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Japan International Cooperation Agency

The Democratic Socialist Republic of Sri Lanka
Ministry of Plan Implementation, Ethnic Affairs and National Integration

The Master Plan Study For Southern Area Development In The Democratic Socialist Republic of Sri Lanka

Final Report

Sector Report 8
Administration, Finance and Institutional Framework

February 1997

Nippon Koei Co., Ltd.
International Development Center of Japan
System Science Consultants Inc.

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List of Reports

Volume	Title
1	Executive Summary Report
2	Master Plan Report
3	Sector Report 1 : Agriculture and Fishery
4	Sector Report 2 : Industry, Tourism and Services
5	Sector Report 3 : Water Resources
6	Sector Report 4 : Transportation, Telecommunications and Energy
7	Sector Report 5 : Urban and Spatial Development
8	Sector Report 6 : Land and Environment
9	Sector Report 7 : Social Development
10	Sector Report 8 : Administration, Finance, and Institutional Development
11	Project Report
12	Participatory Development Report

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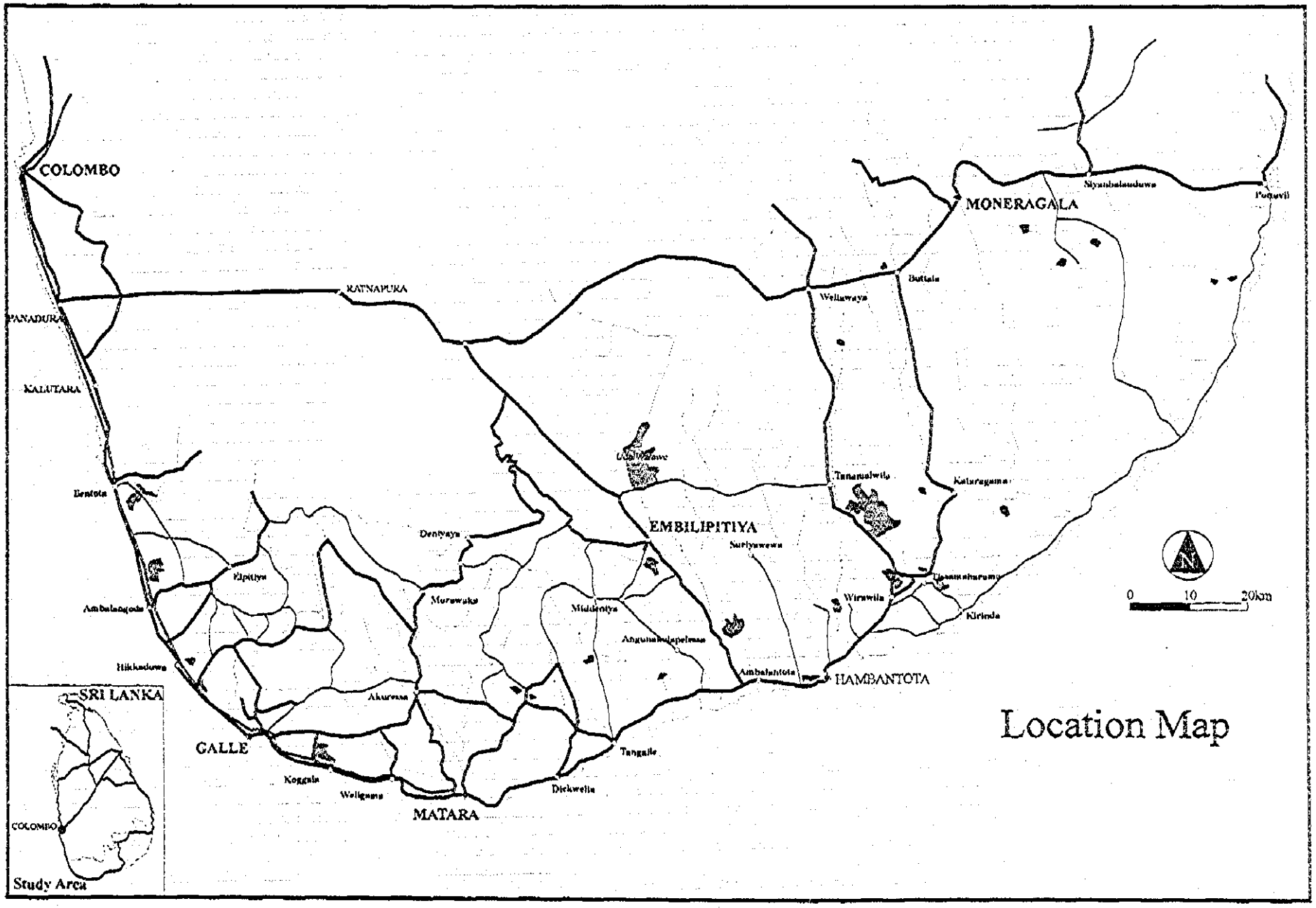
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Deniyaya
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Angunakolapelessa
Ambalantota
HAMBANTOTA
Tangalle
Dickwella
EMBILIPITIYA
Suriyawewa
Tanamalwila
Wellawaya
Buttala
MONERAGALA
Siyambalanduwa
Potuvil
Kataragama
Wirawila
Kirinda
0
10
20km
SRI LANKA
COLOMBO
Study Area
Location Map

SECTOR REPORT 8 ADMINISTRATION, FINANCE AND INSTITUTIONAL FRAMEWORK

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

AGA Division	Assistant Government Agent Division
B-C pact	Bandaranaike-Chelvanayagam pact
BOI	Board of Investment of Sri Lanka
DC&S	Department of Census and Statistics
DCB	Decentralized Budget
DCC	District Coordinating Committee
DDC	District Development Council
DDS	District Development and Samurdhi Unit
DER	Department of External Resources
DNP	Department of National Planning
DS Division	Divisional Secretariat Division
GDP	Gross Domestic Product
ICOR	Incremental Capital Output Ratio
IRDP	Integrated Rural Development Program (or Project), or Integrated Rural Development Projects Unit
ISU	Investor Support Unit
LTTE	Liberation Tigers of Tamil Eelam
M&PRD	Monitoring and Progress Review Division
MCPCIM	Ministry of Co-operatives, Provincial Councils and Indigenous Medicine
MPAHAPIPA	Ministry of Public Administration, Home Affairs, Plantation Industries and Parliamentary Affairs
MPEANI	Ministry of Planning, Ethnic Affairs and National Integration
MPF	Ministry of Finance
MPIEANI	Ministry of Plan Implementation, Ethnic Affairs and National Integration
MTIP	Medium Term Investment Program
NED	North East Development Unit
NGO	Non-governmental organization
PIP	Public Investment Program
RDA	Road Development Authority
RDD	Regional Development Division
SAD	Special Area Development Unit
SCC	Sectoral Coordinating Committee
SDA	Southern Development Authority of Sri Lanka
UNP	United National Party

Abbreviation of Measures

Length

mm	=	millimeter
m	=	meter
km	=	kilometer

Area

ha	=	hectare
km^2	=	square kilometer

Volume

l	=	lit = liter
m^3	=	cubic meter
MCM	=	Mm^3 = million cubic meter

Weight

mg	=	milligram
g	=	gram
kg	=	kilogram
t	=	ton = MT = metric ton

Energy

kcal	=	kilocalorie
TOE	=	tons of oil equivalent
kW	=	kilowatt
MW	=	megawatt
kWh	=	kilowatt-hour
Gwh	=	gigawatt-hour
MVA	=	megawolt-ampere
MMBFOE	=	million barrels of fuel oil equivalent

Others

%	=	percent
°C	=	degree Celsius
cap	=	capita
mil.	=	million
no.	=	number

Administration, Finance and Institutional Framework

SECTOR REPORT 8 ADMINISTRATION, FINANCE AND INSTITUTIONAL FRAMEWORK

CHAPTER 1 ADMINISTRATION IN SRI LANKA

Management of the administrative functions in Sri Lanka is being performed through a multi-tier administrative system consisting of the Central Government, the eight provincial councils and local governments. Major parts of the administrative functions are shared by central ministries and provincial ministries, although local governments handle some administrative tasks within their own jurisdictions.

Sri Lanka's current administrative system is complex. One reason is that it is still in the process of "devolution." It would be necessary to touch on this subject briefly before going into the description of the current system.

1.1 Devolution of Administrative Functions

In Sri Lanka, decentralization has been discussed since the colonial era. S.W.R.D. Bandaranaike, as a minister of government, pursued devolution in the 1940s in order to achieve the three objectives of "democratic decentralization, a responsive governmental administration and people's participation in development." It was not until the Bandaranaike-Chelvanayagam pact (B-C pact) was signed in 1957, however, that Sri Lanka started to progress toward devolution. Main features of the pact were: 1) Regional Councils, 2) delegation of powers to the Regional Councils by Act of Parliament, and 3) block grants, taxation and borrowing as the basis for finances of the Councils.

Following the B-C pact, a system of District Development Councils, with emphasis on development, was proposed in 1963 under the then Prime Minister Mrs. Sirimavo Bandaranaike. The councils, however, were not set up because of the same preventive forces which also prevented implementation of the B-C pact. It was in 1980 when Mr. J. R. Jayawardene of the new UNP government finally established the District Development Councils (DDCs). DDCs were considered a solution to the ethnic problem but, in fact, they covered not only the North and the East but also the rest of the Country. However, the functions of DDCs were limited and very little financial allocation was made to them. These limitations caused dissatisfaction within the local population.

More progress toward devolution was made in 1987 with the Indo-Sri Lanka Accord and the Thirteenth Amendment to the Constitution. The framework of Sri Lanka's current administrative system, the center-province set up, was institutionalized under the Provincial Council Act, No. 42 of 1987 and the Thirteenth Amendment to the Constitution. The basic concept of this system is a sharing of powers, functions and finance between the center and the regions.

Under the Thirteenth Amendment, three lists in the Ninth Schedule lay out devolved functions, as well as non-devolved functions. List 1, the Provincial Council List, describes the functions devolved to the provincial councils. List 2, the Reserved List, lists non-devolved functions. List 3, the Concurrent List, defines matters on which the Parliament may make laws in consultation with all the provincial councils. Provincial councils may also make statutes in consultation with the Parliament. These three lists were prepared to clearly indicate devolved functions. There are, however, several areas in which ambiguity remains. Abstracts of the three lists are attached in Appendix.

The process of devolution is clearly not complete yet. Changes in administration are still under discussion in various arenas. In particular, the Parliamentary Select Committee is looking into aspects of devolution. There would be further changes in the center-province, province-local and center-local relations.

Given this background, the structures of the administrative institutions at the central, provincial and local levels are described in some detail in the following three sections.

1.2 Central Government

1.2.1 Central Government setup

Under the new government headed by President Chandrika Kumaratunga, an extensive re-organization of the Central Government took place. Some of the ministries were merged and, as of 1995, 24 ministries constituted the Central Government.

1) Ministry of Buddha Sasana
2) Ministry of Defense
3) Ministry of Foreign Affairs
4) Ministry of Internal and External Trade, Commerce and Food
5) Ministry of Media, Tourism and Civil Aviation

6) Ministry of Education and Higher Education
7) Ministry of Irrigation, Power and Energy
8) Ministry of Labour and Vocational Training
9) Ministry of Housing, Construction and Public Utility
10) Ministry of Industrial Development
11) Ministry of Finance, Planning, Ethnic Affairs and National Integration
12) Ministry of Transport, Environment and Women's Affairs
13) Ministry of Justice and Constitutional Affairs
14) Ministry of Fisheries and Aquatic Resources
15) Ministry of Youth Affairs, Sports and Rural Development
16) Ministry of Posts and Telecommunications
17) Ministry of Health, Highways and Social Services
18) Ministry of Agriculture, Lands and Forestry
19) Ministry of Shipping, Ports, Rehabilitation and Reconstruction
20) Ministry of Livestock Development and Rural Industries
21) Ministry of Co-operatives, Provincial Councils and Indigenous Medicine
22) Ministry of Cultural and Religious Affairs
23) Ministry of Science, Technology and Human Resources Development
24) Ministry of Public Administration, Home Affairs, Plantation Industries and Parliamentary Affairs

However, since January 1996, the Ministry of Finance (MOF) has been separated from the Ministry of Planning, Ethnic Affairs and National Integration (MPEANI). Further, MPEANI was renamed as the Ministry of Plan Implementation, Ethnic Affairs and National Integration (MPIEANI) in March 1996 while the Department of National Planning (DNP) and the Department Census and Statistics (DC&S) were transferred to MOF.

Summary of estimated government expenditure by the central ministries for 1995 is shown in Table 1.1.

1.2.2 Central ministries

In general, the basic functions of each central ministry are divided into two parts. One part consists of departments or divisions which handle internal administrative matters, including functions such as personnel, accounting and finance, and the other part consists of departments or divisions which cover management functions (including planning) of ongoing and new projects implemented by the ministry concerned.

Although organizational structures vary among ministries, their hierarchical structures can be generalized to some extent. Each ministry is headed by a minister supported by deputy ministers. A secretary is appointed by the President as the chief executive officer under the minister concerned. Under the secretary, there are additional secretaries each of whom is assigned to a subject. Department directors, senior assistant secretaries, director generals, chief accountants and the like are immediately under additional secretaries. Deputy directors, assistant directors and assistant secretaries are at the next level, supported by administrative officers.

Non-profit oriented institutions, statutory boards and public corporations which come under the ministry concerned are indicated at the same level as the department directors of the ministry. Among such institutions, some are called "authorities" such as the Road Development Authority (RDA) and the Mahaweli Authority of Sri Lanka.

1.2.3 District secretariat

A district secretariat acts as the district representative office of the Central Government in each district. The Ministry of Public Administration, Home Affairs, Plantation Industries and Parliamentary Affairs administers the district secretariats. District secretaries administer non-devolved functions. Under a district secretary, there are an accountant, an additional district secretary and a deputy director planning (Figure 1.1).

1.2.4 Divisional secretariat

A divisional secretariat is the divisional representative office of the Central Government in each division. The power of former Government Agents has been transferred by the Transfer of Powers Act to divisional secretaries. Under a divisional secretary, there are an accountant, an assistant divisional secretary and an assistant director planning as well as divisional heads of line ministries. Like the relationships between district heads and their line ministries, divisional heads have direct relationships with the district heads of the corresponding line ministries.

1.2.5 Administrative staff

Major administrative staff of the Central Government belong to the Sri Lanka All Island Services. It assigns public service officials to central ministries, district secretariats, divisional secretariats, provincial councils and local authorities.

Government officials in the All Island Services are classified into three classes and their assignments to respective posts are made accordingly (Table 1.2). For assignment of government officials, approval by the Public Service Commission is required. Secretaries and additional secretaries to the ministers, appointed by the President from among senior public service, are considered above the classes.

1.3 Provincial Council

1.3.1 Provincial council setup

There are nine provinces in Sri Lanka. The current provincial council system is framed by the Provincial Councils Act No. 42 of 1987 and the Thirteenth Amendment to the Constitution, which have institutionalized the provincial councils and the Provincial Public Service. Figure 1.2 schematically depicts the provincial council's setup in relation to the central and other levels of governments.

In each province, one governor is appointed by the President. The governor has three important roles: 1) representative of the President, 2) head of the provincial executives and 3) constitutional and legislative safeguard (Gunawardena, Asoka S. *Provincial Councils - Structures and Organization*, The CRDS Monograph Series Vol. 14, Centre for Regional Development Studies, pp.11-12). All executive actions of the governor are considered done in the name of the President. While the President is popularly elected, the governors are not.

Five provincial ministers, constituting the Board of Ministers of a province, work with the governor. The chief minister, who acts as the chief of provincial ministries, is appointed by the governor from among the members of provincial council of that province on the assumption that he or she can best command the majority support from provincial council members. Therefore, he or she is the political head of the province and works as the chief executive of the province. The other four provincial ministers are also appointed by the governor from among the provincial council members.

Administrative work for devolved functions is conducted by five provincial ministries. The provincial ministries are answerable to the provincial council for the public administration of that province. The relationship between the provincial ministries and the provincial council is the same as the relationship between the central ministries and the Parliament at the national level.

For each provincial ministry, a chief secretary is appointed by the President with the concurrence of the chief minister. The hierarchical structure of each provincial ministry is virtually the same as that of the central ministry, starting from the secretary at the top down to clerical officers at the bottom of the organization.

The appointment, transfer, dismissal and disciplinary control of officers of the Provincial Public Service is vested in the governor. In practice, however, the governor delegates power over such personnel affairs to the Provincial Public Service Commission (Provincial Councils Act, p. 12). Moreover, the Commission's approval is required for the personnel matters concerning officers who actually belong to the Central Public Service.

1.3.2 Divisional secretariats

The divisional secretariats represent both the Central Government and the respective provincial council. There is some confusion over the division of authority for devolved and non-devolved functions between the Central Government and the provincial councils. Although legal provision is available under the Transfer of Powers Act to engage the divisional secretaries in activities of the provincial councils, in practice the divisional secretaries must sort out issues into two categories based on the provisions written in the Ninth Schedule of the Thirteenth Amendment to the Constitution. This is a difficult task because of the existence of ambiguous areas in the provision.

