

## **Improvement via Sub-national Government in Sri Lanka: Challenges and Opportunities**

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### **Abstract**

*The study aims to explore significance of the subnational government for development in Sri Lanka. In this regard it also explores the challenges and opportunities occur at the sub-national government of Sri Lanka with special reference Eastern Provincial Council (EPC). Provincial Councils are being considered as sub-national governments in Sri Lanka. It has found that, EPC has faced challenges due to insufficient financial and Human resources too. EPC cannot work in an effective manner unless they are in a position to meet their financial needs and commitments. Although there are arrangements to meet the financial needs of EPC. However they are not sufficient thus EPC faced challenges. The inadequacy related to the human resource provided to the EPC has also contributed to the weak capacity. Especially infrastructure development took place in the eastern province. The participatory, people-centred development activities are far more effective than top-down, institutional delivery. Therefore the EPC too must take vital role in the development process thus it must have the capacity. EPC as a sub-national government cannot be work in an effective manner without meaningful support from bottom level to empower it.*

**Key words:** Eastern Province, Eastern Provincial Council, Subnational Government, Human Resource, Fiscal Resource

## **Introduction**

The Provincial Council system was introduced and they are being considered as sub-national governments in Sri Lanka. Sub national governments are an important feature of modern States that strive to maintain an effective and efficient administration of governmental affairs. In particular, this has become very common in States with large land area and ethno-cultural diversity. Sri Lanka (officially, The Democratic Socialist Republic of Sri Lanka) is a tropical island, comprised of a total terrain of 65,610 square kilometers. Sri Lanka became an independent state in 1948 after nearly four and half centuries of colonial domination (from 1505 to 1948). Sri Lanka is home to a population of more than 20 million. Though comparatively small, it is a land of diversity-diversity of peoples, scenery, climate, and religions. The centralized system of Sri Lanka, failed to satisfy the aspirations of the people and there was growing insistence on decentralization of administrative processes in order to achieve rapid economic and social development of the country. Consequently the Provincial Council system was introduced. The EPC is one of them. However the elections to the EPC were held in May 2008. Meaning, after the dissolution of the elected North-Eastern Provincial Council in July 1990 in controversial circumstances, there had been no elected Council, and the provincial administration of the two Provinces functioned through the exercise of powers by the Governor (CPA 2010, p.8). Further the Experience of the PC system during the last twenty two years has proved that the 13<sup>th</sup> Amendment, the first ever 'constitutional devolution' in the country did not establish effective regional governance considering the essence of devolution (Bandara 2010, p.171).

## **Material and Methods**

Non-probability sampling (purposive sampling) was used to select twenty respondents to collect primary data. Also in-depth and semi-structure interview methods were applied. Secondary data took significant place in this study. The study was carried out based on both qualitative and quantitative methods. However the qualitative method meant to analyze and interpret data is given priority.

## **Conceptualizing Decentralization**

The concept of decentralization is closely linked with democracy, development, public administration and good governance (Khan 2009, p.1). In the second-half of the twentieth century, practically every country has experimented with some form of decentralization or local government reform with varying aims and outcomes (Cheema & Rondinelli, 1983, Campbell 1991 cited in Andrew 1995, p.242). Among academics, it has become the latest fashion in

development administration. Within the current development debate, literature on decentralization and the suggested policy models are based on the liberal normative assumptions of decentralization, and the focus is on decentralization as a tool for development (Mustafa & Kirsten 1994, p.12-13).

The terminology most often used to discuss by Rondinelli (Parker & Kirsten 1995, p.242). According to Rondinelli, decentralization is the “transfer of authority to plan, make decision and manage public functions from national level to any individual organization or agency at the sub- national level” (Rondinelli 1981, p.137 cited in Tofail 1993, p.22). Later he defined decentralization as “the transfer of responsibility for planning, management, raising and allocation of resources from central government, semi-autonomous public authorities or corporations, area wide regional or functional authorities, or non-government private or voluntary organizations” (Rondinelli & Nellies 1986).

Leonard D. White observed “The process of decentralization denotes the transference of authority, legislative, judicial or administrative from a higher level of government to a lower” (Encyclopedia of the Social Sciences, Vol. V-VI 1959, p.43). Decentralization implies the establishment of relatively autonomous field and regional offices and delegation of decision-making powers and functions to them (Polinaidu 2004, p.199). Conyers observes decentralization as “the transfer of authority from a higher level of government to lower levels” (Conyers 1986 cited in Tofail 1993, p.22).

A decentralized organization is one, in which the lower levels are allowed the discretion to decide most of the matters, which come up, reserving comparatively a few bigger and more important problems only for those higher up. The essence of decentralization lies in the distribution of the power of decision (Ali et al 1983, p.20-21). Decentralization relates to the role of, and the relationship between, central and sub-national institutions, whether they are public, private or civic (UNDP 1997). Decentralization is not now seen as an end result in itself. A consensus view on the definition of decentralization is summarized in the following text.

