / month, 54.8 achieved a level over Rs 1,500 / month and 27.4% a level of Rs 1,000~1,500. In other words, 82.2% of the households under Round I benefited, underscoring the high effectivity of the programme.

Number of beneficiaries under Round II is indicated in Table 2.5-3. Entire households account for 45% of this number, while food stamp recipients comprise 65%. Figures indicated the large number of households defined as "poor". If the Janasaviya Programme is ultimately carried out over 11 rounds as now planned, it will constitute a massive project eventually affecting half the Sri Lankan population.

#### (b) CADRE Programme

The CADRE Programme aims at optimum personnel redeployment (including both cuts and supplementation where necessary) and human resources development at the central, provincial, district and divisional government levels in line with administrative reform policy beginning in 1987.

The programme was formulated against a background of 3 serious politico-socio-economic problems: ① large national budget deficit, ② trade deficit and ③ high unemployment. Prior to 1987, economic growth had stagnated at under 2%, unemployment had risen to 18% and the trade deficit had increased under worsening terms of trade. As a result, public investment increased to expand the administrative structure and public works projects as a means of addressing social instability. This in turn resulted in a large increase in fiscal deficit.

The public sector accounted for 32% of the GNP in 1986, while at the same time comprising 9% of fiscal deficit. The public sector at the time employed nearly 1/5 of the working population, and was under criticism for inefficiency. In response, the Government announced a policy of ① structural reform of the central government, and regional delegation of authority, ② fiscal reform, ③ industrial restructuring.

The CADRE Programme is directly related to ① above.

### Structural reform of the central government, and regional delegation of authority

Administratively, the central government comprises 40 ministries at the cabinet level, and further numerous ministries under these. Accordingly, administrative function exhibits inefficiency: redundancy of effort, instances of complicated and time consuming bureaucratic procedures, and over staffing. In addition, salaries of government workers are suppressed due to limited budget to levels which are not competitive with the private sector. This results in an outflux of talented personnel to the private sector.

The Salaries and Cadre Committee (SCC) was established in January 1988 with an aim to (i) formulate a proposal to simplify and improve the efficiency of the central government structure, and (ii) clarify the terms of reference for each agency and posts within agencies. A plan was subsequently drawn up to reduce the government work force by 70,000 (20%). Personnel to be relieved from service would be given support, skill training, and job location assistance in transition to other employment.

Regional delegation of authority is also being carried out in conjunction with structural reform of the central government. It was realized that expansion of administrative function at the local and grass roots levels was necessary for effective policy planning with bottom-up input responsive to specific area needs. In this regard, there has been an increasing delegation of authority and responsibility from (i) the central government to the provincial level, and (ii) from the district level to the divisional level.

The CADRE Programme was formulated for optimum redeployment of personnel on the basis of organizational and staff modifications caused by the foregoing administrative reform and regional delegation of authority. Specifically, the programme encompasses reductions in staff at the central government level and expansion of personnel at the provincial and divisional levels.

The CADRE Programme has been in effect since June 1989. However, budget constraints have necessitated reduction and rationalization of the

program, with the following conditions imposed: (1) staff openings are not filled except in the case of essential posts (technical, professional, high level administrative), (2) staff openings as a result of retirement are filled only after careful evaluation, and (3) posts which have been vacant for the past 2 years are assumed to not warrant filling.

### (c) Integrated Rural Development Program (IRDP)

The IRDP has emerged as means of benefiting the poor population in areas outside the Mahaweli basin and the immediate environs of Colombo where the major thrust of development has tended to be focused over the years. Since the latter 1970's, the need for development aimed at this poor segment of society in rural areas has been sharply realized.

Features of the IRDP are :

- small scale investment
- prompt realization of benefits
- labor intensive investment
- maximum utilization of existing infrastructure and resources
- emphasis on regional needs and priorities

20 IRDP's are contained in the "Public Investment 1990~1994". At present, 10 IRDP's are actually in progress. (see Fig. 2.5-1)

MPPI is the executing agency for IRDP's, which are carried out on a district wide basis.

IRDP's are executed in coordination with the divisional offices of the project area, but remain characterized by their basic implementational and operational independence.

### (d) Model Village Improvement Project

Since 1984, the Sri Lankan government has been pursuing the "1 Million Housing Construction Program" (NHDA [National Housing Development Authority] as executing authority) to address the housing environment in the country. As one step in this program, 482 settlements were designated as model villages for the establishment of housing related infrastructure.

The Sri Lankan government subsequently formulated the Model Village Improvement Project, based on 50 model villages selected by the various related executing agencies for urgent establishment of infrastructure. Request was then made to the Japanese government for assistance in procuring the necessary materials and equipment to construct the same (roads, water supply and drainage, electrification). In response to this request, a JICA study team compiled the following list of equipment for deployment.

[major equipment]

Package-A: road related

Motor grader	10 nos.
Bull dozer	9
Wheel loader	10
Dump truck	29
Others (5 items)	

Package-B: electrification related

Transformer (7 types)	26
Lightning arrestors (3 types)	159
DDLO switch (2 types)	69

Package-C: potable water supply / drainage related

Deep well hand pump	1,000
Deep well power pump	14
Sewerage pump	8
Centrifugal pump	8
PVC pipe	1 set
Others (34 items)	

(i) Implementation Status of Project

E/N for the Model Village Improvement Project was signed on October 21, 1988 by both governments. On March 12, 1990, final check and handing over of equipment was completed.

(ii) Progress Status

(a) Road Related

Equipment was deployed to 9 locations under the project, i.e. each of the 8 provincial work shops and the work shop under SEC with jurisdiction over the Colombo metropolitan area. Equipment is now being utilized to construct the design infrastructure at the selected model villages.

In response to request from the NHDA (National Housing Development Authority) offices in each province, equipment is deployed from the work shop for priority use in the construction of model village infrastructure.

Under the subject Study, the operational hours / running distance for main equipment were surveyed for the Western and North Western provinces. This data is given below and indicates that equipment is being kept in satisfactory condition.