1.4 Local Governments

1.4.1 Local government setup

There are three types of local governments. They are:

1) Municipal council,
2) Urban council, and

3) Pradeshiya sabha.

In Southern province, for instance, there currently are one municipal council (Galle), five urban councils, and 36 Pradeshiya sabhas.

Some Pradeshiya sabhas are organized on the basis of the divisional secretariat divisions (DS Divisions), formerly assistant government agent divisions (AGA Divisions). Some DS Divisions have more than one local government. Local governments do not represent the Central Government. They have their own administrative organizations separate from the divisional secretariats. While the municipal councils and the urban councils are formed under the ordinances which were passed before the Independence, Pradeshiya sabhas are created under the Pradeshiya Sabha Act.

1.4.2 Municipal council

The municipal commissioner is the chief administrative officer of the municipal council appointed by the governor. Each municipal council generally consists of at least five departments, although actual organization varies among the councils. Typically, the departments are administrative, engineering, health, recreation and finance. Administrative staff of the municipal council are appointed by the Provincial Minister of Local Government from either the Provincial Public Service or the Sri Lanka Administrative Service.

1.4.3 Urban council

The secretary is the chief administrative officer and is appointed by the governor. Under the secretary, there usually are five departments of administration, finance, physical planning and works, health, and recreation and welfare. Personnel matters are dealt with similarly to the municipal council.

1.4.4 Pradeshiya sabha

The secretary is the chief administrative officer appointed by the governor. Unlike the counterpart in the municipal or urban council, he or she is responsible for all functions. Therefore, there are no departments within the Pradeshiya sabha. Instead, it is staffed typically with a clerk, a technical officer, a revenue overseer, a bookkeeper, librarians, an indigenous medical doctor and three school teachers, all under the secretary. Personnel affairs are again dealt with similarly to the municipal council.

As can be seen from the above descriptions of the three types of local authorities, both the functions devolved to, and the capacity of the local authorities are limited. In order to make up for such shortages in the capacity of local authorities, the Provincial Ministry of Local Government works as "the friend, philosopher and guide" to the local governments. The officer in charge of the local government within the Provincial Ministry of Local Government is the commissioner of local government, under the provincial secretary.

1.5 Center-Periphery Coordination

In order to provide consistent public services, a proper coordination among the Central Government and the provincial councils is necessary. In Sri Lanka this is supposed to be done mainly at the district level. There exist two types of coordination channels: the district coordinating committee (DCC) and the sectoral coordinating committees (SCCs).

1.5.1 District coordinating committee (DCC)

Members of the DCC are 1) all Parliament members in that district, 2) all provincial council members in that district, 3) all provincial secretaries related to that district, 4) all divisional secretaries in that district, 5) all functional heads of the line ministries in the district secretariat and 6) the district secretary. Total membership easily exceeds 100. A senior Parliament member chairs the DCC, while the district secretary assumes the role of the secretary of the DCC. Decisions made by the DCC affect actions of the divisional secretaries directly or indirectly either through the district secretariat or the provincial secretariat (Figure 1.2).

1.5.2 Sectoral coordinating committees (SCCs)

In addition to the DCC, there are also sectoral coordinating committees (SCCs) organized in each district. SCC members are the district secretary, relevant district heads of the line ministries in that district secretariat, the provincial secretary of the sector and divisional functional heads of the sector. The district secretary assumes the chairmanship of such SCCs. Similarly to the DCC, decisions agreed on in the SCCs affect actions of the divisional secretaries and the divisional functional heads directly or indirectly either through the district secretariat or the provincial secretariat.

1.6 Planning Process and Procedures within the Central Government

The Government's planning process for devolved issues starts with divisional secretaries, each of whom has the duty to identify his/her division's needs and wishes (Figure 1.3). Each divisional secretary compiles requests for funding and sends the compiled requests to the secretary of his/her province.

Each province's secretary then combines the divisional requests for funds into provincial level requests for submission to the Ministry of Co-operatives, Provincial Councils and Indigenous Medichine. Before the submission, however, various issues must be coordinated among the district secretariat, the provincial secretariat and the divisional secretariats within the district. These issues are discussed in the DCC.

For non-devolved issues, each divisional head of the line ministry concerned reports current needs to the line ministry through his/her district head. However, required information for budgeting in regard to some specific issues such as social service, Decentralized Budget (DCB), Samurdhi program and so forth are collected through district secretaries.

Each line ministry combines, sorts out and prioritizes the district level requests in order to make investment plans. The investment plans under each ministry are sent to the Department of National Planning (DNP) in the Ministry of Finance (MOF).

Within DNP, investment plans under the line ministries are examined, prioritized and selected for submission to the Cabinet of ministers for preliminary approval. Following the preliminary Cabinet approval, the investment plans are sent to the Department of External Resources (DER) which is in charge of negotiating foreign-aided funds. DER checks the possibility of funding from donors for each of the preliminarily approved projects. If funds are available for a project, DNP produces project documents which consist of a detailed description of project execution and a project budget including both the consolidated fund portion and the aid portion. Then, the project documents are submitted to the Cabinet for final approval.

Once the Cabinet approves a project, the project will be included in the Public Investment Program (PIP) produced by DNP based on the information described in the project documents. PIP, which is a five-year rolling plan revised annually, is the guidelines for planning in the line ministries.

Plans covering devolved issues, other than mere provincial project plans which are excluded from PIP, are required to go through an additional process which takes place simultaneously with the above mentioned process. Because devolved issues are handled by the provincial councils, provincial chief secretaries send their provincial investment plans to the Ministry of Co-operatives, Provincial Councils and Indigenous Medicine (MCPCIM). The plans then are presented to the Finance Commission which makes recommendations for investment plans produced by the provincial ministries. With recommendation by the Finance Commission, plans are submitted to the President, who presents them to the Parliament for ratification. Plans ratified by the Parliament also are included in PIP produced by DNP.

CHAPTER 2 ADMINISTRATION FOR REGIONAL DEVELOPMENT

In addition to the line ministries focusing on sectoral development projects, there is a central ministry in charge of promoting integrated regional development in Sri Lanka. It is the Ministry of Plan Implementation, Ethnic Affairs and National Integration (MPIEANI) and, within this Ministry, the Regional Development Division (RDD) has dealt with regional development issues.

To promote the Southern Area development specifically, the Southern Development Authority of Sri Lanka (SDA) has also been established. Although it is still in the preparatory stage, SDA is expected to play an important role in the Southern Area development.

Because of the importance and relevance of RDD and SDA to the Southern Area development, their functions and current status are briefly reviewed in this chapter. In addition, two closely related sections (the Monitoring and Progress Review Division, the National Planning Department) are touched upon.

2.1 Regional Development Division (RDD)

2.1.1 Responsibilities

RDD is responsible for coordination of the Country's regional development projects and programs including the Integrated Rural Development Programs (IRDPs), poverty alleviation, nutrition and Samurdhi programs, and other regional development programs. RDD, however, is not an implementing agency itself; its responsibility lies in the "implementation facilitation" of various regional development projects. RDD is thus supposed to plan regional development projects, facilitate other implementing agencies' activities, and monitor and review progress of each project. Figure 2.2 presents the organizational chart of RDD and indicates functional relationships among regional development organizations of Sri Lanka as of February 1996.

At the top of RDD is the director-general, which is a newly created post. Under the director-general, there are four functional units and one administrative unit. Those are:

1) District Development and Samurdhi Unit,
2) Special Area Development Unit,

3) North East Development Unit,
4) Integrated Rural Development Projects Unit, and
5) Administrative Support Cell.

The District Development and Samurdhi Unit (DDS) has a main responsibility of coordinating the District/Provincial Development and Poverty Alleviation Programs. One unique function of this Unit is the so-called public sector delivery system. This is a part of the problem solving system for the districts headed by the Minister for Public Administration, Home Affairs, Plantation Industries and Parliamentary Affairs (MPAHAPIPA). The minister visits each district a few times a year and holds district progress review meetings on his/her visit. If the minister can resolve the problems presented to him/her at the meeting, immediate actions are taken. If any problems are insoluble at once, they are reported and sent from MPAHAPIPA to the relevant ministries. Among them, those related to development programs are sent to MPIEANI where all such problems at the district, provincial or regional level are handled by RDD and national level or sectoral problems are handled by the Monitoring and Progress Review Division (M&PRD). If no other suitable unit can take care of the problems, DDS is asked to do so.

The Special Area Development Unit (SAD) is responsible for the identification and coordination of national regional development programs for some designated areas, which include Southern, Western and Sabaragamuwa provinces. SAD currently coordinates the Southern Area development program initiated recently as it falls under SAD's jurisdiction. However, with the establishment of the Southern Development Authority of Sri Lanka (SDA) there arises a possibility of duplicating functions. To avoid this, according to the director-general of RDD, SAD may limit itself to performing, on behalf of the secretary to the minister of MPEANI, all the secretarial work in regard to SDA's activities once SDA is firmly in place.

The North East Development Unit (NED) is responsible for defining the role of regional development and planning in rehabilitation and reconstruction of war affected areas, mainly northern and eastern parts of Sri Lanka.

The Integrated Rural Development Projects Unit (IRDP) is in charge of 1) coordination of all IRDPs, 2) management of computer and data base within RDD, and 3) coordination of specific area programs concerned. Areas designated to this Unit include Central, North Western and North Central provinces. IRDP also keeps a data base created for the purpose

of monitoring IRDPs. However, this Unit's capacity is still weak and its data base is not linked to that of the Census and Statistics Department or any other institution.

2.1.2 IRDP offices

To implement the IRDPs, IRDP offices are established in respective districts throughout the Country. Located at the district level under the provincial council, IRDP directors are designated to the provincial ministries. In the case of the Southern Province Rural Development Program, for instance, the SPRDP director comes directly under the chief secretary of Southern province (Figure 2.2). In practice, however, IRDP directors work as if they were designated directly under the RDD directors. This relationship is indicated by the dotted lines (#3) in Figure 2.2.

IRDP offices have the responsibility of implementation and coordination of IRDPs. Actual implementation activities, however, are done mainly by departments under the line ministries and community organizations (or people's organizations). In cooperation with RDD directors, IRDP directors plan IRDPs, coordinate with implementing agencies, and monitor and review progress of IRDPs.

2.1.3 District planning offices and divisional planning officers

Designated directly to RDD, district planning offices are responsible for planning, implementation coordination, and monitoring of non-devolved local level development projects, such as the Decentralized Budget projects and the Samurdhi program. Like RDD, those offices do not carry out any of the projects. Their implementation is done by line departments of line ministries.

Divisional planning officers are indirectly connected to the district planning offices. They are responsible for coordinating the implementation of development projects within their own divisions.

2.2 Southern Development Authority of Sri Lanka (SDA)

The Southern Development Authority of Sri Lanka (SDA) is established for the development initiative in Southern Area under the Southern Development Authority of Sri Lanka Act, No. 18 of 1996. According to the act, SDA is responsible for coordinating, planning and implementing development projects within the designated Southern Area.

2.2.1 Constitution of SDA

The Authority in itself is a board which consists of seven members appointed by the President: an official of MPIEANI nominated by the minister, an official of MOF also nominated by the minister and five other members. The Chairman of the board is further nominated by the President from among the seven board members, and presides at all meetings of SDA. Each appointed member holds office for five years. The law disqualifies any member of Parliament, provincial council or local authority for the SDA membership.

2.2.2 Objectives, powers and functions

According to the law, the objectives of SDA are:

1) to plan and implement development projects in the designated area to improve productivity, foster economic development and generate income and employment opportunities;
2) to carry out detailed studies of the projects identified in the overall development plan for the designated area on priority basis;
3) to request the minister of MPIEANI to seek foreign funding for specific projects;
4) to secure the cooperation of government departments, state institutions, local authorities, public corporations and other persons in doing detailed studies and implementation of development projects in the designated area; and
5) to secure the participation of foreign and local private sector agencies in doing detailed studies and implementation of development projects in the designated area.

One notable aspect of these objectives is the emphasis explicitly placed on the private sector participation in the development efforts.

To achieve its objectives SDA is vested with authority to carry out various functions. Significant among them are as follows:

1) to carry out development research;

2) to prepare an environmental impact assessment report for each development project;
3) to secure local and foreign collaboration for detailed studies and development projects;
4) to request government ministries, departments and all other agencies responsible for project implementation (in the designated area), to cooperate in planning and implementing projects;
5) to implement development projects through public or private institutions or jointly by private and public institutions;
6) to secure and obtain technical and financial assistance from local and foreign sources;
7) to borrow, raise money or secure obligations from either domestic or foreign financial sources (a function to be performed with the concurrence of the minister of finance); and
8) to request government ministries, departments or authorities to take over, maintain and operate development projects commissioned by SDA, with the concurrence of the President.

In addition to the above functions, SDA has special powers of authority; i.e. SDA may give directions requiring any department or corporation to perform functions or duties relating to a development project in or in relation to Southern Area. It is lawful that any department or corporation to which directions are given by SDA comply with such directions. In respect of all matters connected with SDA's direction, the department or corporation in question is supervised and controlled by SDA.

With the approval of the minister of MPIEANI, SDA can also allocate funds to any public corporation or government department to have it carry out such functions as directed by SDA. The corporation or department should be accountable for the expenditure of the allocated funds.

Furthermore, SDA may acquire any land or any interest in land in Southern Area for its purposes by an approval of the minister of MPIEANI. Such property is acquired under the Land Acquisition Act and transferred to SDA.

2.2.3 Organization

SDA's functional and resident organization is separated from the Authority members. Therefore, description of SDA's organization is separated from the description of Authority members. Here in this report, the "organization" of SDA denotes SDA's functional and resident organization, where as the "constitution" of SDA denotes SDA's Authority member setup.

Since SDA is still in the process of formation, its organizational structure is far from firmly laid out. The provisional chart prepared by the Presidential Task Force for Southern Area Development is shown in Figure 2.3. The following is a description of SDA's organizational setup as provided by the Task Force.

The Chairman also assumes the post of the director-general of SDA. Under the director-general is the additional director-general. Since the director-general is not serving on a full time basis, the additional director-general will have overall responsibility for the administration of SDA.

The basic organizational principle adopted for SDA is zonal; i.e. responsibility is organized and divided according to geographical units. Thus, there are two regional directors under the additional director-general. Each regional director has responsibility to plan and coordinate the entire development effort in his/her zone. Under two regional directors will be four resident directors. Each resident director will cover a sub-zone consisting of approximately 10-15 divisions. There will also be two deputy resident directors, each of whom will assist the two resident directors in his/her designated zone. Development administration for Southern Area is thus divided into a number of small zones all the way down to the development managers' level as seen in Figure 2.3.

Within the organization of SDA, there also will be a director in charge of monitoring and evaluation, a director in charge of administration and a chief internal auditor directly under the additional director-general.

One unique feature of the proposed structure is Development Trusts. The Development Trusts are decentralized, peripheral units of SDA whose main function is to plan and administer Resource Centers in respective areas. They will be managed by a board of trustees. The board will consist of seven members including two appointed by SDA.

In addition, there will be one consultancy company and joint venture companies under SDA's broad jurisdiction. The consultancy company, also a joint venture in itself, will be formed with SDA's equity participation. This company will provide SDA with various kinds of sectoral expertises, such as infrastructure, irrigation, agriculture, industries and so forth, needed to perform its functions. Other joint venture companies will be created as a means to seek private sector participation in development efforts. Many of those are supposed to belong to the productive sector such as agro-industries and textiles.

2.3 Monitoring and Progress Review Division (M&PRD)

The Monitoring and Progress Review Division (M&PRD) was established at the end of 1994 within the then MFPEANI. Before its establishment, monitoring function was performed by the Department of National Planning (DNP) in addition to project planning function. Within this setup, however, project monitoring was not properly done. Considering that such malfunction was derived from that particular organizational setup under which project planning and monitoring were performed together by a single department, the Government established M&PRD in order to introduce a third party's objective view into project monitoring.

M&PRD was strengthened in 1995 in order to step up the Country's monitoring and progress review function. M&PRD is currently responsible for monitoring of national and sectoral development projects and programs planned by DNP. Therefore, M&PRD's current functional and organizational setup is principally parallel to that of DNP. However, the Post Evaluation Unit, in charge of the evaluation of projects and programs implemented in the past, is unique to M&PRD. M&PRD's five functional units are:

1) Agriculture Sector Unit,
2) Industries Sector Unit,
3) Human Resources Development Unit,
4) Infrastructure Sector Unit, and
5) Post Evaluation Unit.

M&PRD's major activity is quarterly progress review of national and sectoral projects. Its quarterly progress review meetings are held, in general, with the attendance of officials concerned, and representatives of DNP, the Department of External Resources (DER) and the concerned line ministry. After such a progress review meeting, a quarterly report is prepared for the consideration of necessary actions.

The Post Evaluation Unit evaluates those past projects which satisfy the following four criteria:

1) the project has national importance;
2) the project is foreign-funded;
3) the basic project documents are available; and
4) the project's evaluation can be handled by the available staff and resources in the unit.

Evaluation is carried out in consultation with DNP and DER. Funding institutions may also request the unit to evaluate some specific projects by paying evaluation fees.