“...decentralization must be seen as a process not a condition (so it is) futile in policy terms, to compare states by the extent of decentralization, or to rank them on a (single) continuum. What is at issue is a question of dimensionality. Hence we emphasize the verbs-to decentralize, or to make decentralizing moves, to introduce decentralizing moves, or to introduce decentralizing policies, and not an adjective such as decentralized state or even a decentralized delivery system” (Cohen 1981 cited in Tofail 1993, p.24).

Decentralizing governance refers to the restructuring or reorganization of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiarity, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capacities of sub-national levels (UNDP 1997).

Various form of decentralization is identified by scholars. Among them Rondinelli (1981), distinguishes between four different categories of decentralization (Parker & Kirsten 1995,

p.242-243) such as; Deconcentration (it is defined as a transfer of power to local administrative offices of the central government), Delegation (It is the transfer of power to sub-national governments and/or parastatals, or other government entities, Devolution (It is the transfer of power to sub-national political entities and Privatization (It is the transfer of power to the private sector). Each type and form is different from the others in nature, extent and degree. It also varies according to the nature of the organization where it is put into operation.

## **Devolution**

Devolution occurs when authority is transferred by central government to autonomous local-level government units holding corporate status granted under state legislation. It refers to the transfer of authority to legally constituted provincial, district and local bodies. Through devolution, the central government relinquishes certain functions or creates new units of government that are outside its direct control (UNDP 1997, p.5). It is the most common understanding of genuine decentralization. The devolution of Power to sub-national units of government is seen by many as the ideal form of decentralization as it combines the promise of local democracy with technical efficiency. The transfer of authorities to autonomous lower-level units, such as provincial, district, local authorities often referred to as devolution and is the most common understanding of genuine decentralization (UNDP 1997). It creates or strengthens sub-national units of governments outside the direct control of central government by legal means (Rondenelli & Nellis 1986).

Devolution in its purest form has certain fundamental characteristics (UNDP 1997) such as; Local units of government are autonomous, independent and clearly perceived as separate levels of government over which central authorities exercise little or no direct control. The local governments have clear and legally recognized geographical boundaries within which they exercise authority and perform public functions. Local governments have corporate status and the power to secure resources to perform their functions. It is an arrangement in which there are reciprocal, mutually beneficial, and coordinate relationships between central and local governments; that is, the local government has the ability to interact reciprocally with other units in the system of government of which it is a part.

## **Sub-national governance**

Sub-national governance can be defined in general, as a process of exercising administrative, legislative, economic and political authority and powers by provincially elected bodies functioning within their respective legally recognized territorial jurisdictions. In the words of James Gustava Speth, “Whenever change is for betterment, wherever human condition is

improving, people point to governance as the key. The better governance is not just national- it is local, it is regional (Provincial) and global” (WHO 2000). Better sub-national governance can also be defined as the effective and efficient exercise of authority and powers at sub-national level with the ample scope for the participation of the local people. Meaningful decentralization is a pre-requisite for effective and efficient exercise of authority and powers by sub-national government. The essence of decentralization is the dispersal of power and functions throughout a country. It also denotes the sharing of powers and functions between the central and local governments.

Sub-national governments across the world are generally designed according to the principles of subsidiarity. Meaning the central government is expected to play only a supporting role in governance, acting if and only if the constituent units of government are incapable of acting on their own (Daniel 2008, p.1). The decentralization is basically compatible with the supporting for the bottom level participation in the governance process. It has the idea of founding local autonomy by allocating power and resources from the center to the localities. Further it implies the establishment of relatively autonomous field and regional offices and delegation of decision-making powers and functions to them.

### **Sub-national Government in Sri Lanka**

Sri Lanka became an independent state in 1948, after nearly four and half centuries of colonial domination (from 1505 to 1948), by the Portuguese, the Dutch and the British. The concept of decentralization is not new in Sri Lanka. Its existence in varied forms is deep-rooted in history. Historical evidence indicates that an indigenous system of local government operated in Sri Lanka before the advent of the colonial powers (Leitan 2010, p.5). A different system of local government was introduced by the British during the latter part of their administration (1796-1948) (Laksiri Fernando p.2). With the introduction of universal franchise in 1931 that elected local authorities of four types - Municipal Councils, Urban Councils, Town Councils and Village Councils were established (Leitan 2010, p.5). Due to the lack of institutional capacity these councils were marginalized. Attempts were made, however, from time to time, to introduce some form of decentralization.

The ‘Indo-Lanka Agreement’ signed by President J. R. Jayawardene of Sri Lanka and Prime Minister Rajiv Gandhi of India on 29<sup>th</sup> July 1987 in Colombo (Shastri 1994, p.200), Commonly known as the Indo-Lanka Accord, this international bilateral agreement addressed a number of issues pertaining to the resolution of the conflict in Sri Lanka (CPA 2010, p.11). Among the provisions of the Indo-Sri Lanka Accord were two vital clauses, one pertaining to the official language and the other pertaining to setting up of Provincial Councils.