Item	Western Province	North Western Province
Motor grader	2,487 hrs.	3,229 hrs
Bull dozer	1,952	1,806
Wheel loader	2,216	1,389
Dump truck (1)	28,855 km	35,911 km
Dump truck (2)	30,191	22,428
Dump truck (3)	29,013	16,661

(note: the above indicates operational conditions for April 1990 ~September 1991)

The following data was obtained from 3 district NHDA offices with regards to use of the equipment on model village road infrastructure.

Road construction item	Hambantota District (June 1990 ~ April 1991)	Kandy District (January 1991 ~ July 1991)	Kegalle District (1991)
New road	19.0 km	6.5 km	4.6 km
Asphalting	0.5	73.0	--
Gravel surfacing	64.5	5.9	0.2
Road side drains	55.8	--	0.3
Road grading	53.6	--	1.7
(no. of model villages)	(15)	(15)	(5)

## (2) Electrification

The following data was obtained from Ceylon Electricity Board regarding progress of electrification works for the model villages under the project:

Villages for which electrification has been completed	3
Villages for which electrification works are ongoing	4
Villages for which survey has been completed	13
Villages for which survey has not yet been done	7
Total:	27 villages

Implementation works for electrification are progressing smoothly, with budget being provided by the Sri Lankan side roughly equivalent to the cost of equipment procured.



### (3) Water Supply Related

Equipment directly related to water supply works are power pumps, hand pumps and PVC pipe. Installation status for the hand pump (1,100 nos.) and PVC pipe (16 km) by the National Water Supply and Drainage Authority was surveyed as the power pumps are of special specification and clearly designated for specific projects.

Pump Installation Status		
1990	100 nos.	(actual)
1991	200	(202 units actual as of June 1991)
1992	250	(planned)
1993	550	(planned)

The reason for the low number of hand pumps installed in 1990 is that sites are scattered throughout all districts and require survey to confirm location.

As of June 1991, 202 units of pump have been installed, and sites confirmed for an additional 444 out of a total 1,100 units procured under the project. The management structure for these works is functioning, and records are available on completed installations and requests for future installation from the 12 district NHDA offices. Delay in data input from the various districts and limited numbers of drilling rigs has concentrated actual performance into specific districts. However, this has been due to need to most efficiently operate available equipment, and it is anticipated that gradual coverage of all districts will be eventually achieved.

Roughly 14.5 out of a total 16 km of PVC piping has been laid. The remaining 1.5 km is expected to be completed within this year.

Table 2.5-1 Government Capital Expenditure by Sector 1990-1994

(unit: Million Rps)

I T E M	1 9 9 0		1 9 9 1		1 9 9 2		1 9 9 3		1 9 9 4		1 9 9 0 ~ 1 9 9 4	
	T	FA	T	FA	T	FA	T	FA	T	FA	T	FA
Fiscal Expenditure	64,710	15,185	71,890	22,717	84,750	15,651	94,770	9,912	105,220	7,943	421,340	71,408
Total Expenditure for Development Purposes (D/A)	30,805 (48%)	4,227	40,062 (56)	4,742	34,913 (41)	2,922	30,759 (32)	2,702	29,598 (28)	2,720	186,137 (39)	17,313
Agriculture (C/D)	6,831 (22%)	1,416	7,839 (20)	1,604	5,729 (16)	790	5,199 (17)	540	5,293 (18)	1,265	30,891 (19)	5,615
(a) Mahaswell	2,861	811	3,178	1,537	2,010	470	1,655	420	2,705	30	12,409	2,258
(b) Other Irrigation	1,253	124	1,047	192	966	226	838	273	265	1,388	4,369	1,038
(c) Forestry	165	276	277	145	282	373	332	95	332	89	1,530	630
(d) Land	276	925	347	785	373	520	270	900	264	632	5,343	3,432
(e) Field, Export Crops & Livestock	925	171	1,224	191	973	199	1,267	50	108	60	1,017	671
(f) Fisheries	215	220	279	158	287	128	128	25	2	-	563	479
(g) Coast Conservation	220	916	158	134	150	688	33	399	663	371	4,272	3,130
(h) Plantations	916	783	1,329	1,154	688	423	676	70	460	55	6,173	4,343
D. Industries & Tourism (D/D)	932 (3)	797	2,727 (7)	2,283	1,582 (5)	1,138	472 (2)	70	460 (2)	1,278	26,559 (16)	9,162
E. Human Settlements (E/B)	4,835 (16)	1,542	5,083 (13)	2,325	5,643 (16)	2,185	5,778 (19)	1,833	5,215 (18)	1,278	14,328	56
(a) Housing	224	10	264	14	280	14	280	14	280	14	982	547
(b) Urban Infrastructure	165	101	185	116	232	120	220	160	180	150	896	267
(c) Other Construction	152	43	140	48	202	68	223	88	179	40	498	417
(d) Environmental Management	42	40	87	80	135	109	151	124	83	64	8,134	5,016
(e) Water Supply & Sanitation	1,160	841	2,180	1,530	2,098	1,303	1,675	878	1,018	464	11,559	3
(f) Provincial/Regional Development	2,497	1	1,565	1	2,066	1	2,566	-	2,865	-	3,162	2,746
(g) IRDP	595	506	662	536	635	570	660	589	610	545	71,837	33,866
F. Economic Infrastructure (F/B)	13,043 (42)	7,707	18,876 (47)	11,162	15,484 (44)	8,028	12,492 (41)	3,947	11,942 (40)	3,022	23,195 (43)	9,540
(a) Transport	3,703	2,033	6,829	3,495	4,359	1,724	4,138	1,277	4,086	1,011	12,703	12,520
(b) Power & Energy	3,393	3,330	5,103	5,063	2,821	2,797	1,044	1,017	342	313	8,101	3,728
(c) Posts & Telecommunications	1,061	625	1,308	560	2,061	1,092	1,999	953	1,672	498	13,013	7,819
(d) Other Eco. Overheads	2,096	1,604	2,834	1,900	3,318	2,415	2,299	700	2,466	1,200	14,825	259
(e) Administrative Overheads	2,710	115	2,702	144	2,825	-	3,012	-	3,376	-	24,578	6,724
G. Social Infrastructure (G/D)	3,065 (10)	912	4,537 (11)	2,205	5,470 (16)	1,378	5,818 (19)	1,360	5,688 (19)	869	10,932	2,815
(a) Education	1,369	432	2,153	935	2,342	535	2,392	485	2,676	428	12,623	2,814
(b) Health	1,546	476	2,132	1,196	2,913	837	3,226	869	2,806	435	1,023	98
(c) Others	150	4	252	74	215	6	200	6	206	6	6,099	-
H. Head Miscellaneous (H/D)	2,099 (7)	-	1,000 (2)	-	1,000 (3)	-	1,000 (3)	-	1,000 (3)	-	6,099 (4)	-

T-Total Cost, FA-Foreign Aid, FC-Foreign cost, LC-Local Cost

Note: 1. This table includes only expenditures identified projectwise.