2.4 Department of National Planning (DNP)

The Department of National Planning (DNP) prepares and produces each year a Public Investment Program (PIP), which is the Sri Lanka's national investment five-year rolling plan. Line ministries use the PIP as a guideline for their investment activities.

Formerly, DNP was part of MFPEANI but, following the Ministry's reorganization in March 1996, it has come under the new Ministry of Finance. Under the director-general of DNP, there are four major functional units headed by four directors, namely, the Director of Agriculture Sector, the Director of Industries Sector, the Director of Human Resources Development and the Director of Infrastructure Sector. Each of these directors looks to his/her responsible sector for the planning purpose.

CHAPTER 3 PROBLEMS WITH ADMINISTRATION

Having analyzed the administrative organizations and system of Sri Lanka in terms of the development administration, several problems are identified. Rationalization of central government portfolios is investigated under the ADB technical assistance project. Due attention should be given to existing problems in planning for the Southern Area development.

3.1 Difficulty in Coordination and Implementation

The foremost problem is the difficulty in coordinating agencies concerned and in getting things done. Admittedly, this is not a problem unique to Sri Lanka but prevailing situations are such that the problem appears particularly serious. Several aspects need mentioning.

3.1.1 Disorganized sectoral administration

Sectoral arrangement among central ministries is neither systematic nor rational. Some sectors such as transportation are finely subdivided and the subsectors are administered by several ministries concerned. There is no reason to justify such a particular sectoral arrangement. Conversely, there are cases where several sectors which are totally unrelated to each other come under one single ministry. This kind of ministerial setup certainly causes inefficiency and works as impedinents in sectoral coordination. Because there is no hierarchical order specified among ministries handling the related subsectors, no one ministry can have the authority to make decisions in the sectoral coordination process. Furthermore, such a multi-subsector-ministry setup makes comprehensive evaluation of the performance of sectoral projects difficult. For instance, an accurate sector aggregate of investment amount becomes hard to obtain because of this setup.

3.1.2 Little initiative and accountability

Under the present ministerial system described above, most decisions with regard to planning and coordination of development projects are jointly made by coordinating committees consisting of representatives from several government organizations concerned. Those represented organizations are thus jointly responsible for the projects under discussion. In other words, no single organization is held responsible for the performance of any development project. Lack of initiatives and accountability easily results from this arrangement.

3.1.3 Frequent discontinuity

Project coordination and implementation have also been hampered by frequent organizational changes in the Central Government. In Sri Lanka, it is fairly common to create a new institution or section when one existing section or agency is found to function poorly. The new organization takes over the functions of the existing one but this causes duplication and discontinuity. Past experiences accumulated in the existing organization are hardly passed over to the newly created one because of this organizational as well as personnel discontinuity. Creating a new institution may appear an easy solution but it often proves otherwise in practice. Coordinating and implementing development projects require good experience and in many cases it would be a more advisable option to try to improve the existing organization when its performance is below expectation.

3.1.4 Policy not formulated by the ministry

One of chief responsibilities of a line ministry is to formulate policy on the sector in charge. However, there are several cases in which policy formulation is, in effect, delegated to respective implementing agencies under the ministry. Strictly speaking, this can be a gross negligence of the ministry's duty. Without a clear sectorwide policy set out by itself, a line ministry can neither review nor evaluate properly the performance of the implementing agencies.

3.1.5 Insufficient hands-on experience

One reason for the underdeveloped skills for project coordination is limited opportunity for officials to gain firsthand experiences in overseeing the project implementation. Because foreign funded projects are closely monitored and evaluated by donors, line ministries could simply rely on these reports produced by donors without monitoring and reviewing the projects for themselves. Lacking firsthand experience of going through such a process, line ministries generally fail to acquire competence in project coordination because monitoring, progress review and situation analysis are the main part of project coordination. Although it may be unnecessary in the short run for each line ministry to perform its own monitoring and progress review of foreign funded projects, it should acquire such capability in the long run.

3.1.6 Insufficient delegation of authority

Most government organizations are hierarchically organized, with a few top officials assuming an unproportionately heavy responsibility over various, often even minute, matters. Delegation of authority is very limited. This, on the one hand, reduces the top officials' productivity. On the other, this situation makes decision making process extremely time consuming because of the unduly lengthy circulation process needed from the bottom to the very top.

3.2 Ambiguous Center-Province-Local Relations

One major problem lies in the relationship among the central, provincial and local governments. Because the whole administrative system is not clear-cut yet with this respect, confusions and duplications result.

3.2.1 Devolution as a national issue

With regard to devolution, some people express hesitation in empowering the provinces on the ground that the devolution might jeopardize the Country's unity. Such a fear may have affected the formation of Sri Lanka's public administration system in spite of the clear commitment to devolution indicated in the Thirteenth Amendment to the Constitution. This Country's current system is actually a highly centralized one in its practice despite the constitutional provision to the contrary.

3.2.2 Devolution without financial backing

There is an inconsistency between the laws and actual practices with regard to devolved issues. Although the Provincial Councils Act, No. 42 of 1987 and the Thirteenth Amendment to the Constitution indicate the devolved functions to the provincial councils, necessary resources to properly exert such functions are not made available to provincial ministries. Since provincial councils cannot carry out what they are supposed to, the Central Government often intervenes creating functional sections of its own to perform the devolved functions, a practice totally contradictory to the legal provision.

3.2.3 Ambiguity as to Pradeshiya sabha

The Pradeshiya Sabhas Act, No. 15 of 1987 is not clear about to what extent Pradeshiya sabha can exert its power regarding public health, public utility services, public thoroughfares and other general fields. Also, Pradeshiya sabha's financial base is very limited. Such financial limitation makes it almost impossible to carry out their functions stipulated in the Act.

3.2.4 Parallel secretariats at the local level

A more serious problem is that there exist two parallel administrative units at the local level. One is the secretariat of local authority, Pradeshiya sabha, and the other is the divisional secretariat of the Central Government. Such a dual system is confusing on the one side and not efficient on the other in the utilization of human resources available within the provincial council. Generally, Pradeshiya sabhas and divisional secretariats are both staffed with officers from the same personnel pool, the Provincial Public Service. There is no reason to keep the two secretariats separate for local administration.

3.2.5 Little feedback from the local to the Central Government

Devolution has removed local governments out of the Central Government's control to place under provincial councils. As a result, formal direct channels of communication between the Central Government and the local governments have been lost with regard to development projects. The only remaining channel is DCC, which representatives of both Pradeshiya sabhas and central line ministries are supposed to attend. However, DCC is not a formal reporting mechanism among the government secretariats. It cannot be expected that all the issues brought up to DCC by representatives of Pradeshiya sabhas are duly reported to relevant line ministries.

3.3 Resource Constraints

Resources are always in limited supply and their shortages should be regarded as a given condition, not a problem. Nonetheless, some aspects deserve keen attention.

3.3.1 No incentive towards achievement or efficiency

There is no incentive for government officers to make efforts to achieve administrative efficiency. They are treated virtually equally regardless of their competence or achievement. Also, there is no penalty for poor performance other than revealed illegal activities. Under such circumstances, administrative productivity cannot be expected to improve of itself.

3.3.2 Lack of monitoring and evaluation skills

Usually, line ministries monitor each development project only by disbursement. A mere disbursement monitoring, however, does not indicate to what extent a development project has been completed. In order for the ministries to know progress of development projects, they have to monitor physical performance by actually looking at construction sites, setting suitable indicators which reflect project progress, and checking the disbursement account of each project with its physical development. Even though most of the projects are foreign funded, line ministries should not completely rely on donors' monitoring. Without accumulating their own experience, line ministries cannot acquire competence to properly carry out the monitoring function.

In project evaluation, not only results but also impacts on society should be taken into account. However, impacts are excluded from evaluation done by ministries. Furthermore, project evaluation should include review of difficulties faced in the course and of actions taken by the implementing agencies to solve them. These are valuable information to be fed into future project planning and implementation. Unfortunately, such comprehensive project evaluation does not seem being practiced.

3.3.3 Insufficient technical expertise and competence in the province

Devolution has legally authorized provincial ministries to have their own jurisdiction. However, this move has not been supplemented with necessary human resources. As a result, a shortage of human resources is keenly felt in the provincial ministries. For instance, according to the Thirteenth Amendment to the Constitution, IRDPs should be coordinated solely by the provincial ministries. In practice, however, coordination or implementation facilitation of IRDPs is done by RDD of the central ministry, MPIEANI. One reason for RDD's involvement may be that provinces do not have sufficient technical expertise for such coordination. The fact that government officers in general do not

welcome assignments to peripheral areas suggests the difficulty in posting qualified officers in resident offices located in provinces.

3.3.4 Limited capability of Pradeshiya sabha

Human resources available to local governments are seriously limited. The situation is worse than that of provincial ministries. As shown in the organizational chart of the Alpitiya Pradeshiya sabha (Figure 3.1), Pradeshiya sabha does not perform planning and coordination functions.

3.3.5 Gap between the devolved functions and funds

There is an imbalance between the functions devolved to the province and the funds available to it. Although various administrative powers and functions have been devolved to the provincial councils, they are financially weak and thus unable to take relevant actions for their provinces' development. As will be discussed in the following section on the estimated investment allocation to Southern Area, most public investments in the provinces are done either by national institutions or by using transfers from the Central Government to the provinces for already specified purposes. To be true to the spirit of devolution, the provinces have to be awarded sufficient discretionary funds. The provincial councils have limited power to generate their own incomes through various taxes, fees, stamp duties, fines and the like, but staff and other resource constraints prevent them to exercise their power.

3.4 Problems with SDA

The newly created Southern Development Authority (SDA) is still in the process of organizing itself. Some organizational problems are already evident, however.

3.4.1 Zonal organization

According to the present proposal, SDA will be organized zonally; that is, its administrative responsibility will be divided along the geographical, rather than sectoral boundaries. This zonal organization has a few, potentially very serious, shortcomings. First, it will not foster regionwide perspective essential to the SDA's mission. SDA must see to it that each and every project in Southern Area be formulated, prioritized, planned and implemented within a consistent regional framework. The zonal division of duty does not facilitate this. Second, the zonally organized SDA would merely duplicate the functions of the existing

government apparatus in the provinces, districts and divisions. Local communities are already represented zonally; what they lack and need is the sectoral representation across the region. SDA should spearhead them in this direction. In this connection, resource centers originally proposed by SDA may be instrumental in infusing the vision and frameworks for the Southern Area regional development and encouraging local initiatives for project development and implementation.

3.4.2 Demarcation between SDA and other government institutions

The law is not clear-cut about how SDA's duties fit into the existing system of administration. Functional demarcation between SDA and other government institutions has not been clearly drawn. Consequently, misunderstandings, misgivings and duplications tend to happen among them. It is urgently needed for the Government to draw a clear, effective and sustainable demarcation among the related government institutions.

3.4.3 Heavy reliance on outside technical expertise

SDA has a plan to rely heavily on outside technical expertises by establishing a joint venture consultancy company. The concept of tapping outside expertises is justifiable in itself. However, if SDA does not keep its own corps of technical staff at the same time, this concept can be counterproductive. Lacking its own experts on sectoral development and project coordination, SDA could neither oversee the consultancy company's work nor evaluate its outputs. Similarly, SDA could not coordinate line ministries satisfactorily, if it lacks experienced administrators within.

3.4.4 Equity participation schemes

SDA is also planning to establish various joint venture companies of commercial nature through equity participation. There is a misgiving that this scheme could be tantamount to a discriminatory subsidy for a limited number of investors in Southern Area. SDA's intention is to sell off its shares to other equity holders of the investee company after its operations are stabilized. Considering the prevailing situation, however, it is dubious that SDA's holding shares will be valued properly or that shareholders can easily sell their shares. It is therefore very likely that this equity participation scheme ends up with giving away land to the selected entrepreneurs. If such companies succeed in establishing themselves as viable business, this scheme may be justified to the extent that it creates employment opportunities in Southern Area. If they fail, the benefit of the investment will be totally lost.

SDA's equity participation in infrastructure and utility companies can be justified, however. Joint ventures of this nature should be regarded as the private sector's participation in the public investment projects. This scheme deserves full support and active promotion.

CHAPTER 4 RECOMMENDATIONS

4.1 Development Administration

4.1.1 Reorganize the ministries sectorwise

It is strongly recommended to reorganize the central ministries along the clear-cut sectoral lines. Because of the past frequent structural changes within the Government, some sectors have been divided into a few subsectors to be administered by as many separate ministries. It is necessary to reorganize the ministries so that closely related subsectors come under one ministry. This setup will facilitate sectoral coordination because the secretary to that ministry can without ambiguity assume the pivotal role to coordinate the subsectors with regard to sectoral issues.

Another benefit of the reorganization is that it will expedite the formulation and implementation of comprehensive policies pertinent to the sector. By collocating subsectors under one ministry, communication among them will increase leading to better informed and integrated planning and policy making.

4.1.2 Clarify leadership and responsibility in coordination

Under the current typical setup, no single section or organization can take the ultimate responsibility for project coordination. This is because most project coordination is jointly done by several sections from different ministries, without specifying who will take the ultimate responsibility. It is recommended to always clarify who should take initiative and responsibility in coordinating a project. By making a single section accountable for the results of each project coordination, the Government can expect better performance from the section in question.

4.1.3 Stop creating redundant organizations

There is a tendency in the Government to establish a new institution or section separately if the institution or section currently in charge performs poorly. This approach appears an easy and quick solution but, in reality, it may prove very costly. It is costly because past experiences will not be fully utilized. It is particularly so when two organizations do practically the same job and either one becomes redundant. Creating a new organization

should always be a last resort. It is recommendable to use the approach of incremental improvement in existing organizations.

4.1.4 Have ministry do policy making

Some line ministries delegate the function of sectoral policy formulation to their respective implementing agencies. In such cases the line ministry cannot properly regulate the implementing agencies lacking its own policy with regard to the sector. Policy formulation is the foremost function of the line ministry and, without it, the line ministry's role will be reduced to a mere fund provider, channeling the government budget to the implementing agencies. The line ministries should formulate the sectoral policies for themselves.

Expertises needed to reinstall the policy making function in the line ministries may be transferred from their implementing agencies as a short-term measure. In the long run, however, each ministry's own officers should be trained to take over the function. This is preferred for neutrality.

4.1.5 Improve monitoring and evaluation

There are many monitoring organizations among central ministries as well as provincial ministries. However, their monitoring is largely limited to a status reporting about budget disbursement. In view of better project management, it is necessary to step up their monitoring from a mere description of the project's current status ("passive monitoring") to one oriented to the identification of problems and corrective actions ("active monitoring").

Some departments in central ministries have already started moving in this direction realizing the importance of physical as well as budgetary monitoring of a project. However, what is monitored as physical performance is far from detailed indicators of the project's actual progress. In most cases, indirectly collected information is used for physical monitoring. Furthermore, progress of the project is measured and indicated in very general terms: level 1, level 2 and level 3, or as the percentage points to the project completion. This type of information is just appropriate in some cases but there are other cases where it is not. For them more detailed physical monitoring is in order.

To promote active monitoring and evaluation, which identifies obstacles, suggests solutions, and devises corrective action plans, two major recommendations can be made. First, monitoring should be done in close contact and collaboration with the people working at the

project site. When a project is under way, people who are in the best position to acquire information about the project status is those who are at the project site. Directly faced with various obstacles day by day, they know what the critical problems are. By utilizing the firsthand information at the project site, a considerable number of problems can be properly identified and solved.

Second, use of standardized formats for monitoring and evaluation will help. In order to fully institutionalize and utilize accumulated experiences of the project implementation, uniform formats by types of project monitoring should be developed and used as official monitoring and evaluation formats across the Government. For example, such formats may include the following information:

1) quantitative information,
2) qualitative information,
3) performance appraisal,
4) suggested actions,
5) proposed revisions in the Implementation Plan, and
6) other special mentions.

Although the above list appears very extensive, the formats should be concise. Qualitative information has to be brief but objective and concrete.

4.1.6 Change the ways how jobs are done

It is necessary to drastically modify the ways how jobs are done throughout the government offices. Three major recommendations are as follows.

First, there should be a clear principle of the division of labor particularly between top officials and middle-tier officers. That is, the top officials make policy, and the middle-tier officers carry it out. High rank officials should delegate some authority to the middle-tier officers so that the latter can make decisions with regard to matters requiring relatively small amount of disbursement and having little bearing on the national policy. In this way, the top officials will not have to use their time for routine or miscellaneous works and will be able to concentrate more on policy-related matters. It is thus the top officials' responsibility in each organization to formulate and announce the organization's administrative policy clearly so that the subordinates can understand their organization's policy and make decisions on the basis of it.

Second, the middle-tier officers should be made accountable for their judgments and decisions once some authority is delegated to them. An officer's accountability, in this case, means the strict responsibility owed by him/her as the results of his/her decision making based on the authority delegated to him/her. With their accountability clearly defined, their performance can be judged accordingly. The officers' performance in terms of reliability and responsiveness will improve.

Third, there should be a reward-penalty system institutionalized for the middle-tier officers. They should receive a reward for good performance and a penalty for poor performance. In order for such a system to be effective, job demarcation among all officers needs to be clearly specified. In the case of shared responsibility of a single task to be done by more than two people, those who are jointly responsible should be treated in a uniform manner or the leader responsible for the whole result should be clearly determined beforehand.

Needless to say, the above recommendations are all based on one crucial assumption. That is, the top officials can trust and believe in their subordinates in terms of their competence in achieving the tasks assigned to them.

4.1.7 Allocate more resources to provinces

In order to make the current provincial council system effective and, accordingly, for the true devolution to take place, the imbalance between the devolved functions and the available resources in the provincial ministries has to be resolved. Even when necessary expertises are not available in the provinces, the Central Government, as a matter of principle, should not take over the provincial ministries' role as in the case of the IRDP coordination. The Central Government should instead provide required human resources by transferring competent officers to the provincial ministries.

With regard to financial resources, the Ministry of Finance's policy change is necessary as to how to allocate the government budget. Increasing financial resource discretionarily available to the provincial ministries is crucial to vitalize them.

4.1.8 Streamline the government system at the local level

As in the case of the provincial ministries, the local governments, particularly Pradeshiya sabhas, are faced with serious shortages in human as well as financial resources. In spite

of these shortages, the government system at the local level duplicates its major functions. Besides the local governments, there also are the divisional secretariats at the same local level as the agent of the Central Government and the provincial council concerned. Being secretariats to the governments, the divisional secretariat and the secretariat of Pradeshiya sabhas share similar tasks and are both staffed with officers from the Provincial Public Service. If the Central Government decides to entrust the work currently done by the divisional secretariats to the corresponding local governments by providing necessary budget, the two secretariats can be integrated into a strengthened government secretariat at the local level, which works for both the central, provincial and local governments.

With regard to the financial resource shortage, the Central Government as well as the provincial councils should change their budgeting policies so that the actual budget allocation is consistent with the devolved functions to the local governments.

4.2 SDAs Organization and Functions

Some problems associated with SDA are described in Chapter 3. This section elaborates two sets of recommendations to rectify the problems. One set deals with its organization, and the other with its functions.

4.2.1 Recommended organizational structure of SDA

SDA's organizational structure should be reconsidered. As mentioned in Chapter 3, SDA's organizational structure proposed by the Task Force has two major problems: 1) lack of functional (or sectoral) directors within SDA and 2) difficulty to foster an integrated view of Southern Area for regional development. Also, some important sections are missing from the present proposal.

(1) Sectoral Development Division

First recommendation is that SDA should be organized along sectoral lines, not zonal boundaries. It will be effective to create the Sectoral Development Division which may have the Agricultural Development Unit, Industrial Development Unit, Commercial Development Unit and Infrastructure Development Unit. SDA is currently moving in this direction, recruiting its own sector experts.

(2) Regional Planning Division

The Regional Planning Division as a staff function of SDA should be created to ensure the integrated regional development. The division will utilize information acquired by the sectoral development units for its regional planning.

(3) Participatory Development Unit

It is recommended to establish the Participatory Development Unit, headed by Additional Director Participatory Development. SDA should have its own discretionary funds to finance some local projects for the Southern Area development. As elaborated later, one of SDA's recommended functions should be financing development projects proposed by local communities or NGOs. Project proposals are first screened and selected by the provincial ministries responsible for the local development issues. SDA will then decide which proposals be actually funded by SDA based on its own financing policy or guidelines in line with the regional development vision. This Unit will handle all matters related to this procedure. If this scheme is institutionalized, local communities and NGOs will have not only funds to implement their own projects but also opportunities for on-the-job training in development activities.

(4) Investor Support Unit

Another recommended section which is not included in the Task Force's organizational structure is the support service section to private investors, namely the Investor Support Unit (ISU), headed by Additional Director Investor Support. The main responsibility of ISU is to provide private investors with useful information. For hiring of employees, ISU will provide investors with referral service by which investors can reach, for example, a job placement center in order to find out what kind of human resource are available to them. Another key service of ISU is land acquisition support service for investors. ISU will help investors find their business sites. Some other support services will also be available. Financing service will be provided through a joint venture company to be established by SDA for this particular purpose. ISU is important because investors once satisfied with ISU's services may become strong investment promoters themselves in favor of Southern Area. As proved elsewhere, referral by the satisfied investors is a very effective means of investment promotion.

(5) Investment Promotion Unit

Another section to be recommended is the Investment Promotion Unit, which will carry out 1) image building of Southern Area as a new investment destination and 2) investment inducement through direct contacts with prospective investors. Image building activities include advertisement through media, attendance to investment exhibitions, arrangement of investment promotion missions, and arrangement of general investment information sessions. Investment inducement activities are aiming at direct contact with investors such as sending direct mails, investment promotion missions and sessions for specific industry sectors, and company visits.

Figure 4.1 shows the recommended organizational structure of SDA. The proposed functions of the Investor Support Unit and the Investment Promotion Unit may be performed by the newly creased Business Center of SDA. A few additional notes will follow.

Under the current plan, SDA will depend largely on the joint consultancy company for the necessary sectoral expertises. Although private sector expertises should be helpful, such an independent consultancy company should not be the body responsible for sectoral coordination. There should be SDA's internal sections each of which has its clear policy for the sector concerned so that it can supervise and coordinate sectoral development from the public standpoint. In-house expertises are needed in order for SDA to perform planning and coordination functions properly.

Industrial zoning is on SDA's agenda. It should be noted, however, that zoning itself does not guarantee that private investors will come to invest in the designated zones. On the contrary, such zoning could hinder investment if some restrictions are placed on the land use.

One restriction should be posed with regard to joint venture companies to be established by SDA's equity participation. SDA may participate in companies in the infrastructure sector or any business of public nature such as telecommunications, but should not participate in the productive sector such as textile and agro-processing. If SDA enters businesses of very private nature, its investment in kind can be equal to subsidies for such companies. In these cases, the benefit of SDA's investment will not be extended to the public.

4.2.2 Recommended functions of SDA

According to the law, SDA may have all power and authority necessary to develop Southern Area. However, one question quickly arises: how to draw a line of functional demarcation between SDA and line ministries/agencies on the one hand and between SDA and the provincial councils on the other. At the national level, line ministries and agencies have responsibility to implement national sectoral projects, some of which may cover Southern Area partially or entirely. Even though SDA should be concerned with those projects, it is neither likely nor practical for SDA to completely take over the line ministries' jurisdiction over the sectoral projects related to Southern Area. At the provincial level, provincial ministries are also coordinating provincial development projects based on the Constitutional provision over the devolved issues. Therefore, SDA, a Central Government agency, cannot and should not take over the provincial council's legitimate functions.

With regard to this question, the following three principles should apply: 1) as for the public investment projects, SDA should limit its function to planning, coordination facilitation and monitoring; 2) as for private investment promotion, SDA should be active in close cooperation with BOI and provincial ministries; and 3) as for inter-provincial projects, public or private, SDA should take leadership to coordinate them.

Principle 1 precludes SDA from acquiring its own budget for public investment projects to be implemented by line ministries and provincial ministries. In this relation, it should be clarified that SDA should not directly negotiate with DNP as part of the formal budgeting procedure to ensure respective ministries' budget allocation in favor of Southern Area. If SDA directly negotiates or coordinates with DNP by using its power entitled by its establishment Act, any project in Southern Area can be given discriminatorily high priority. This is against the basic concept of equity in terms of the regional allocation of budgets. Therefore, SDA's communication with DNP should be self-regulated to the extent of influence through lobbying for such projects.

Principle 2 is introduced because BOI is the regulatory body for private investment and provincial ministries are also in the position of promoting private investment within the province concerned.

Principle 3 is particularly called for as a function unique and highly relevant to SDA. Because an inter-provincial project is usually treated as a combination of a few separate provincial projects and implemented accordingly, their coordination becomes crucial.

However, overall results have not been so satisfactory. One example is an inter-provincial road development project. In such a project, adjoining provinces do not necessarily place similar priority on their respective road sections. Consequently, the condition of the same road may vary significantly from province to province. One province's investment in its road sections is thus inadvertently discounted by the adjoining province's decision to invest less. Such problems can be solved by SDA's inter-provincial coordination.

Following are some detailed descriptions of SDA's functions regarding development projects.

(1) Regional planning

One of SDA's main functions is to envisage Southern Area's future and prepare a long-term regional development plan including national, provincial and inter-provincial projects in consultation with line ministries and provincial ministries. Based on the regional plan which is indicative by nature, SDA will be able to negotiate with the line ministries and influence their decisions about the priority of Southern Area in their national sectoral development plans. SDA will also use the regional plan as a guide to influence and assist the provincial ministries by submitting its comments and recommendations to them. Those recommendations will help the provincial ministries substantiate their requests to the Central Government for acquiring their development budget.

(2) Coordination and monitoring

SDA's role in coordination and monitoring of the development projects will differ according to the project category. Following are the categories considered relevant to SDA's involvement:

1) Regional development projects by line ministries,
2) Provincial development projects by provincial ministries,
3) Inter-provincial projects by adjoining provincial ministries,
4) Private sector development projects of commercial nature,
5) Private sector development projects of public nature, and
6) Bottom up development projects.

For those projects in categories 1 and 2, SDA's major role is implementation facilitation of the projects and assistance to the ministries coordinating the projects. In other words, SDA

will expedite the project implementation by assisting the ministries responsible for the projects.

For those projects in category 3, SDA's major role is inter-provincial coordination which so far has been taken up by no institution, and implementation facilitation of the projects through the assistance to provincial ministries concerned.

For those projects in category 4, SDA's responsibility is private investment promotion and investor support in cooperation with BOI and provincial ministries. However, SDA should carefully select projects falling in this category when it has to form joint venture companies.

For those projects in category 5, SDA may participate in a project by creating a joint venture company. Inviting investment in this category is a very important task of SDA.

For those projects in category 6, SDA may take the initiative to solicit project proposals, but the first screening of the proposals should be done by provincial ministries because they have the responsibility to promote local level development projects. Project proposals selected and requested for funding by the provincial ministries will then be approved or rejected by SDA on its own basis of funding guidelines.

The above functions are summarized in Table 4.1. It also includes some functions of other related government institutions.

CHAPTER 5 FINANCE FOR THE SOUTHERN AREA DEVELOPMENT

Administration and finance are one and indivisible. In this sense, recommendations for the development administration suggest some necessary changes in the development finance. However, availability of financial resource may be a constraint to such improvement in finance. Therefore, in this Chapter, major constraints to the Southern Area development are reviewed and required changes are recommended briefly.

5.1 Constraints

5.1.1 Current expenditure exceeding tax revenue

In 1994, Government budget deficit increased because of the increase in recurrent expenditure while capital expenditure remained almost the same. Despite a relatively high level of tax revenue collection which accounted for 17.2 % of GDP, tax revenue was less than current expenditure in 1994. Major factors contributing to the increase in current expenditure in 1994 were: 1) salaries and wages, 24.1% of current expenditure, which accounted for 6.0% of GDP, 2) domestic interest payments, 27.4% of current expenditure, which accounted for 6.8% of GDP, and 3) transfers to households, 21.9% of current expenditure, which accounted for 5.4% of GDP (Table 5.1).

Although there was a policy of rationalizing public sector employment, the Government relaxed the policy and decided to provide employment to 8,000 graduates as well as to provide permanent employment to all casual employees in the public service (Central Bank Annual Report 1994, p26). Also, the Government decided to increase all school teachers' salaries substantially. The policy with regard to welfare was also reversed in 1994. Consequently, transfers to households increased by 25.3% from Rs. 22,557 million in 1993 to Rs. 28,274 million in 1994. The policy changes about administered prices also resulted in the increase of the subsidies on wheat flour, bread, fertilizer, and so forth.

The above mentioned significant increase in current expenditure was caused by the sudden policy changes in 1994. Such current expenditure increase, together with the inelastic tax revenue stream, not only resulted in the increase in the government budget deficit accounting for 10.0% of GDP in 1994 but also hindered public investment including capital expenditure of the Government on infrastructure development. Government capital expenditure accounted for only 13.1% of GDP whereas total expenditure was 38.2% of GDP in 1994.

5.1.2 Limited financial resource discretionarily available to provinces

Financial allocation to the provinces from the Central Government has been maintained at a very low level. There are three categories of funds allocated to the provinces. One category is Block Grant, a current transfer for the recurrent expenditure of each province. Another is Criteria Based Grant, a transfer based on population criteria and economic indicators such as the per capita income. The other category is transfers under the investment programs called Medium Term Investment Programs (MTIPs), which are budgeted through line ministries of the Central Government and transferred to provincial ministries for implementation.

Public investment projects planned and coordinated by provincial ministries are financed with either Criteria Grant or provincial revenue as the aggregate of each province's internally collected taxes, fees and so forth. Provincial revenue other than transfers from the Central Government is scarce (Table 5.2). To cite the case of Southern province, its Criteria Grant received was Rs. 118 million and the provincial revenue was Rs. 247 million in 1994. However, the recurrent expenditure of the province, Rs. 2,120 million, was larger than its Block Grant, Rs. 1,854 million, in 1994 (Table 5.3). Accordingly, funds available to capital investment in Southern province became Rs. 100 million in 1994. This was the only funds at the province's discretion.

Total capital transfers to Southern province with regard to MTIPs, which were allocated based on the line ministries' sectoral plans, were Rs. 665 million in 1994 (Table 5.4). The sum of such MTIP transfers to Southern province was more than six times larger than its discretionary capital of Rs. 100 million. Expenditure distribution of Southern province for 1993 is available and shown in Table 5.5.

5.1.3 Financial resource hardly available to local governments

Financial resource available to a local government consists of 1) the fines and penalties collected within each local government's boundary, 2) the stamp duties, 3) all taxes, duties, fees and other charges under the authority of local government, and 4) special grants allocated by the Central Government. However, local government budget is too small in its scale.

5.2 Recommendations to Increase Public Investment in Southern Area

5.2.1 Reduction in current expenditure

The policy to rationalize government recurrent expenditure should be enforced, and frequent policy changes which can cause reversal effects to the fiscal reform should not be made. The main current expenditure items to be reduced are: 1) salaries and wages and 2) transfers to households. Just giving employment to the people by creating unnecessary jobs in the public service increases recurrent expenditure and, consequently, causes an adverse effect to the economic growth in the long run by sacrificing capital investment on infrastructure. Similarly, providing welfare to all citizens in the Country will sacrifice investment for the future.

By selectively privatizing public enterprises, the Government can reduce its expenditure on salaries and wages as well as other transfers to such public enterprises. Welfare expenditure has to be reduced by creating a well targeted welfare program.

5.2.2 Increase in capital allocation to the province

National budget should be so allocated that provincial ministries can perform their expected functions properly. Under the current funds allocation to the provinces, effective provincial development projects cannot be implemented by them. Resolving imbalance between the devolved functions and the financial resources available to the provincial councils is crucial to make the provincial council system effective in terms of regional development.

5.2.3 Increase in capital allocation to the local government

As in the case of the provincial budget, local government's funds availability should also be improved. Currently a local government is not fully functioning partially because of the financial shortage, although there is also shortage in human resource available at the local level. By strengthening financial as well as human resources of the local government, local level development activities will be activated.

5.2.4 Creating a new financial source for projects in Southern Area

There is a continuous resource gap between investment and savings in Sri Lanka. In order to finance development projects without offsetting such a resource gap, development of a lottery might be effective, because a lottery can gather many people's petty cash into a large sum of fund available to a specific purpose at the expense of relatively small amount of refunds to some people who win the lottery.

5.3 Projection of Investment Allocation to Southern Province

Public investment allocation to Southern province is estimated for the 1991-1999 period (Table 5.4). According to the results, the share of Southern province is between 11.8% and 13.7% of national total during the 1991-1997 period. After 1998, the estimated allocation decreases slightly. Compared to the population share of Southern province (13.0 %), the public investment share of Southern province is not significantly high, but may be at the average level among the eight provinces.

5.4 Estimation of Southern Area GDP Growth

In this section, the average annual growth rates of gross regional domestic product (GRDP) of Southern Area are estimated in order to set sectoral development targets in the Area in each phase. Estimated rates for the three phases are summarized as follows.

Phase I (1996--2000)	6.0 %
Phase II (2001--2010)	8.5 %
Phase III (2011--2015)	8.0 %

Estimated GRDP distributions by sector in 1995 and 2015 are shown in Table 5.6.

In order to set target growth rates for sectors, there are guidelines derived from the development strategy. In Phase I (1996-2000), the characteristics of the indigenous resources based growth are relatively strong. Accordingly, the traditional agriculture sector's growth rate is high at 3% and the non-traditional agriculture sector's growth rate is slightly lower than that of the traditional agriculture sector. Growth of the industry sector as well as the services sector is already respectable but has not realized its full potential.

In Phase II (2001-2010), the external resources/market driven growth pushes the Southern Area development. The traditional agriculture sector's growth rate decreases to some extent, and the non-traditional agriculture sector grows at a high rate of 5%. During this phase, the industry sector grows at a very high rate of almost 11%. The services sector's growth rate is also high.