2. Certain Supplementary Estimates already agreed upon by the Treasury included in 1990 figures.

Source: "Public Investment, 1990-1994" - Department of National Planning, Ministry of Policy Planning & Implementation

Table 2.5-2 Progress of Self Employment for Janasaviya First Round  
Upto End of May 1991

Province	District	Division	Total JS Families	Group A No.	Group A %	Group B No.	Group B %	Group C No.	Group C %	Group A & B No.	Group A & B %
Western	Colombo	Hanwella	8,138	6,464	79.4			1,674	20.5	6,464	79.2
	Gampaha	Divulapitiya	10,688	8,206	76.7	785	7.34	1,697	15.8	8,991	84.1
	Kalutara	Agalawatta	8,533	3,044	35.6	4,516	52.9	973	11.4	7,560	88.5
Central	Kandy	Akurana	3,996	2,159	54.0	927	23.1	910	22.7	3,086	77.2
	Matale	Galewela	7,835	4,854	61.9	1,802	22.9	1,179	15.0	6,656	84.9
	N. Eliya	Walapane	9,751	4,590	47.0	3,068	31.4	2,093	21.4	7,658	78.5
Southern	Galle	Niyagama	3,736	2,162	57.8	1,191	31.8	383	10.2	3,353	89.7
	Matara	Hakmana	3,970	1,598	40.2	2,041	51.4	331	8.3	3,639	91.6
	Hambantota	Hambantota	3,639	942	25.8	2,149	59.0	548	15.0	3,091	84.9
		Suriyawewa	3,310	1,170	35.3	1,826	55.1	314	9.4	2,996	90.5
Sabarag.	Ratnapura	Embilipitiya	10,938	4,378	40.0	4,300	39.3	1,260	11.5	8,678	79.3
	Kegalle	Aranayake	7,265	4,363	60.0	1,147	15.7	1,725	23.7	5,510	75.8
North Wes.	Kurunegala	Kobeigane	3,512	2,233	63.5	726	20.6	553	15.7	2,959	84.2
	Puttalam	Karuwalagaswewa	2,997	1,804	60.1	550	18.3	643	21.4	2,354	78.5
North Cen.	Anuradhapura	Horowpothana	4,048	2,902	71.6	386	9.5	760	18.7	3,288	81.2
	Polonnaruwa	Elaheera	4,274	2,864	67.0	983	22.9	427	9.9	3,847	90.0
Uva	Badulla	Ridimaliyadde	5,241	2,252	42.9	1,595	30.4	1,394	26.5	3,847	73.4
	Monaragala	Madulla	3,770	1,923	51.0	963	25.5	884	23.4	2,886	76.5
TOTAL			105,641	57,908	54.8	28,955	27.4	17,748	16.8	86,863	82.2

\* : Dification of Groups by Progress

A Rs1,500/months and above

B Rs1,000 ~1,500

C Rs1,000 and below

Source : Questionnaire-A

Table 2.5-3 Beneficiaries Under Janasaviya Round Two

Province	District	Division	A. Estimated Total Families	B. No. of F. Stamps Families	C. Ratio of Food Stamp Families B/A %	D. No. of JS Family I & 2 Phase	E. No. of JS Family 3rd Phase	F. Total JS Families D+E	G. JS over FS Families F/B %	H. JS Total Fami Over E.F.Fami F/A %	I. JS Third Phase Over 1&2 Phases D/F %
Western	Colombo	Honnagama	29,699	12,707	42.8	6,079	839	6,918	54.5	23.3	13.8
		Kecirisama	25,102	15,764	62.8	9,060	3,925	15,986	82.4	51.7	43.3
		Kalutara	12,350	7,388	59.8	3,314	1,107	4,421	59.8	35.8	33.4
		Kandy	5,526	4,106	74.3	1,872	819	2,691	65.5	48.7	43.8
Central	Natalie	Ududumbara	10,416	7,294	70.0	3,240	1,407	4,647	63.7	44.6	43.4
		Wiligamawa	5,812	4,692	80.7	2,976	2,640	5,616	119.7	96.6	88.7
		Laggala	3,365	2,484	73.8	1,592	719	2,311	93.0	68.7	45.2
		Hagurankeltha	18,051	14,008	77.6	5,441	4,565	10,006	71.4	55.4	83.9
Southern	Galle	Karadeniya	17,554	11,271	64.2	3,940	1,827	5,767	51.2	32.9	46.4
		Kamburupitiya	11,783	8,976	76.2	3,164	740	3,904	43.5	33.1	23.4
		Kaluwana	13,354	10,958	82.1	3,964	2,042	6,006	54.8	45.0	51.5
		Kotavehera	8,255	7,255	87.9	2,144	2,889	5,033	69.4	61.0	134.7
North Wes	Kurunegala	Nikaweritiya	8,873	7,157	80.7	2,999	1,500	4,499	62.9	50.7	50.0
		Nawagaththegam	3,200	2,924	91.4	1,400	400	1,800	61.6	56.3	28.6
		Rambeawa	6,562	4,677	71.3	2,648	966	3,614	77.3	55.1	36.5
		Thirappane	5,806	4,536	78.1	2,299	1,208	3,507	77.3	60.4	52.5
North Cen	Puttalam	Hingurakgoda	10,886	6,330	58.1	2,814	1,153	3,967	62.7	36.4	41.0
		Kandeketiya	5,140	3,887	75.6	1,584	786	2,370	61.0	46.1	49.6
		Siyabalanduwa	7,043	6,902	98.0	2,740	700	3,440	49.8	48.8	25.5
		Kollonna	8,265	7,001	84.7	3,401	1,500	4,901	70.0	59.3	44.1
Sabarag.	Kegalle	Gaigamuwa	17,059	11,553	67.7	4,250	2,601	6,851	59.3	40.2	61.2
		TOTAL	234,101	161,870	69.1	70,921	34,334	105,255	65.0	45.0	48.4