In Phase III (2011-2015), the support industry and services oriented growth is the major driving force of the Southern Area development. The agriculture sector's growth becomes marginal in comparison to the population increase in Southern Area. The industry sector's growth rate goes down to a sustainable level. The services sector maintains its high growth rate at higher than 9%.

Having considered such output estimation and the guidelines derived from the development strategy, the range between the upper limit and the lower limit of each sector's target growth rate in each phase are narrowed. In this way, a target annual growth rate for each sector in each phase has been set with some further minor adjustments in order to be consistent with the average annual growth rate of Southern Area for the planning period. The estimated growth rates are summarized in Table 5.7.

5.5 Estimation of Required Investment in Southern Area

In order to achieve the targeted GRDP growth for the planning period, public as well as private investment within the Area is imperative. Estimation of required investment is made based on the past GRDP growth and investment of the Country as well as the estimated GDP growth rates of Southern Area. In this estimation process, the concept of incremental capital output ratio (ICOR) is used. ICOR is an indicator which shows the efficiency of invested capital.

By definition, ICOR is the ratio between the amount of investment (I) and the amount of GDP increase (ΔGDP). The smaller ICOR is, the better the investment efficiency is.

$$\text{ICOR} = \frac{\text{Gross Domestic Fixed Capital Formation}}{\text{Increase in GDP}} = \frac{I}{\Delta GDP}$$

Therefore, required investment capital in Year (t) for the targeted GDP growth in Year (t+1) is expressed as below.

$$I^t = ICOR \times GDP^{t+1}$$

The data used for the estimation of Sri Lanka's national ICOR are shown in Table 5.8. The ICOR for Southern Area in each phase of the planning period is estimated based on the past ICOR for the Country. Additional consideration with regard to the Southern Area ICOR is the currently less developed economic situation of Southern Area in comparison with the rest of the Country and the estimated annual growth rate for Southern Area in each phase.

Estimated Southern Area ICOR and estimated required investment capital for the 1995-2015 period are shown in Table 5.9. During the planning period, Southern Area ICOR continues to decline because of the increased efficiency in capital investment from 5.5 in 1995 to 4.75 in 2015. However, such improvement in investment efficiency has to be realized by the intensive fixed capital formation during the period. The ratios of Southern Area fixed capital formation to Southern Area GRDP are 35.8 % in Phase I, 42.7 % in the first half of Phase II, 37.9 % in the second half of Phase II, and 37.1 % in Phase III. In order to achieve the target, such a very high level of investment/GRDP ratio has to be maintained by not only public investment but also private investment during the planning period.

Appendix : List of Devolved and Non-Devolved Functions

Provincial Council List

Provincial Council list shown here is not a complete version. For a detailed description, see the Ninth Schedule of the Thirteenth Amendment to the Constitution

(1) Police and public order

(2) Planning

(3) Education and educational services

(4) Local government

(5) Provincial housing and construction

(6) Roads and bridges and ferries thereon within the Province, other than national highways as well as bridges and ferries on the national highways

(7) Social services and rehabilitation.

(8) Regulation of road passenger carriage services and the carriage of goods by motor vehicles within the Province and the provisions of inter-provincial road transport services

(9) Agriculture and Agrarian services

(10) Rural development

(11) Health

(12) Indigenous medicine

(13) Rest houses maintained by local authorities; and circuit bungalows presently administered by Government departments

(14) Pawnbrokers

(15) Markets fairs

(16) Food supply and distribution within the Province

(17) Co-operatives

(18) Land

(19) Irrigations

(20) Animal husbandry

(21) Promotion of enterprises and other income-generating projects

(22) Reformatories, Borstal institutions and other institutions a like nature and persons detained therein, arrangements with other Provinces for the use of such institutions

(23) Possession, transport, purchase and sale of intoxicating liquors

(24) Burials and burial grounds cremations and cremation grounds, other than those declared by or under law made by Parliament to the national memorial cemeteries

(25) Libraries, museums and similar institutions, as well as ancient and historical monuments and records other than those declared by or under law made by Parliament to be of national importance

(26) The regulations of mines and mineral development

(27) Incorporation, regulation and judicial winding up of corporations with objects confined to the Province

(28) Regulation of unincorporated trading, literary, scientific, religious and other societies and associations

(29) Theaters and the like

(30) Betting and gambling

(31) Provincial debt

(32) Offenses against statutes

(33) Fees

(34) Development, conservation and management of sites and facilities in the Province for the generation and promotion of electrical energy

(35) The borrowing of money

(36) Turnover taxes on wholesale and retail sales, betting taxes, license taxes, liquor license fees, motor vehicle license fees, dealership license taxes, stamp duties on transfer of properties, toll collections, fines, and the like

(37) Protection of environment

Reserved List

Reserved list shown here is not a complete version. For a detailed description, see the Ninth Schedule of the Thirteenth Amendment to the Constitution.

(1) National policy on all subjects and functions

(2) Defense and national security

(3) Foreign affairs

(4) Posts and telecommunications; broadcasting; television

(5) Justice in so far as it relates to the judiciary and the courts structure

(6) Finance in relation to national revenue, monetary policy and external resources; customs

(7) Foreign trade; inter-province trade and commerce

(8) Ports and harbours

(9) Aviation and airports

(10) National transport

(11) Rivers and water supply; shipping and navigation; maritime zones; state lands and forests except to the extent specified in item 18 of List 1

(12) Minerals and mines

(13) Immigration and emigration and citizenship

(14) Elections including Presidential, Parliamentary, Provincial Councils and Local Authorities

(15) Census and statistics

(16) Professional occupations and training

(17) National archives; archaeological activities and sites and antiquities declared by or under any law made by Parliament to be of national importance

(18) All subjects and functions not specified in List 1 or List 3

Concurrent List

Concurrent list shown here is not a complete version. For a detailed description, see the Ninth Schedule of the Thirteenth Amendment to the Constitution.

(1) Planning

(2) Education and educational services

(3) Higher education

(4) National housing and construction

(5) Acquisition and requisitioning of property

(6) Social services and rehabilitation

(7) Agricultural and agrarian services

(8) Health

(9) Registration of births, marriages and deaths

(10) Renaming of towns and villages

(11) Private lotteries within the Province

(12) Festival and exhibitions

(13) Rationing of food and maintenance of food stocks

(14) Co-operatives

(15) Surveys

(16) Irrigation

(17) Social forestry and protection of wild animals and birds

(18) Fisheries

(19) Animal husbandry

(20) Employment

(21) Tourism

(22) Trade and commerce in, and the production, supply, and distribution of the products of any industry controlled by the Government, imported goods and the like

(23) Newspapers, books, and periodicals and printing presses

(24) Offenses against statutes

(25) Fees

(26) Charities and charitable institutions, and the like

(27) Price control

(28) Inquiries and statistics for the purpose of any of the matters in this list or in the Provincial Council List

(29) Adulteration of foodstuffs and other goods

(30) Drugs and poisons

(31) Extension of electrification within the Province and the promotion and regulation of the use of electricity within the Province

(32) Protection of the environment

(33) Archaeological sites and remains other than those declared by or under any law made by Parliament to be of national importance

(34) Prevention of the extension from one Province to another of infectious or contagious diseases or pests affecting human beings, animals or plants

(35) Pilgrimages

Table 1.1 Summary of Estimated Expenditure by Central Ministry in 1995

(Estimates 1995) (In Rs. Million)	Recurr. Exp.	Cap. Exp.	Total Exp.	Recurr. Exp.	Cap. Exp.	Total Exp.
President, Prime Ministrer, and Other Central Functions	992	276	1,268	0.4%	0.1%	0.5%
Buddha Sasana	46	6	52	0.0%	0.0%	0.0%
Defence	21,228	3,501	24,729	8.6%	1.4%	10.0%
Foreign Affairs	1,173	171	1,344	0.5%	0.1%	0.5%
International and External Trade, Commerce and Food	3,127	426	3,553	1.3%	0.2%	1.4%
Media, Turism and Civil Aviation	542	354	896	0.2%	0.1%	0.4%
Education and Higher Education	5,587	3,484	9,071	2.3%	1.4%	3.7%
Irrigation, Power and Energy	536	8,685	9,222	0.2%	3.5%	3.7%
Labour and Vocational Training	377	509	885	0.2%	0.2%	0.4%
Housing, Construction and Public Utility	278	6,118	6,396	0.1%	2.5%	2.6%
Industrial Development	206	223	430	0.1%	0.1%	0.2%
Fin., Planning, Ethnic Affairs and Nat'l Integration	50,753	51,229	101,982	20.6%	20.8%	41.4%
Transport, Environment and Women's Affairs	2,004	5,153	7,157	0.8%	2.1%	2.9%
Justice and Constitutional Affairs	948	154	1,102	0.4%	0.1%	0.4%
Fisheries and Aquatic Resources	147	831	978	0.1%	0.3%	0.4%
Youth Affairs, Sports and Rural Development	4,568	177	4,745	1.9%	0.1%	1.9%
Posts and Telecommunication	1,517	4,069	5,586	0.6%	1.7%	2.3%
Health, Highways and Social Services	11,122	8,630	19,753	4.5%	3.5%	8.0%
Agriculture, Lands and Forestry	2,712	2,203	4,916	1.1%	0.9%	2.0%
Shipping, Ports, Rehabilitation and Reconstruction	2,186	5,487	7,673	0.9%	2.2%	3.1%
Livestock Development and Rural Industries	220	117	337	0.1%	0.0%	0.1%
Co-operatives, Provincial Councils and Indigenous Medicine	13,550	1,471	15,021	5.5%	0.6%	6.1%
Cultural and Religious Affairs	203	143	346	0.1%	0.1%	0.1%
Science, Technology and Resource Development	406	259	665	0.2%	0.1%	0.3%
Public Adm'n, Home Affairs, Plantation Ind's and Parliamentary Affairs	15,902	2,528	18,431	6.5%	1.0%	7.5%
Total Expenditure	140,331	106,205	246,536	56.9%	43.1%	100.0%

Source: Estimates of the Revenue and Expenditure of the Government of the Democratic Socialist Republic of Sri Lanka for the Finalcial Year, 1st January, 1995 to 31st Desember, 1995.

Table 1.2 Classification of Government Officers
within the Central Government, Provincial Governments,
Public Corporations and Statutory Boards.

Classification	Positions	Posts
		Secretary, Additional Secretary *
Class 1	Heads of Departments	Director General, Additional Director General, Senior Assistant Secretary
Class 2-1	Heads of Divisions	Director, Additional Director, Assistant Secretary, Commissioner
Class 2-2	Heads of Subjects and Projects	Deputy Director, Deputy Commissioner, Assistant Director, Assistant Commissioner

* Appointed by the President from senior public service, majority belongs to SLAS.

Note: The above classification table is a general guideline to understand organizational hierarchy. However, in some cases where there are human resource shortages, there may be exceptions in terms of the personnel assignment.

Source: Interview with RDD Addl. Director.

Table 4.1 Recommended Functional Division among the Government Institutions after the Establishment of SDA

Function	Project Category	SDA	Line Ministries	Provincial Ministries	Implementing Agencies under Line Ministries or Provincial Ministries	Minotoring and Performance Review Division of MPIEANI
Planning	Regional Planning	(1) Preparation of Southern Area's long-term indicative development plans including national, provincial and inter-provincial projects (2) Review of national development projects related to Southern Area planned by line ministries (3) Rview of provincial development projects within Southern Area (4) Submission of comments on national development projects to line ministries (5) Submission of comments on provinical development projects within Southern Area to provincial ministries	(1) Presentation of balanced view on the sector specific national projects in Southern Area. (2) Arrangement of balanced implementation plans for the Southern Area development in relation to development projects (3) Facilitating SDA with information and data pertaining to the sector (4) Preparation of indicative plans for Southern Area in consultation with SDA (5) Submission of comments on SDA's indicative regional plans with regard to the projects to be coordinated by line ministries	(1) Presentation of balanced view on provincial development projects in Southern Area (2) Arrangement of balanced implementation plans for provincial development projects including such projects that are not covered by SDA's plans (3) Facilitating SDA with information and data pertaining to the province (4) Preparation of indicative plans for Southern Area in consultation with SDA with regard to the province (5) Submission of comments on SDA's indicative regional plans with regard to the projects to be coordinated by provincial ministries	(1) Preparation of necessary information for SDA's regional planning (2) Submission of comments on SDA's indicative regional plans	(1) Preparation of necessary information for SDA's regional planning (2) Submission of comments on SDA's indicative regional plans (3) Evaluation of SDA's indecative development plans
Monitoring and Coordination	Regional Development Projects by Line Ministries (so called National Regional Projects)	(1) Implementation facilitation of regional development projects by line ministries within Southern Area (2) Attendance to coordination sessions of development projects related to Southern Area held by line ministries (3) Performance evaluation of such projects based on the information monitored and reviewed by M&PRD and line ministries (4) Coordination with provincial development projects prepared by provincial ministries (5) Recommendations to line ministries for improvement of project management Responsible for regional level development project coordination as well as monitoring, performance evaluation, recommendation for project management	(1) Inter-ministry as well as inter-sectoral coordination for regional development projects (by MPIEANI) (2) Monitoring & progress review, and performance evaluation (3) Implementation facilitation (4) Order for improvement of project management Responsible for performance of project implementation, and results and impacts of projects	(1) Performance evaluation based on the information monitored and reviewed by M&PRD and line ministries (2) Cooperation through coordination within provincial ministries (3) Recommendations to SDA for improvement of project management Responsible for assistance of central ministries	(1) Implementation based on the line ministry as well as SDA's coordination (2) Project management Responsible for project implementation only	(1) Monitoring and performance review of regional development projects by line ministries
	Provincial Development Project by Provincial Ministries	(1) Coordination of provincial (regional) development projects in relation to other regional development projects within Southern Area by central line ministries and other provinces (2) Attendance to coordination sessions of provincial development projects related to Southern Area held by provincial ministries (3) Performance evaluation based on the information monitored by provincial ministries (4) Implementation facilitation of provincial development projects by provincial ministries (5) Recommendations to provincial ministries for improvement of project management Responsible for provincial level development project coordination as well as monitoring and recommendation for project management within Southern Area		(1) Coordination of provincial development projects within the province concerned (2) Monitoring, progress review and performance evaluation Performance evaluation (3) Implementation facilitation (4) Order for improvement of project management Responsible for performance of project implementation, and results and impacts of projects	(1) Implementation based on the provincial ministries as well as SDA's coordination (2) Project management Responsible for project implementation only	

(Table 4.1 continued) Recommended Functional Division among the Government Institutions after the Establishment of SDA

Function	Project Category	SDA	Line Ministries	Provincial Ministries	Implementing Agencies under Line Ministries or Provincial Ministries	Monitoring and Performance Review Division of MPIEANI
Monitoring and Coordination	Inter-Provincial Development Project Jointly Done by Provinces	(1) Inter-provincial coordination within Southern Area (2) Attendance to each province's coordination sessions of provincial development projects (3) Performance evaluation based on the information monitored by provincial ministries (4) Implementation facilitation of provincial development projects by provincial ministries (5) Recommendations to provincial ministries for improvement of project management Responsible for regional (inter-provincial) level development project coordination as well as monitoring and recommendation for project management within Southern Area		(1) Coordination of inter-provincial development projects within the province concerned (2) Monitoring, progress review and performance evaluation Performance evaluation (3) Implementation facilitation (4) Order for improvement of project management Responsible for performance of project implementation, and results and impacts of projects	(1) Implementation based on the provincial ministries and SDA's coordination (2) Project management Responsible for project implementation only	
	Private Sector Development Project (in commercial nature, mostly productive sector)	(1) Investment promotion within Southern Area in cooperation with BOI, provincial ministries, chambers of commerce and chamber of industries (2) Investor support services Responsible for private investment promotion within Southern Area in cooperation with BOI, provincial ministries and chambers		(1) Investment promotion in cooperation with SDA and BOI		
	Private Sector Development Project (in public nature, mostly infrastructure sector)	(1) Investment invitation in cooperation with BOI, provincial ministries, chambers of commerce and chamber of industries (2) Equity participation by forming joint venture companies as independent entities under BOI's regulations (3) Monitoring & progress review, and performance evaluation (4) Recommendation for improvement of project management (5) Implementation facilitation Responsible for regional level development project coordination, private investment promotion as well as monitoring, evaluation and recommendation for project management in cooperation with BOI, provincial ministries and chambers		(1) Investment promotion in cooperation with SDA and BOI		
	Bottom Up Development Project (in public nature, such as community driven or NGO driven projects)	(1) Formulation of policy and guidelines for financing bottom up development projects to be financed by SDA (2) Financing for projects meeting SDA's criteria through provincial ministries (3) Performance evaluation based on the information monitored by provincial ministries (4) Request for improvement of project management (5) Support for implementation and / or implementation facilitation Responsible for fund managemnt		(1) Project proposal invitation (2) Selection of promising proposals in public nature (3) Request for funding to SDA with regard to the projects selected (4) Monitoring & progress review, and performance evaluation (5) Request for improvement of project management (6) Support for implementation and / or implementation facilitation Responsible for project selection, monitoring and performance evaluation	(1) Implementation based on their own proposals and SDA's suggestions (2) Project management Responsible for performance of project implementation, and results and impacts of projects	