Figure 2.5-1 Implementation Status of District Wise IRDP's

District	Source of Assistance	Implementation Period											
		1979~80	81	82	83	84	85	86	87	88	89	90	91
1. Matara *	S I D A (G)												
2. Hambantota *	N O R A D (G)												
3. Nuwara Eliya *	Netherlands (G)												
4. Badulla	I F A D (L)												
5. Moneragala	N O R A D (G)												
6. Ratnapura	Netherlands (G)												
7. Kegalle	I F A D (L)												
8. Kalutara	S I D A (G)												
9. Kandy	W-German (G)												
10. Gampaha	J I C A (G)												

Notes L : Loan

G : Grant

S I D A : Swedish International Development

N O R A D : Norwegian Aid for Development

I F A D : International Fund for Agricultural Development

J I C A : Japan International Cooperation Agency

## 2.6 Administrative Organization

### (1) General

As described previously, the reduced central government basically does not execute projects with the exception of very large projects beyond the capacity of the province, or assisted from foreign sources. Instead, the provincial and divisional governments carry out the projects relevant to their jurisdictions.

Provincial council members were elected throughout the country in 1988. Council members then nominated the chief minister to represent the province. At the same time, the President appointed governors for each province. The provincial government directs the various agencies under it through a chief secretary who functions as the top administrative officer. Local government within the province is the jurisdiction of the divisional offices headed by a divisional secretary. Divisional boundaries preserve the original boundaries of the AGA division, and the divisional secretary also assumes the duties of the previous assistant government agent and current additional government agent.

Also, directive powers over the local governing entities, i.e. municipal councils (MC), urban councils (UC) and Pradeshiya Saba (PS), shifted from the central government to the provincial government. The PS comprise an elected assembly (council and executive committee); however, the duties of tax collection and administration have been heretofore by the divisional secretary also functioning as the secretary to PS. Thus the jurisdiction of the divisional office was greatly expanded with the combined function as administrative agency under the provincial and district governments, and assistant to the PS. The administrative structure after the above described regional delegation of authority is shown in Figure 2.6-1. As of September 1991, there are 8 provinces, 25 districts and 289 divisions.

Organization of the provincial government varies somewhat depending on the province; however, a common framework is given in Figure 2.6-2. Figure 2.6.3 shows legislative and administrative agencies, and executive entities appointed by elected representatives/assemblies.

### (2) Development Planning -- Bottom Up Type

The above described regionalization and localization of authority reflects the emphasis that the Government places on popular participation in development efforts. The Government is moving forward with an administrative structure which encourages "bottom-up" as opposed to "top-

down" planning. Figure 2.6-4 shows the standard process for bottom-up planning and implementation of development.

Points of note are as follows:

- (a) The Gramodaya Mandalaya reviews requirements at the village level and formulates a village development plan. Nevertheless, each individual villager can also submit an independent project proposal to the divisional secretary.
- (b) The principal task of the district office is to coordinate the proposals and planning emanating from the division and provincial government levels.
- (c) Following implementation planning at the provincial level, projects in excess of Rs 500,000 are assigned to the project office of the province, while those under Rs 500,000 are carried out by the concerned divisional office.
- (d) The divisional planning unit at the divisional office and the provincial planning and monitoring division of the provincial government liaise closely with MPPI to ensure smooth involvement by the central government where required.

### (3) Development Funding Flow

Necessary resources for development projects are broadly classified into financial, human and material. Financial resources chiefly comprise the following:

- a. Decentralized budget
- b. Provincial council funds
  - . Criteria based grants
  - . Grants for medium term investment programme
  - . Grants for rehabilitation and construction
  - . Contribution to integrated rural development program
- c. Local authority funds
  - . Revenues
  - . Grants

d. Government funds

- . Subsidies (rubber, coconut, tea, export agriculture, etc.)
- . Janasaviya Programme
- . Janasaviya Trust Fund
- . Line ministries (irrigation, highways, etc.)

Figure 2.6-5 indicates flow of funding, and agency access to the same.

Of particular note is the fact that the Pradeshiya Saba, the entity most reflecting the aspirations and needs at the grass roots level is an elected assembly. As such it is not an executive agency.

Furthermore, the divisional secretary serves as secretary to the Pradeshiya Saba as well as the head of the divisional government. Thus, in his capacity as secretary to the PS, this individual has access to local authority fund as well as government fund and decentralized budget since the divisional office is an administrative entity.

Scale of development projects carried out by the division are under Rs 500,000. Larger scale projects are implemented by the project offices at the provincial and district levels using their own sources of funding. Such projects are basically executed independently of the divisional offices.

IRDP's are carried out with off-shore funding. They are under the jurisdiction of the MPPI and are implemented on a district wide basis. At present, 10 such projects are in progress.

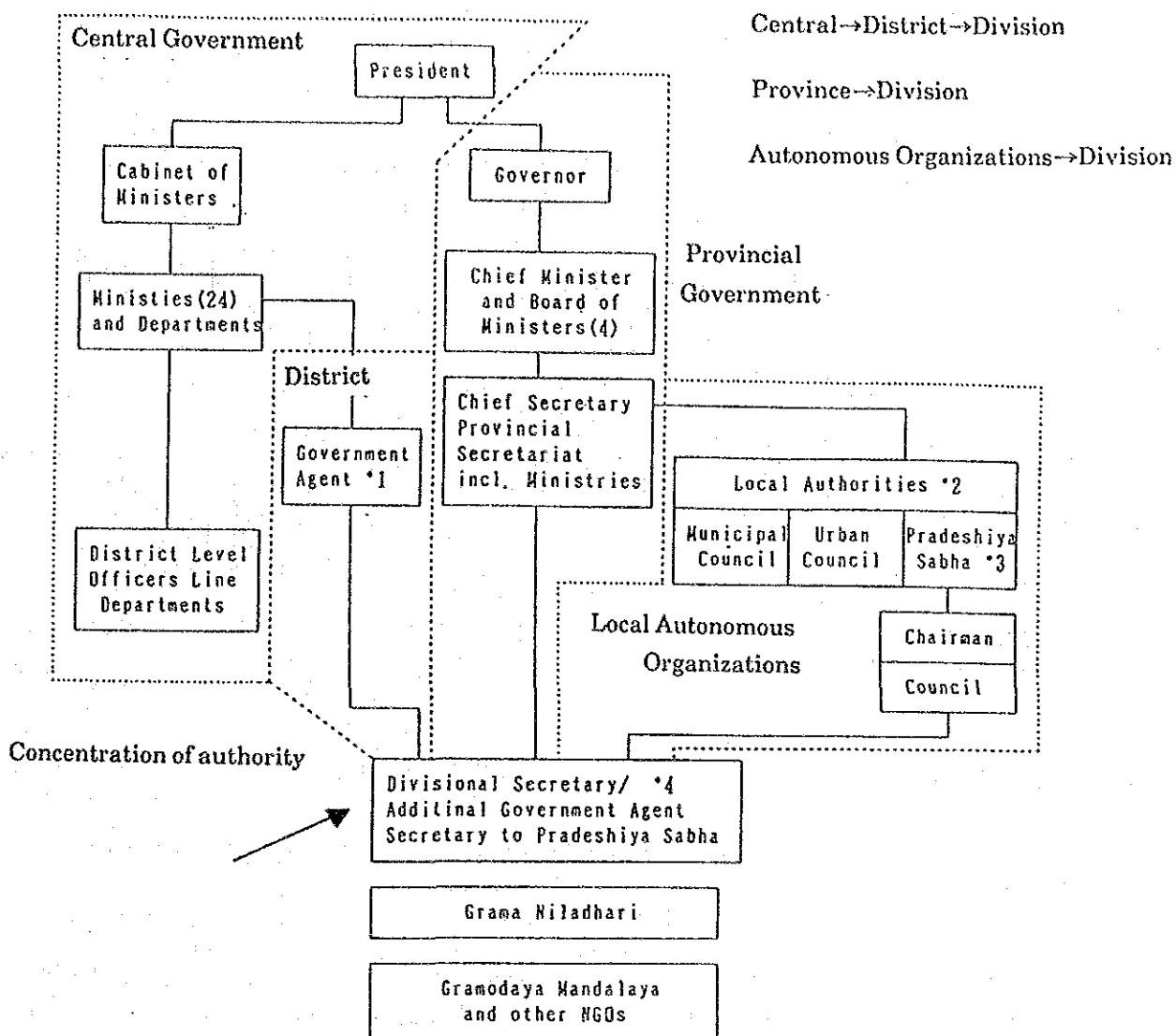
#### (4) Development Project Implementation

Development projects are chiefly carried out by private contractors acting under planning and direction by the provincial, district and divisional offices. In the case of provincial scale projects, the provincial government will lend where necessary its own construction equipment (with operator) to the contractor(s). The reason for this is that (i) private contractors often do not have their own equipment due to shortage of foreign reserves for the same, most of which is imported, and (ii) lack of capital accumulation has constrained the development of private contractors.

As a result, private contractors awarded projects perform much of the works by manual labor. Although this contributes somewhat to expanded employment opportunity, slow construction speed retards the establishment of social and agricultural production infrastructure.



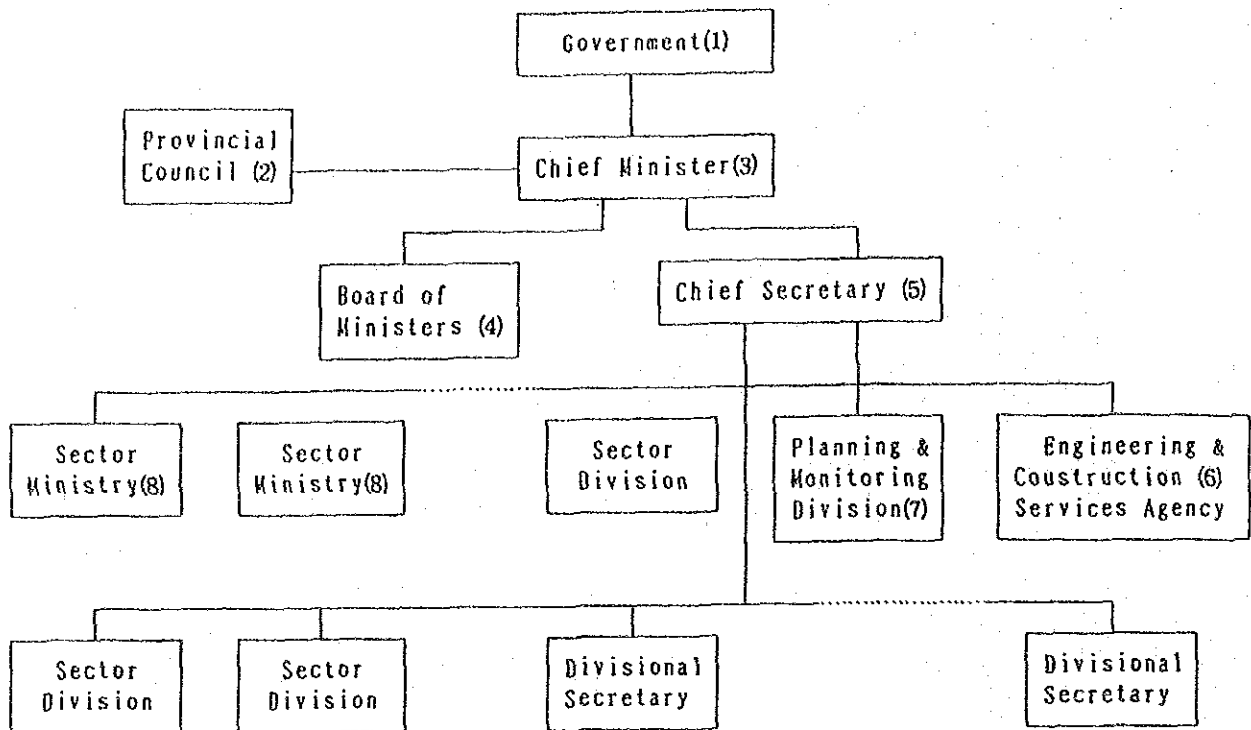
Figure 2.6-1 Administrative Organization