Table 5.1 Distribution of Government Expenditure

	Distribution of Government Expenditure (Rs. Millions)						Expenditure Item / GDP (%)						Curr. Exp. Item / Total Curr. Exp. and Cap. Exp. Item / Total Cap. Exp. (%)					
	1990	1991	1992	1993	1994	1995 (Est)	1990	1991	1992	1993	1994	1995	1990	1991	1992	1993	1994	1995
Current Expenditure																		
Expenditure on Goods and Services	31,069	40,093	41,039	47,646	55,241	56,549	10.7	11.9	10.6	10.5	10.6	n.a.	42.9	45.9	45.4	45.7	42.7	41.2
Salaries and Wages	17,337	19,509	22,350	27,844	31,140	35,052	6.0	5.8	5.8	6.1	6.0	n.a.	24.0	22.4	24.7	26.7	24.1	25.6
Other Goods and Services	13,732	20,584	18,689	19,802	24,101	21,497	4.7	6.1	4.8	4.4	4.6	n.a.	19.0	23.6	20.7	19.0	18.6	15.7
Interest Payments	20,802	22,244	25,976	30,214	40,927	40,155	7.2	6.6	6.7	6.7	7.8	n.a.	28.7	25.5	28.7	29.0	31.6	29.3
Foreign	3,678	4,113	4,739	5,102	5,511	6,361	1.3	1.2	1.2	1.1	1.1	n.a.	5.1	4.7	5.2	4.9	4.3	4.6
Domestic	17,124	18,131	21,237	25,112	35,416	33,794	5.9	5.4	5.5	5.5	6.8	n.a.	23.7	20.8	23.5	24.1	27.4	24.6
Transfer Payments	20,504	24,927	23,350	26,454	33,179	40,396	7.1	7.4	6.0	5.8	6.3	n.a.	28.3	28.6	25.8	25.4	25.7	29.5
Transfers to Public Enterprises	4,018	2,240	2,420	2,866	3,436	9,053	1.4	0.7	0.6	0.6	0.7	n.a.	5.6	2.6	2.7	2.7	2.7	6.6
Transfers to other levels of Government	1,237	1,050	1,111	896	1,307	1,250	0.4	0.3	0.3	0.2	0.2	n.a.	1.7	1.2	1.2	0.9	1.0	0.9
Transfers to Households	15,057	21,471	19,628	22,557	28,274	29,844	5.2	6.4	5.1	5.0	5.4	n.a.	20.8	24.6	21.7	21.6	21.9	21.8
Transfers to Abroads	192	166	191	135	162	249	0.1	0.0	0.0	0.0	0.0	n.a.	0.3	0.2	0.2	0.1	0.1	0.2
Total Current Expenditure	72,375	87,264	90,365	104,314	129,347	137,100	24.9	25.9	23.4	23.0	24.7	n.a.	100.0	100.0	100.0	100.0	100.0	100.0
Capital Expenditure																		
Amortization Payments	12,210	17,782	26,078	27,290	22,671	38,190	4.2	5.3	6.7	6.0	4.3	n.a.	29.9	32.9	41.2	40.0	33.2	36.7
Foreigen	4,906	4,881	7,955	6,963	15,065	30,338	1.7	1.4	2.1	1.5	2.9	n.a.	12.0	9.0	12.6	10.2	22.0	29.2
Domestic	7,304	12,901	18,123	20,327	7,606	7,852	2.5	3.8	4.7	4.5	1.5	n.a.	17.9	23.9	28.6	29.8	11.1	7.5
Acquisition of Financial Assets	7,219	7,286	6,246	6,265	10,064	13,761	2.5	2.2	1.6	1.4	1.9	n.a.	17.7	13.5	9.9	9.2	14.7	13.2
Acquisition of Fixed Assets	13,903	17,679	18,623	20,957	22,007	35,208	4.8	5.2	4.8	4.6	4.2	n.a.	34.0	32.8	29.4	30.7	32.2	33.8
Capital Transfers	7,504	11,233	12,345	13,656	13,644	17,846	2.6	3.3	3.2	3.0	2.6	n.a.	18.4	20.8	19.5	20.0	20.0	17.2
Transfers to Public Enterprises	1,249	2,993	4,610	4,311	4,246	5,230	0.4	0.9	1.2	1.0	0.8	n.a.	3.1	5.5	7.3	6.3	6.2	5.0
Transfers to other levels of Government	6,146	7,940	7,691	9,300	9,347	12,567	2.1	2.4	2.0	2.1	1.8	n.a.	15.1	14.7	12.2	13.6	13.7	12.1
Transfers to Abroad	109	300	44	45	51	49	0.0	0.1	0.0	0.0	0.0	n.a.	0.3	0.6	0.1	0.1	0.1	0.0
Under Expenditure	0	0	0	0	-34	-955	0.0	0.0	0.0	0.0	0.0	n.a.	0.0	0.0	0.0	0.0	0.0	-0.9
Total Capital Expenditure	40,836	53,980	63,292	68,168	68,352	104,050	14.1	16.0	16.4	15.0	13.1	n.a.	100.0	100.0	100.0	100.0	100.0	100.0
Advance Account Operations	1,699	1,819	-150	410	2,462	500	0.6	0.5	0.0	0.1	0.5	n.a.						
Total Expenditure	114,910	143,063	153,507	172,892	200,161	241,650	39.5	42.4	39.7	38.2	38.2	n.a.						
GDP	290,615	337,399	386,999	453,092	523,300	n.a.	100.0	100.0	100.0	100.0	100.0	n.a.						

Source: Central Bank of Sri Lanka Annual Report 1994.

Table 5.2
Revenue Collected by Southern Province in 1993 and 1994, and Estimated Revenue in 1995

	(Rs. Million)		
	1993	1994	1995
Turnover Tax	119.34	126.21	180.00
Lottery and Prize Competition Tax	0.00	0.00	0.50
Liquor Related Rent and Fees	0.42	1.08	2.22
Motor Vehicles Registration Fees for Nursing Homes	50.32	57.21	73.00
Stamps including Composition Duties other than Postal and Court Purposes	38.08	41.82	50.00
Rent on Government Buildintgs	1.11	1.15	3.00
Revenue from Crown Forests	0.00	0.00	32.50
Agricultural Activities, Animal Production and Health Activities	1.67	2.01	2.50
Sundries	7.45	3.16	12.00
Court Fees	0.00	0.00	0.10
Fees under the Motor Traffic Act and Other Receipts of Motor Comm.	5.04	8.17	7.00
Fees Recovered under the Weight and Measures Ordinance	0.00	0.00	0.10
Registar of Business Names Activities	0.53	1.35	0.60
Fees Recovered under the Private Omnibus Act	3.46	3.12	3.50
Court Fines	0.00	1.50	0.50
Interest on Loans	1.69	0.52	0.50
Other Misellaneous Revenue	0.01	0.05	0.65
Total Revenue	229.13	247.35	368.67

	(%)		
	1993	1994	1995
Turnover Tax	52.1	51.0	48.8
Lottery and Prize Competition Tax	0.0	0.0	0.1
Liquor Related Rent and Fees	0.2	0.4	0.6
Motor Vehicles Registration Fees for Nursing Homes	22.0	23.1	19.8
Stamps including Composition Duties other than Postal and Court Purposes	16.6	16.9	13.6
Rent on Government Buildintgs	0.5	0.5	0.8
Revenue from Crown Forests	0.0	0.0	8.8
Agricultural Activities, Animal Production and Health Activities	0.7	0.8	0.7
Sundries	3.3	1.3	3.3
Court Fees	0.0	0.0	0.0
Fees under the Motor Traffic Act and Other Receipts of Motor Comm.	2.2	3.3	1.9
Fees Recovered under the Weight and Measures Ordinance	0.0	0.0	0.0
Registar of Business Names Activities	0.2	0.5	0.2
Fees Recovered under the Private Omnibus Act	1.5	1.3	0.9
Court Fines	0.0	0.6	0.1
Interest on Loans	0.7	0.2	0.1
Other Misellaneous Revenue	0.0	0.0	0.2
Total Revenue	100.0	100.0	100.0

Source: Southern Province Ministry of Finance.

Table 5.3

Financial Situation of Southern Province

(Rs. Million)

	1993	1994	1995(Est.)
Revenue	229.12	247.35	285.51
Expenditure			
Recurrent Expenditure	1,853.42	2,120.00	2,139.16
Capital Expenditure	113.56	100.47	147.74
Total Expenditure	1,966.99	2,220.47	2,286.90
Rev. - Total Exp.	-1,737.86	-1,973.12	-2,001.39
Grant			
Block Grant	1,522.70	1,854.44	1,903.65
Criteria Grant	147.74	118.19	147.74
Total Grants	1,670.44	1,972.63	2,051.39

Source: Ministry of Co-operatives, Provincial Councils and Indigenous Medicine

Table 5.4
Summary of Public Investment and the Southern Investment Allocaion

(Rs. Million)

Sector	1991	1992	1993	1994	1995	1996	1997	1998	1999
Total Public Investment	26,470.85	29,993.43	33,193.22	40,132.94	44,077.19	50,082.40	43,876.58	40,899.10	34,640.19
Public Investment --- Southern Allocation	3,227.68	3,544.85	4,538.81	5,138.78	5,685.16	6,226.69	5,642.30	4,541.09	3,354.63
Total Agriculture	7,335.85	6,797.23	6,704.52	6,980.54	8,234.44	8,165.60	6,606.10	4,964.10	3,357.80
Agriculture --- Southern Allocation	1,669.68	1,673.03	1,606.79	1,694.15	1,770.22	2,358.13	1,985.41	1,308.21	503.27
Total Industries	501.00	929.00	1,049.00	1,047.00	1,474.90	1,362.90	1,966.10	2,277.90	1,406.50
Industries --- Southern Allocation	62.63	116.13	131.13	130.88	184.36	170.25	245.76	284.74	175.81
Total Economic Infrastructure	7,737.00	8,815.00	9,248.70	12,964.30	11,899.24	16,220.70	14,237.90	14,518.80	13,047.39
Economic Infrastructure --- Southern Allocation	56.50	43.77	579.83	530.97	543.38	576.60	500.32	323.41	332.23
Total Transport	2,079.00	2,021.70	4,168.00	4,872.00	5,396.00	5,834.50	4,234.88	3,501.00	3,403.00
Transport --- Southern Allocation	259.88	250.84	455.00	576.38	650.88	571.50	461.63	425.88	425.38
Total Social Infrastructure	3,478.00	3,277.00	3,809.00	4,940.00	5,432.20	6,263.80	6,225.40	6,201.80	6,159.00
Social Infrastructure --- Southern Allocation	452.14	426.01	495.17	642.20	706.19	814.29	809.30	806.23	800.67
Total Human Settlements	3,486.00	6,476.00	6,149.00	7,330.00	7,991.50	8,965.00	6,984.20	5,318.80	4,098.30
Human Settlements --- Southern Allocation	363.76	722.00	923.72	1,071.32	1,165.34	1,003.45	928.78	767.07	511.18
Total MTIP	1,814.00	1,677.50	2,065.00	1,999.10	3,648.91	3,270.80	3,622.00	3,116.70	3,168.20
MTIP --- Southern Allocation	363.10	313.07	317.18	492.89	664.79	732.46	711.11	625.56	606.09

(%)

Share of Southern Province in :	1991	1992	1993	1994	1995	1996	1997	1998	1999
Public Investment	12.19	11.82	13.67	12.80	12.90	12.43	12.86	11.10	9.68
Agricultural Investment	22.64	24.61	23.97	24.27	21.50	28.88	30.05	26.35	14.99
Industrial Investment	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Economic Infrastructure Investment	0.73	0.50	6.27	4.10	4.57	3.55	3.51	2.23	2.55
Transport Investment	12.50	12.41	10.92	11.83	12.06	9.80	10.90	12.16	12.50
Social Infrastructure Investment	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Human Settlement Investment	10.43	11.15	15.02	14.62	14.58	11.19	13.30	12.14	12.47
MTIP	20.02	18.66	16.81	24.66	18.22	22.39	19.63	20.07	19.13

(%)

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Southern Province Public Investment Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Share of Agricultural Investment	51.73	47.20	35.40	32.97	31.14	37.87	35.19	28.81	15.00
Share of Industrial Investment	1.94	3.28	2.89	2.55	3.24	2.73	4.36	6.27	5.24
Share of Economic Infrastructure Investment	1.75	1.23	12.77	10.33	9.56	9.26	8.87	7.12	9.90
Share of Transport Investment	8.05	7.08	10.02	11.22	11.45	9.18	8.18	9.38	12.68
Share of Social Infrastructure Investment	14.01	12.02	10.91	12.50	12.42	13.08	14.34	17.75	23.87
Share of Human Settlement Investment	11.27	20.37	20.35	20.85	20.50	16.12	16.46	16.89	15.24
Share of MTIP	11.25	8.83	7.65	9.59	11.69	11.76	12.60	13.78	18.07

Note: Some minor sectors in terms of investment are excluded.

Sources: PIP, Estimation of the Government Budget, Data from Public Institutions, Data from Ministry of Provincial Councils and Interview.

Table 5.5
Southern Province Expenditure in 1993

	Expenditure (Rs. Million)			Share %		
1993	Recurrent	Capital	Total	Recurrent	Capital	Total
Governor	3.68	0.05	3.73	0	0	0
Provincial Council	12.02	0.30	12.32	1	0	1
Public Service Commission	1.95	0.07	2.03	0	0	0
Co-op. Commission	0.57	0.00	0.57	0	0	0
Chief Minister	9.55	13.88	23.43	1	3	1
Education	1018.42	100.00	1118.42	55	19	48
Local Government	102.90	0.00	102.90	6	0	4
Ministry of Highways	29.08	70.81	99.89	2	14	4
Highways	0.57	0.00	0.57	0	0	0
Ministry of Health.....	82.49	25.03	107.52	4	5	5
Health services	318.14	24.86	343.00	17	5	15
Ministry of Food & Co-op.....	34.71	7.54	42.26	2	1	2
Building	9.59	0.00	9.59	1	0	0
Ministry of Agriculture	27.70	17.31	45.02	2	3	2
Chief Secretary	180.08	57.82	237.90	10	11	10
Policy Planning	5.38	0.00	5.38	0	0	0
IRDP Matara	0.00	64.70	64.70	0	13	3
IRDP Hambantota	0.00	64.63	64.63	0	13	3
IRDP Southern Province	0.00	66.03	66.03	0	13	3
Others	1.00	0.00	1.00	0	0	0
Total	1837.84	513.04	2350.88	100	100	100

Source: Southern Province Ministry of Finance.

Table 5.6 Southern Area Regional GDP by Economic Sector

(Rs. Millions in 1982 prices)

	1995	(%)	2015	(%)
Agriculture	4,658	27.3	8,900	11.7
Industries	3,773	22.1	22,069	29.0
Services	8,605	90.5	45,008	59.2
Total	17,036	100.0	75,977	100.0

Table 5.7 Average Annual Growth Rate of Southern Area Regional GDP by Economic Sector

(%)

	1996-2000	2001-2010	2011-2015	1996-2015
Agriculture	2.89	3.88	2.51	3.29
Industries	7.88	10.73	7.64	9.23
Services	6.72	9.14	9.51	8.62
Total	6.00	8.53	8.00	7.76

Table 5.8
Summary of GDP and Gross Domestic Fixed Capital Formation (Rs. Millions)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995(est)
GDP at 1975 Constant Prices	37,266	39,199	41,062	43,118	45,317	47,236	48,003	49,336	50,310	53,410					
GDP at 1982 Constant Prices		94,679					115,922	119,050	121,729	129,244	135,204	140,990	150,783	159,269	169,127
GDP at Current Factor Cost Prices		94,679					177,731	203,516	228,138	290,615	337,399	386,999	453,092	523,300	
GDP at Current Market Prices		99,238	121,601	153,746	162,375	179,474	196,723	221,982	251,891	321,784	372,345	425,283	449,760	578,795	
Gross Domestic Fixed Capital Formation at Current Market Prices		30,279	35,342	39,558	38,457	42,326	45,752	49,961	54,249	70,417	84,206	100,039	126,070	154,310	
CCPI(1952=100)		416.1	474.2	553.1	561.2	606	652.8	744.1	830.2	1008.6	1131.5	1260.4	1408.4	1527.4	
GDP (Inflation Adjusted by CCPI)		23,850	25,643	27,797	28,934	29,616	30,135	29,832	30,341	31,904	32,907	33,742	31,934	37,894	
GDFCF (Inflation Adjusted by CCPI)		7,277	7,453	7,152	6,853	6,984	7,009	6,714	6,534	6,982	7,442	7,937	8,951	10,103	
ICOR		4.06	3.46	6.29	10.04	13.46	-23.13	13.20	4.18	6.96	8.92	-4.39	1.50		

Sources: Central Bank of Sri Lanka Annual Report 1994; A New Future for Ruhuna, Ministry of Plan Implementation, Ethnic Affairs and National Integration.