Note:

1. The district head is appointed by the Minister of Public Administration of the central government
2. Local authority established by election include the municipal council (MC) for large cities, the urban council (UC) for medium sized cities, and the Pradeshiya Sabha (PS). MC, UC, and PS are in principal monitored by the Minister of Local Government of the provincial government.
3. The PS is elected. Council members convoke assembly and elect a chairman. Executive powers of the PS are carried out by the secretary to Pradeshiya Sabha (SPS). The divisional secretary (DS) cum additional government agent (AGA) also serves as the SPS. Traditionally, the assistant government agent is below the DS.
4. The DS cum AGA cum SPS is in charge of administrative duties delegated from the central government - district government (family registration, authorizations, permits, etc.), and development projects, and educational and welfare responsibilities delegated from the provincial government. At the same time, this officer is also responsible for development projects at the village level formulated by the PS. These duties are carried out with the consent of the central and provincial governments.

Figure 2.6-2 Provincial Government Organization



Note:

1. Appointed by the President; has veto power over legislation by the provincial council
2. Provincial legislative body; members are elected
3. Elected by the council; as chairman of the board of ministers, advises the government; also, directs provincial administrative agencies through the chief secretary
4. Number of members (including chief minister) limited to 5 by constitutional amendment no. 13
5. Highest professional bureaucrat at the provincial level; oversees sector ministries and sector divisions; is directly over the divisional secretary (also functioning as additional government agent cum secretary to Pradeshiya Sabha)
6. Responsible for engineering and construction at the provincial government level; in many cases is staffed by personnel who have been reassigned from regional construction related agencies of the central government
7. Responsible for planning and monitoring at the provincial government level; integrates and coordinates development projects formulated at the village→division level, as well as general planning, implementation, monitoring and evaluation of development projects for the province
8. Sector ministries are as follows:
  - Agricultural and Cooperative
  - Education and Health
  - Local Government and Social Services
  - Industries and Trade

Figure 2.6-3 Outline of Governmental and Administrative System

		(Central)	(Province)	(District)	(Division)	(1) (GN Divion)
Top down structure (Appointee)	Chief executive	President	Governor	Government Agent	DS/AGA Pradesiya Sabha Secretary (SPS)	Grama Niladhari
	Executing Agency	Cabinet and Ministries	Chief Secretary & Provincial Secretariat	Government Agent (Office)	DS/AGA/SPS (Office)	Grama Niladhari
Botton-up structure (Elected)	Legislative body	Parliament	Provincial Council	(2)	Pradeshiya Sabha (4)	Gramodaya Mandalaya (3)
	Elected representative	Chairman	Chief Minister		Chairman	Chairman

Notes;

- (1) A number of villages comprise the Gram Niladhari (GN) division, to which a Grama Niladhari is assigned.
- (2) No elected legislative body or representative exists at the district level
- (3) Strictly speaking, this is not an elected council. It is comprised of representatives of NGO, who do not receive remuneration for their services.
- (4) Pradeshiya Sabha have been formed in rural area. Municipal councils and urban councils exist in urban areas. The chief executive for the MC and UC is not the DS/AGA, but rather a separately employed commissioner. Administrative agencies are also independent.