Table 5.9

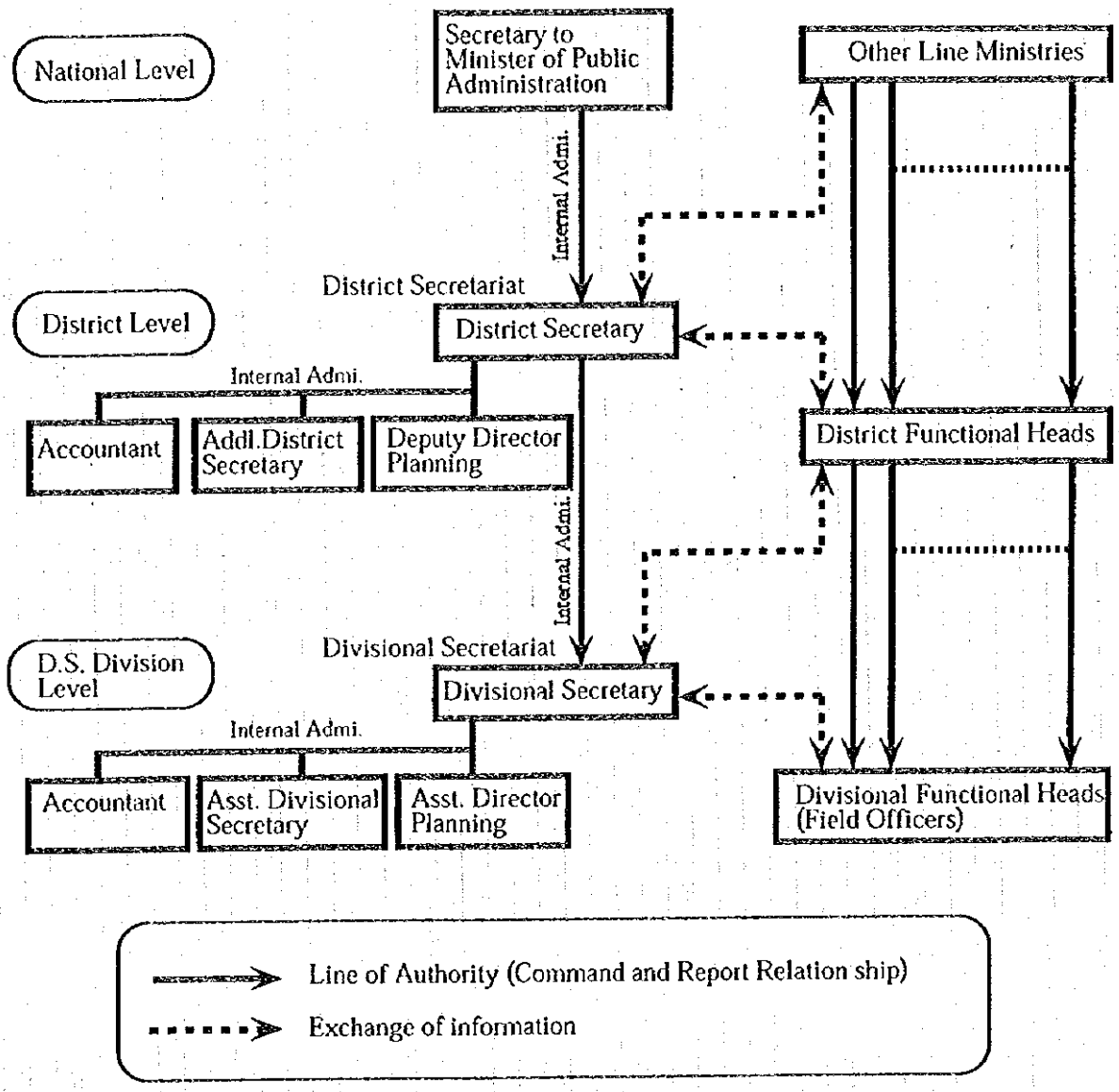
Projected GDP and Southern Area GRDP, and Required Investment for 1995-2015 Period

(Rs.Millions, at 1982 Constant Prices)

	Year	1995	2000	2005	2010	2015
		1995-2000	2000-2005	2005-2010	2010-2015	1995-2015
National	GDP	169,127	221,042	302,847	414,927	581,956
	GDP Increase	51,915	81,805	112,080	167,029	412,829
	ICOR (National)	5	4.8	4.5	4.5	4.825
	Cummulative Gross Fixed Capital Formation	284,905	342,060	409,024	459,732	2,107,671
	Average GFCF	56,981	68,412	81,805	91,946	105,384
Southern Area	Southern Area GDP	17,036	19,142	21,508	24,744	29,147
	Southern Area GDP Increase	2,106	2,366	3,236	4,403	58,940
	ICOR (Southern Area)	5.5	5.5	5.5	5	4.75
	Cummulative Southern Area Gross Fixed Cap. Formation	36,770	46,511	58,653	66,356	287,821
	Average Southern Area GFCF	7,354	9,302	11,731	13,271	14391.026
	Average National GFCF/GDP Ratio (%) (1)	28.50%	32.50%	31.68%	31.50%	31.05%
	Average Southern Area GFCF/GDP Ratio (%) (2)	35.79%	42.67%	37.92%	32.00%	37.09%
	(2) / (1)	12.91%	13.60%	14.34%	14.43%	13.66%
Assumptions	Public / Total Investment (National)	50%	45%	40%	40%	43%
	Private / Total Investment (National)	50%	55%	60%	60%	57%
	Public / Total Investment (Southern Area)	60%	55%	50%	45%	51%
	Private / Total Investment (Southern Area)	40%	45%	50%	55%	49%
	Investment (National)(3)	142,452	153,927	163,610	183,893	643,882
	Investment (National)(4)	142,452	188,133	245,414	275,839	851,839
	Cummulative Public Investment (Southern Area) (5)	22,062	25,581	29,327	29,860	106,830
	(5) / (3)	15%	17%	18%	16%	17%
	Cummulative Private Investment (Southern Area)(6)	14,708	20,930	29,327	36,496	101,460
	(6) / (4)	10%	11%	12%	13%	12%

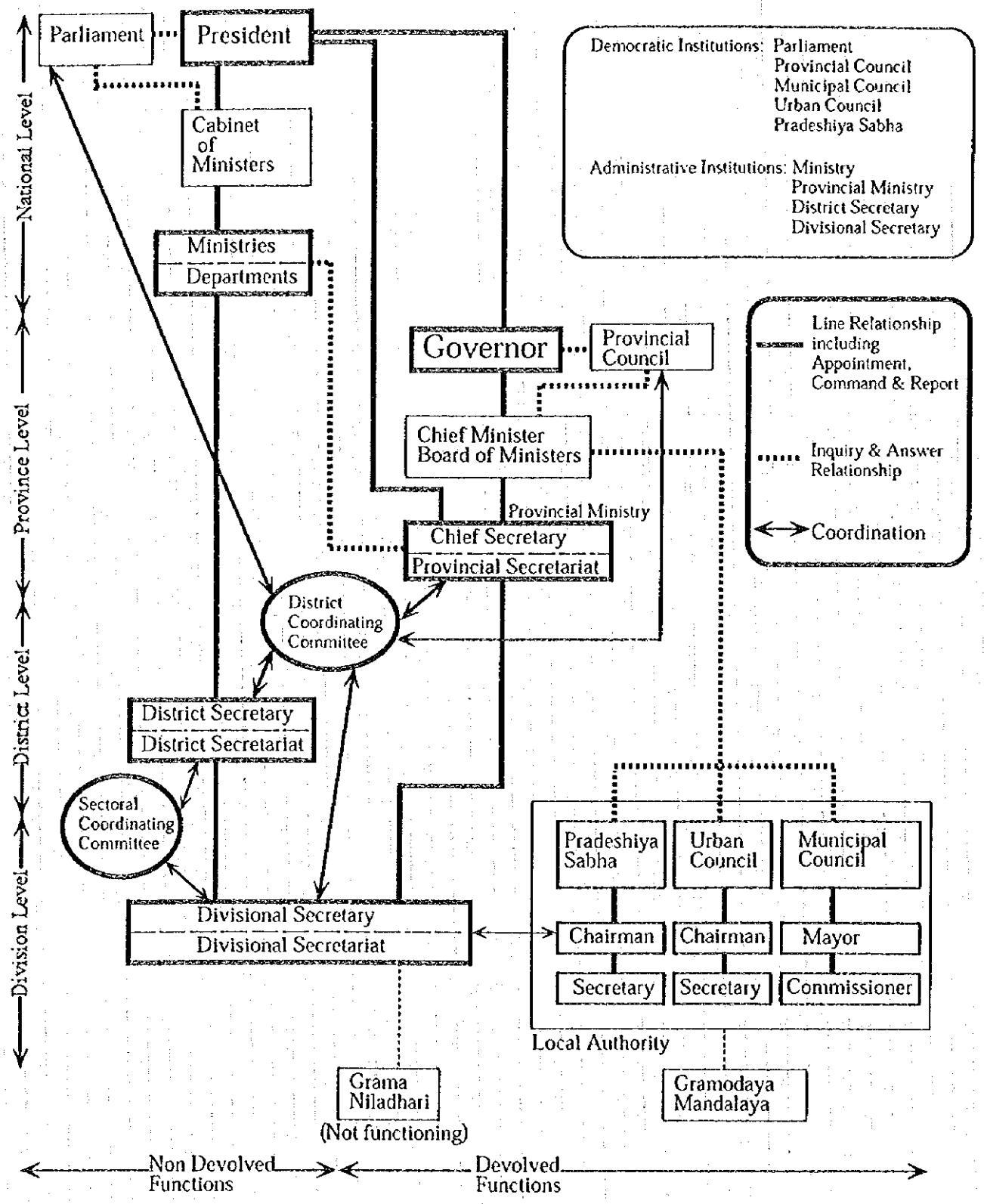
Figure 1.1

Line of Authority for Non-Devolved Issues



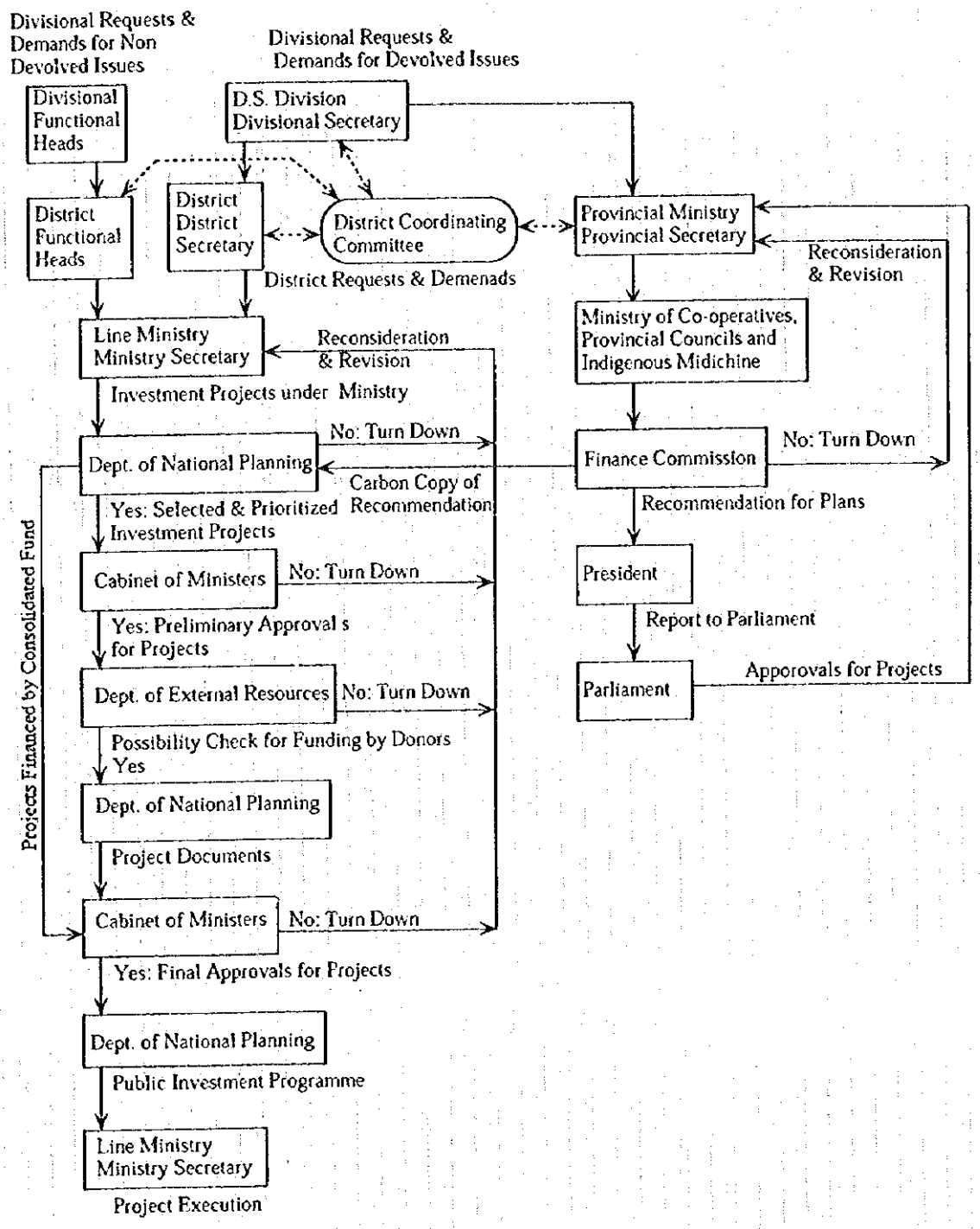
Source: Interview with Sri Lanka Institute of Development Administration.

Figure 1.2 Structure of Government Administration



Sources: The CRDS Monograph Series: No.14 Provincial Councils, Centre for Regional Development Studies; Sri Lanka Institute of Development Administration; Provincial Ministry of Southern Province; Moneragala District Secretariat.

Figure 1.3 Process of Public Investment Planning



Source: Interview with Ministry of Finance, Planning, Ethnic Affairs and National Integration.

Figure 2.1 Organization Chart of Ministry of Plan Implementation, Ethnic Affairs and National Integration

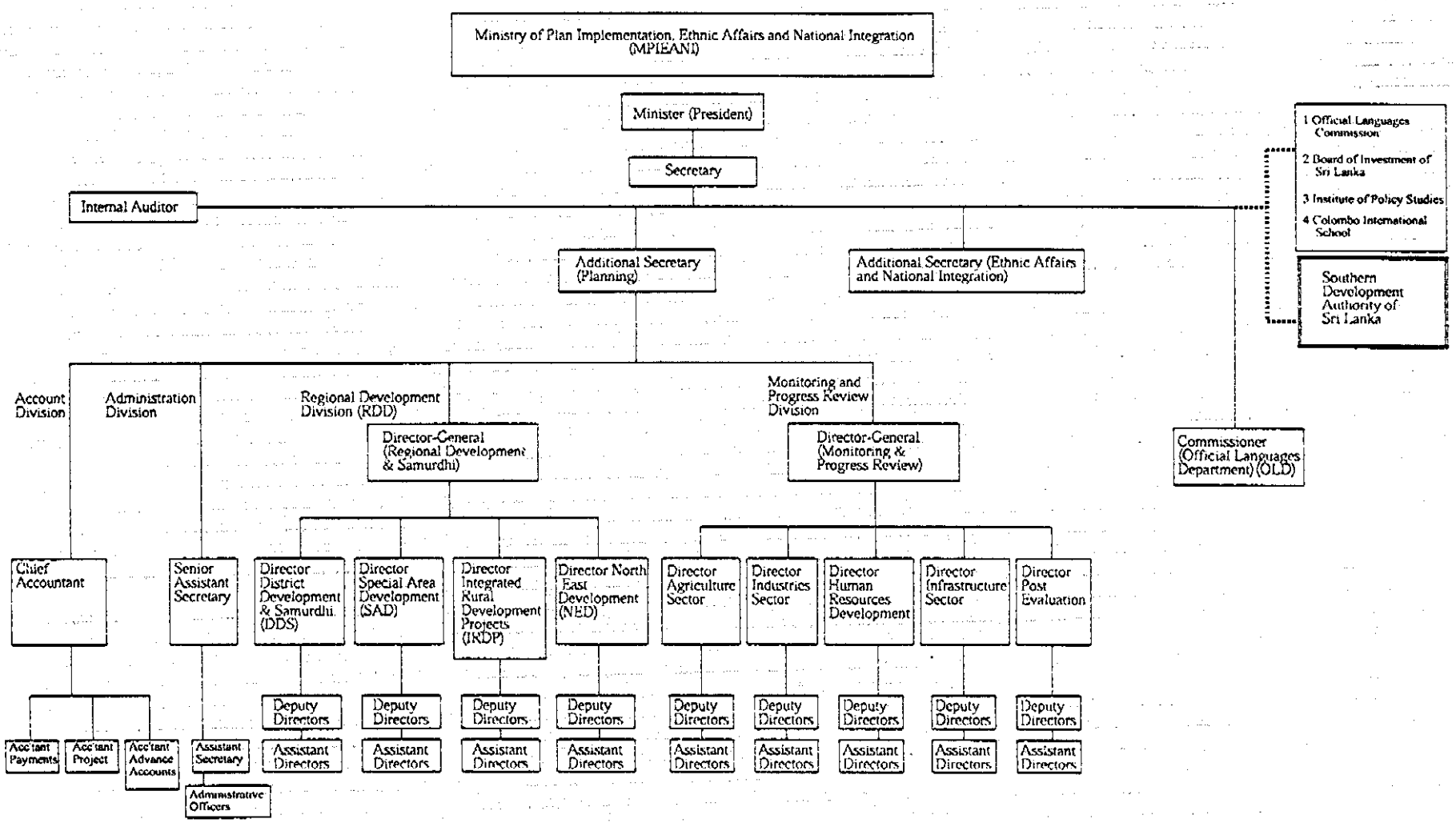
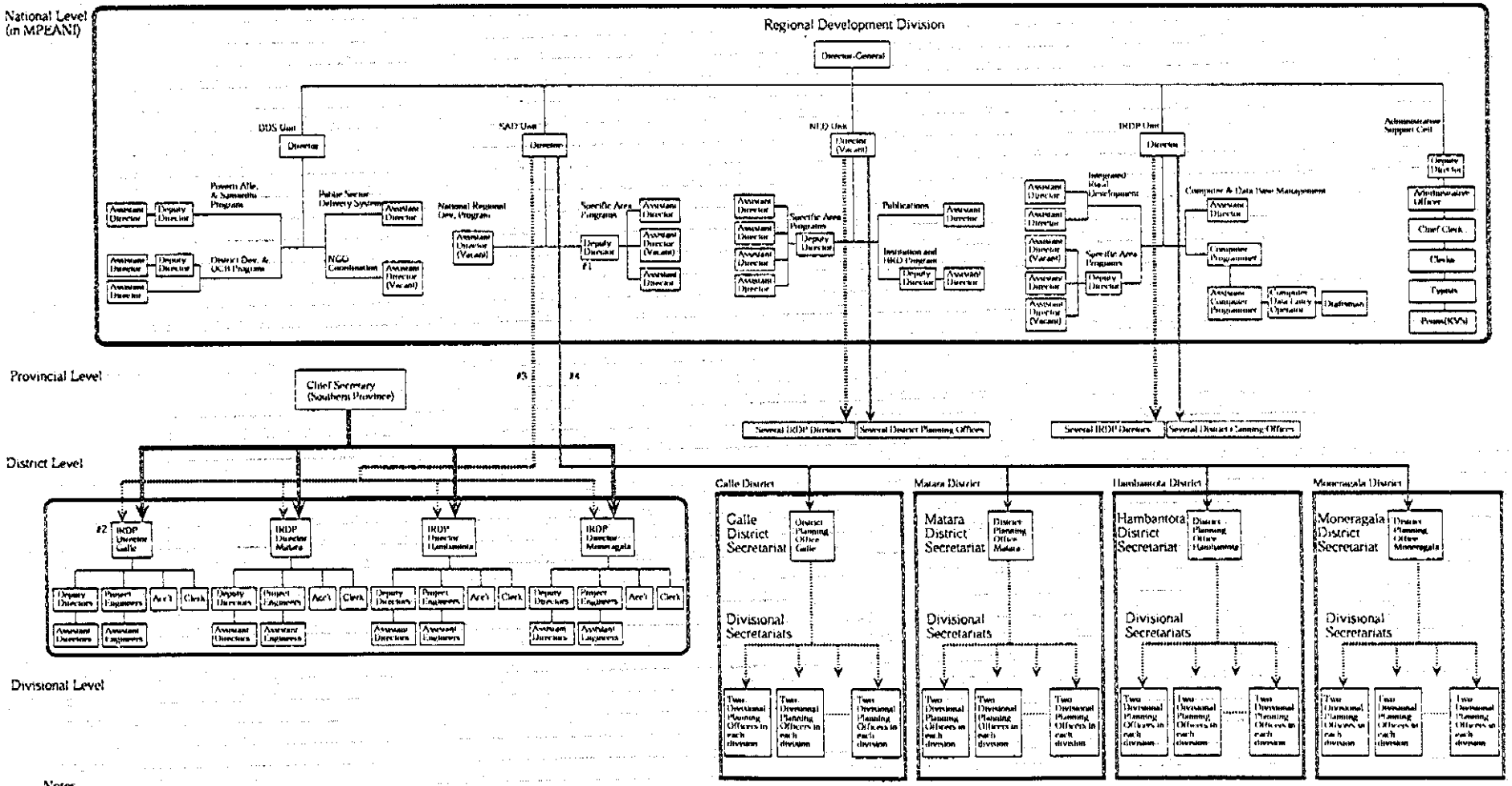


Figure 2.2 Functional Relationships among the Regional Development Organizations of Sri Lanka before the Introduction of Southern Development Authority



Notes

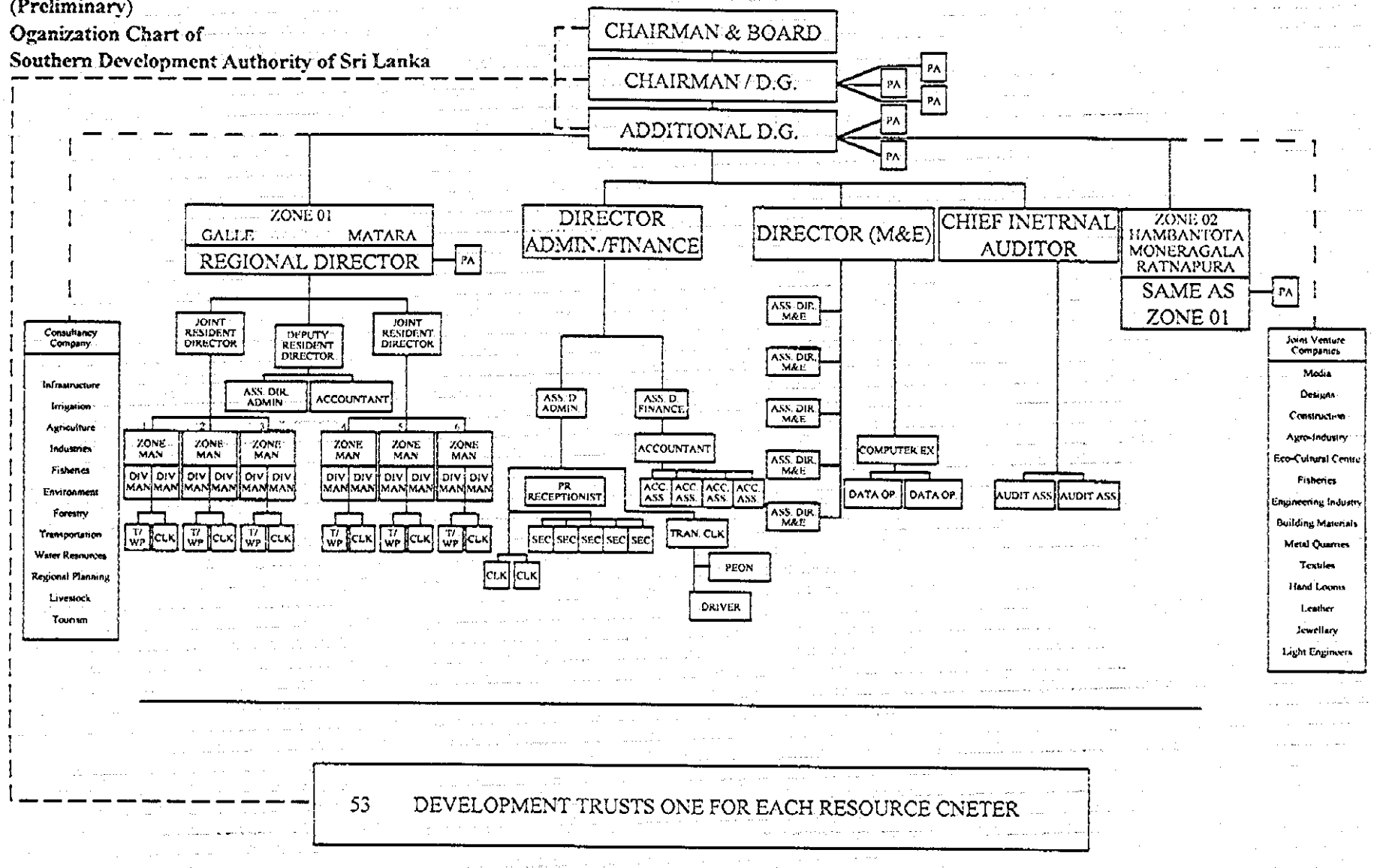
#1: Deputy Directors and Assistant Directors under the Directors of RDD provide staff functions. They do not carry line functions.

#2: The 15 IRDP Diretors are designated to Provincial Ministries from the Sri Lanka Planning Service. However, they work as if their designations are diretly to the three RDD Directors. 4 IRDP Directors are working under the SAD Director of RDD. According to the IRDP Unit Director, who is in charge of overall cordination of IRDP, the IRDP Directors have implementation responsibility of IRDPs, and the 3 RDD Diretors have facilitation responsibility of IRDPs.

#3: Dotted line shows indirect line of authority.

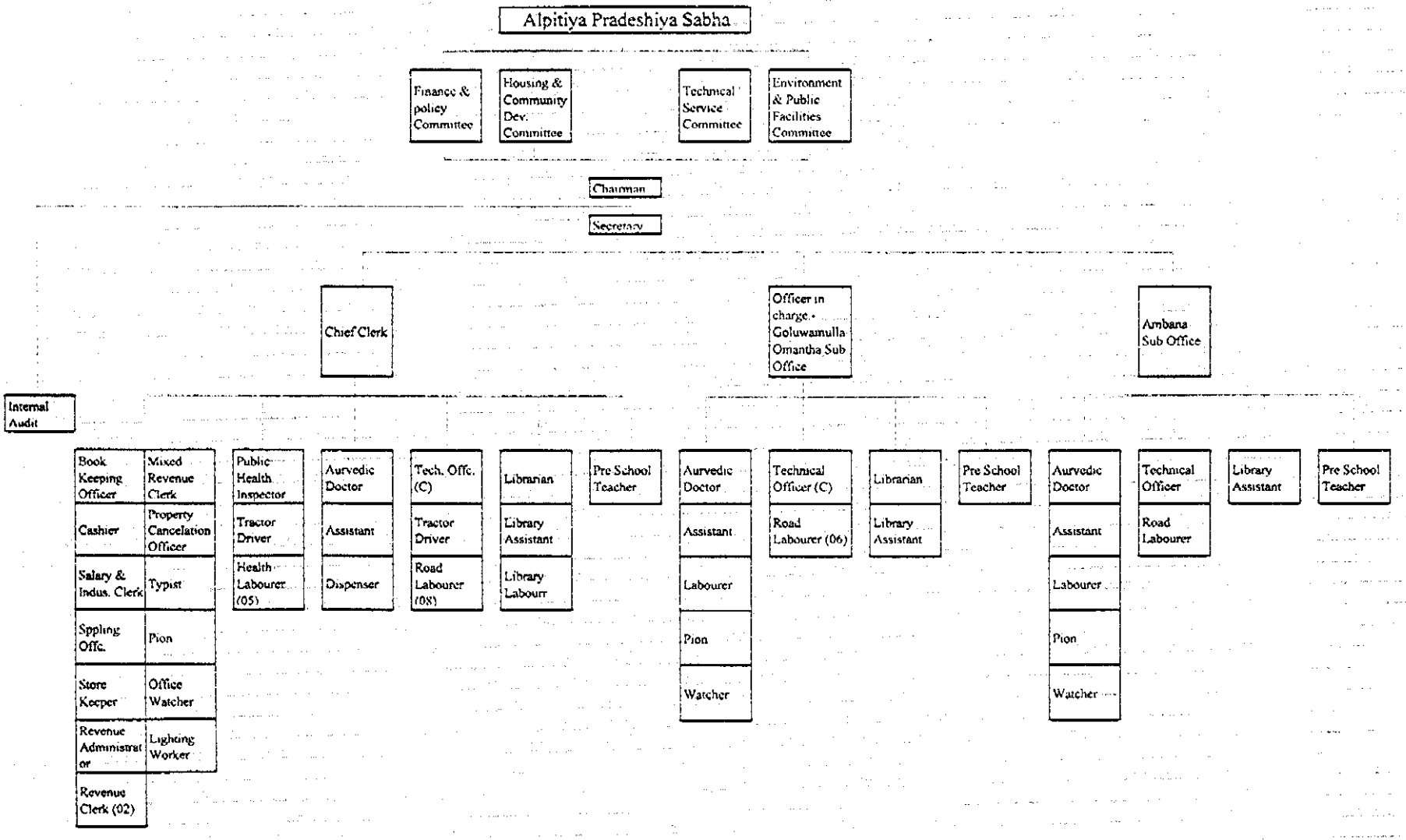
#4: Solid line shows direct line of authority.

Figure 2.3
(Preliminary)
Oganization Chart of
Southern Development Authority of Sri Lanka



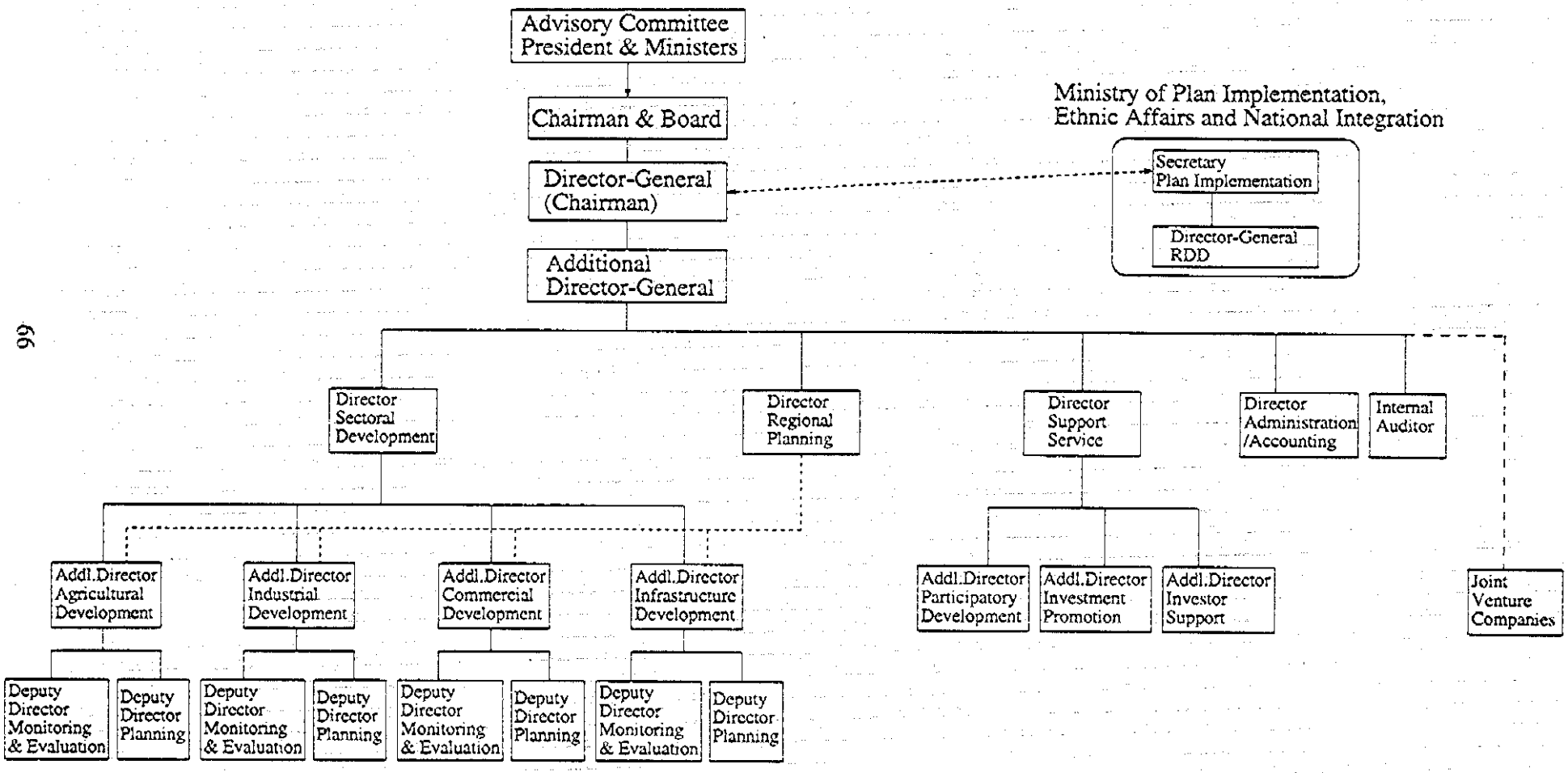
Source: The Task Force for the Southern Area Development

Figure 3.1 **Organization Chart of Alpitiya Pradeshiya Sabha**



Source: Southern Province Provincial Council

Figure 4.1 Recommended Organization of Southern Development Authority of Sri Lanka (SDA)



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