Figure 2.6-4 Process of Bottom Up Development Planning and Implementation

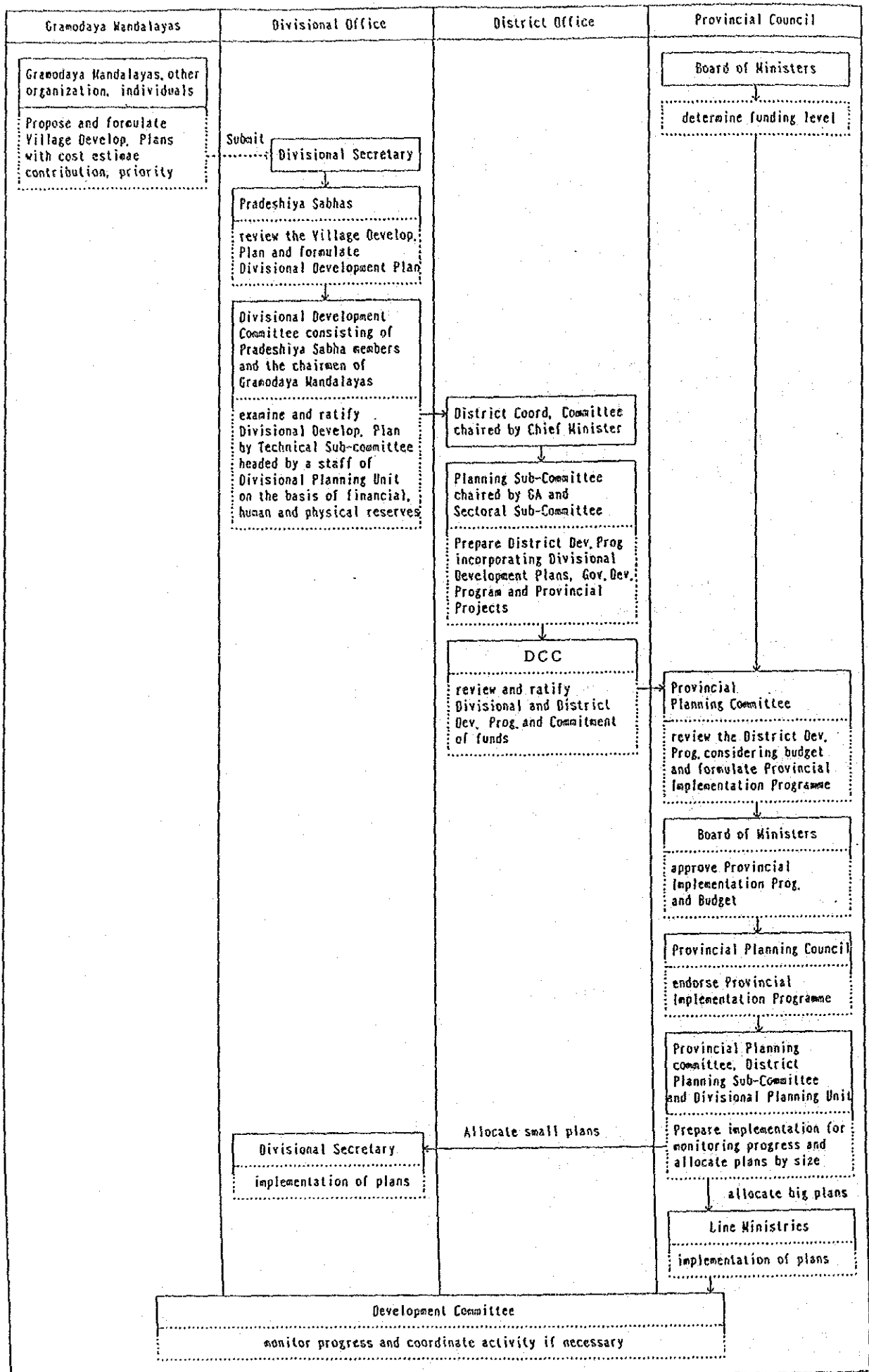
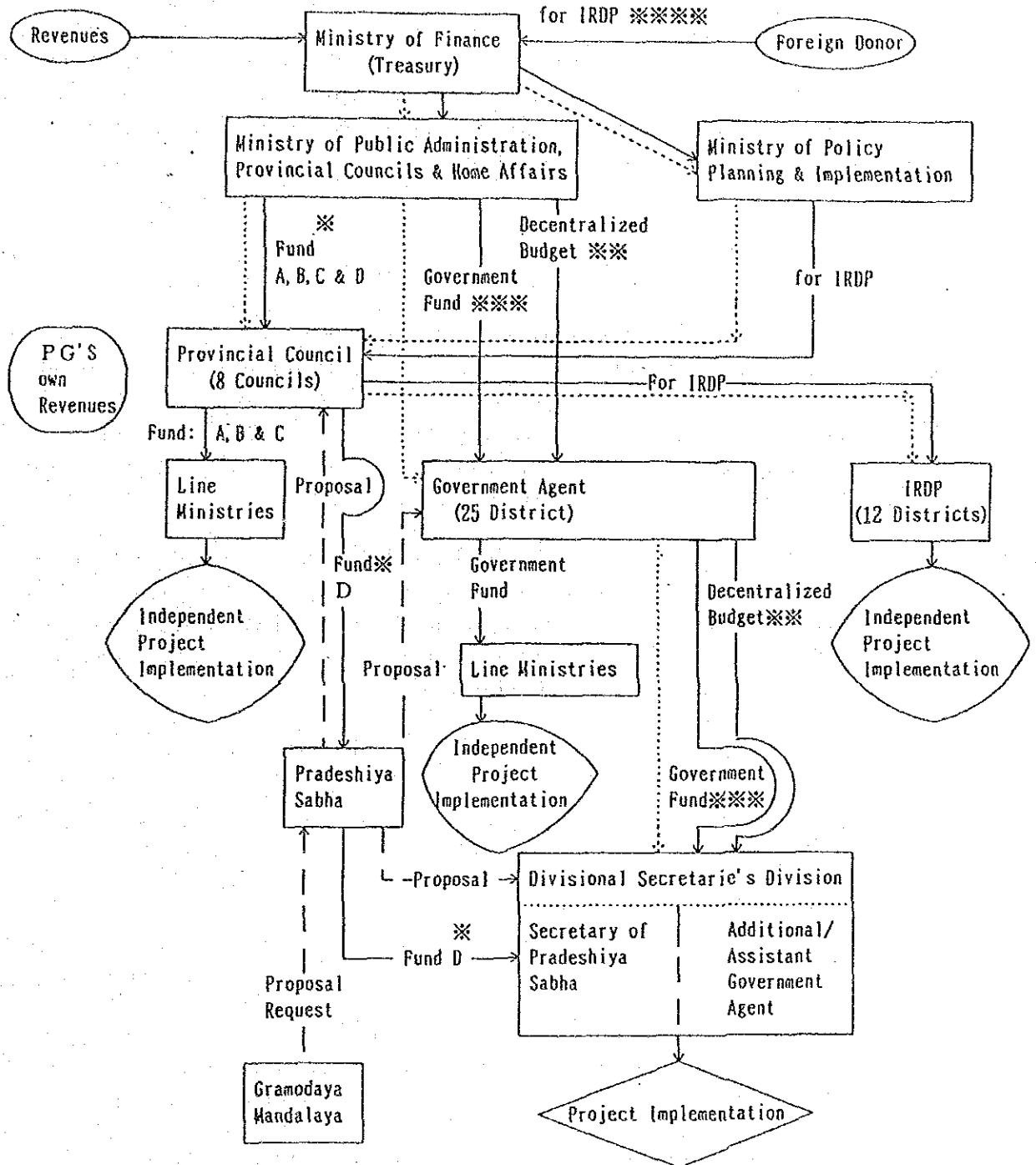


Figure 2.6-5 Budget Flow from Treasury for Development Purposes

BUDGET FLOW FROM TREASURY TO DS's DIVISIONS FOR DEVELOPMENT PURPOSES



※ : Fund

- A : Criteria Based Grants
- B : Grants for Medium Term Investment Programme
- C : Grants for Rehabilitation and Reconstruction
- D : Local Authority Funds (Grants)

※※ : Decentralized Budget : Rs 2.5 Millions/Member of Parliament

※※※ : Government Fund

※※※※ : Contribution to Integrated Rural Development Programme

→ Cash Flow of Development Purposes

..... Cash Flow of Recurrent Costs

- - - - - Proposal of Development

## 2.7 Summary of Concerned Agencies for the Project

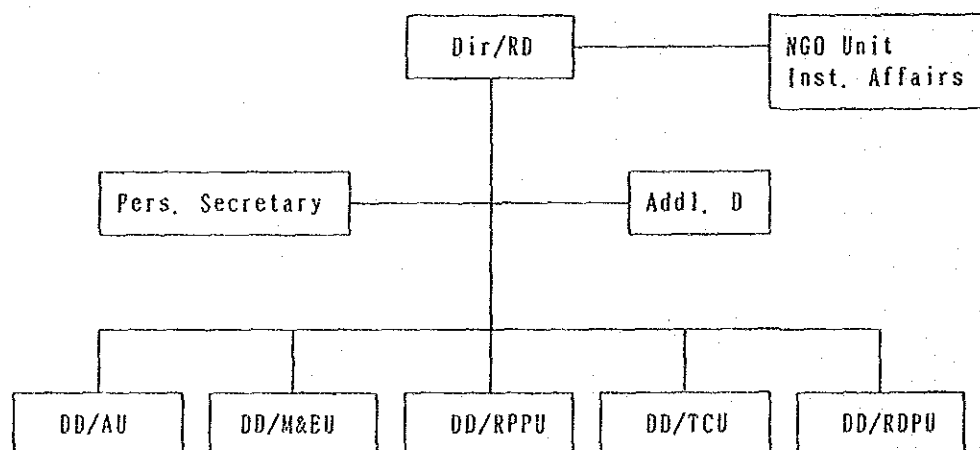
Concerned agencies for the Project are of 3 types: (i) Regional Development Division (RDD) of the Ministry of Policy Planning and Implementation (MPPI), (ii) 7 provincial governments, particularly workshops (North East Province is excluded) and (iii) 39 divisional offices.

### (1) MPPI and RDD

The MPPI is responsible for national policy planning, as well as integration, coordination and evaluation of development projects at the national, provincial and divisional levels. The agency will thus oversee the allocation of the public investment outlay of Rs 200 billion for the 1990~94 five year plan. As discussed previously, the principal target of this public investment is economic and social infrastructure.

The RDD is an agency within the MPPI, and is responsible for coordination and post evaluation of development projects at the provincial and divisional levels as well as development planning and project promotion. The RDD is comprised of 5 units as shown in Figure 2.7-1. Total staff as of September 1991 is 59; budget for 1991 is Rs 880 million.

Figure 2.7-1 RDD Organization Chart



- Dir = Director
- Addl. D = Additional Director
- DD = Deputy Director
- RPPU = Regional Policy Planning Unit
- RDPU = Rural Development Projects Unit
- TCU = Training Coordination Unit
- AU = Administrative Unit
- M&EU = Monitoring and Evaluation Unit

## (2) Provincial Government (Provincial Office)

Representative indicators for the 7 provinces targeted under the Project are shown in Table 2.7-1. As can be seen from the table, unemployment rate and per capita GNP show sharp regional disparity.

Table 2.7-1 Chief Economic and Social Indicators

	Unemploy- ment Rate a/ Rate a/	Infant Mortality b/ b/	GDP/capita as % avg. (1981)	Rev. / Capita 1986 Rs. c/ 1986 Rs. c/
Sri Lanka	17.9	3.0	100	137
Western	24.4	3.0	126	237
Central	14.6	4.5	95	143
Southern	25.9	2.9	83	86
Northern	11.4	1.8	85	158
Eastern	10.4	2.1	84	70
N. Western	14.2	2.5	94	97
N. Central	9.5	1.8	96	66
Uva	10.1	3.4	93	97
Sabaragamuwa	17.8	3.4	96	81

a/ Based on the 1981 Census.

b/ Per thousand births.

c/ Non-Central Government revenues collected in each district.

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

The basic organizational chart for the provincial government has already been presented as Figure 2.6-2.

Management and maintenance of construction equipment is performed at the workshop of the engineering and construction service agency (ECSA: agency name differs somewhat depending on the province). These equipment and materials are utilized on projects carried out by the project office of the provincial government. Status of recipient agencies and workshops of the 7 provinces is indicated in Table 2.7-2. In almost all cases, the total number of ECSA staff is below the minimal requirement under the CADRE Programme. Shortage of technical personnel is even more marked. The majority of technical staff are road, irrigation facility and structural engineers, while mechanical engineers for equipment O/M number around 10.

Workshop area and garage space are sufficient for all ECSA's. Facility level at workshops varies to some degree depending on the province.

Relatively good O/M is possible in the 4 provinces (Southern, Central, Western and North Central) where the Road Development Authority (RDA) has large scale workshops. Flow of operational funds for workshops is constrained in some cases, and numerous instances noted where the workshop leases its equipment to private contractors in order to generate capital. This capital passes through ECSA accounting to the financial section of the provincial government, with the ECSA reserving priority right in use of the funds.

### (3) Divisional Secretary's Office

Although administrative organization varies somewhat for each division, a basic organizational chart is shown in Figure 2.7-2. However, it should be noted that this is the anticipated organization after January 1992. The second level Assistant Director and third level Plan Implementation Unit do not exist at present. Assistant directors are currently being selected by MPPI and are expected to be deployed by January 1992. The duties of the Assistant Director will include formulation, coordination, promotion and evaluation of development projects in collaboration with the Plan Implementation Officer to also be newly deployed below him. As the chart indicates, the position of the Assistant Director is equivalent in rank to the Assistant Government Agent, who had heretofore functioned as the divisional head. Also of note is the fact that an Additional Government Agent is posted above the AGA with concurrent function as Divisional Secretary.

Numbers of staff are essentially the same for the various divisional offices as can be seen in Table 2.7-3 which compares minimal CADRE requirements for 3 divisions in separate provinces. Strengthening of the Plan Implementation Unit and increase of technical staff are two important issues which must be addressed.

Divisional budgets are shown in Table 2.7-4. Budgets are small at present, generally ranging Rs 4~8 million (¥ 13~26 million [Rs 1 = ¥3.25]), but are anticipated to increase with continued delegation of authority and duties to regional and local governments.

### (4) Relationship between Agencies

Relationship between concerned agencies under the Project (the MPPI, provincial offices and divisional offices) is shown in Figure 2.7-3.

The MPPI of the central government maintains direct liaison with the Provincial Planning Division of the Provincial Office. The Planning Unit of the Divisional Office is directly administered by the Divisional Secretary. It should be noted, however, Figure 2.7-3 shows organization after January