These two clauses were translated into constitutional provisions through the 13<sup>th</sup> Amendment to the Constitution (Jayaweera 1990, p.35). The Provincial Councils were established under the Thirteenth Amendment to the Constitution, which came into effect on 14 November 1987 along

with the Provincial Council Act No.42 of 1987 (Wickramaratne 2010, p.1).

The Provincial Councils Act, No. 42 of 1987 was certified on 14th November, 1987. The Act brought to provide for the procedure to be followed in Provincial Councils; for matters relating to the Provincial Public Service; and for matters connected therewith or incidental thereto (Preamble of Provincial Council Act. No. 42 of 1987). The main features of the Provincial Council Act, No. 42 of 1987 as amended by Act No. 27 of 1990 and Act No. 28 of 1990 may be referred to (Wickramaratne 2010, p.30). Part I of the Act deals with membership of Provincial Councils, Part II with meeting and conduct of business, Part III with finance and Part IV with the Provincial Public Service Commission (Ibid).

Provincial Councils Act No. 42 of 1987 provides the procedures to be followed by provincial councils in relation to; Membership of Provincial Councils, Meetings and conduct of business in Provincial Councils, Financial procedures of Provincial Councils and Establishment of Provincial Public Service Commission. Election to the Councils were not regulated under the 13th Amendment but under a separate Statute enacted by Parliament (Provincial Council Election Act, No. 2 of 1988 cited in Marasinghe 2009, p.12).

Provincial Council consists of members elected by the voters of the Province, on the basis of the List System of Proportional Representation, the number of members for each Provincial Councils being determined by its area and population (Leitan 2001, p.2). The system seeks to provide for a structure of devolved power-sharing through the creation of popularly elected Provincial Councils, each lead by a Chief Minister (CM), who commands a majority in the Provincial Council (Shastri 1994, p.206). Each Provincial Council has a Chief Minister and Board of Ministers. There is also a Governor for each Province, who is appointed by the President. A Board of Ministers is appointed from among the members of the Council, with the Chief Minister at its head, and consisting of not more than 4 other ministers. The Board of Ministers is to aid and advise the Governor in the exercise of his functions (Leitan 2001, p.4).

A Provincial Council, unless sooner dissolved, shall continue for a period of five years from the date appointed for its first meeting, with the expiration of the said period of five years by itself operating as dissolution of the Council (Hussain 2010, p.143). Once the Council is dissolved the power of the Council reverts to the Representative of the Executive President, namely the Governor because there is no Provincial Council to carry out a 'Caretaker Role'. Unlike Parliament, Provincial Council cannot assume the role of a care-taker administration, because once dissolved there is no Provincial Council as constituted under the 13th Amendment (Marasinghe 2009, p.12). The dissolved Provincial Council gets constituted only upon the holding of an election under the Provincial Council Election Act No. 2 of 1988 where fresh slates of members are elected to constitute it.

### **Eastern Provincial Council**

The Proclamation "merging" the Northern and Eastern Provinces was issued on 08.09.1988 by

the president (Wickramaratne 2010, p.09). Though the merged of the North-Eastern Province never officially acknowledge (CPA 2010, p.21). However an election was held for the merged Provincial Council at which the Ealam People's Revolutionary Liberation Front (EPRLF) won the 3 districts of the Northern Province uncontested while in the Eastern Province polling took place only in Ampara District. The governing party (EPRLF) in the merged Council made a unilateral declaration on independence and felt to India in March 1990 (Ruana 2008, p.84). When it declared independence unilaterally, the North-East Provincial Council was given to final below by the President using the powers assigned to him by the Constitution (Bandara 2010, p.50). After which the Council (North-East Provincial Council) were jointly administered by a Governor until 4<sup>th</sup> June 2008 (Ruana 2008, p.85). In Wijesekara vs Attorney-General, A fundamental rights application filed in 2006, the Proclamation made by the President "merging" the Northern and Eastern Provinces was challenged (Wickramaratne 2010, p.10). Consequently after a period of twenty years, as per judgment of the Supreme Court on 16<sup>th</sup> October 2006, the North-East Province has been de-merged into two separate provinces; viz: Northern Province and Eastern Province. The administration of the two provinces was brought under two Governors ([www.ep.gov.lk](http://www.ep.gov.lk)). Then following the end of armed hostilities in the Eastern Province in July 2007, elections to the EPC were held on 10<sup>th</sup> May 2008. The second election to Eastern Provincial Council held on 8 September 2012. Due to the prolonged war that lasted for more than twenty five years, the country faced immeasurable suffering. The Northern and Eastern Provinces of Sri Lanka are mostly ravaged areas by the war. Thus EPC is experiencing increasing pressure from their citizens, civil society organizations, and the media to provide accessible and affordable infrastructure and basic services.

### **Development via sub-national government**

As said earlier Provincial Council is considered as a subnational government in Sri Lanka. Thus it is expected to be fundamental institutions with the responsibility for steering the ship of sub-national governance in order to provide better service delivery and work for the development simply because they:

- Get popular legitimacy or mandate to govern their respective localities as they are normally elected by the local people especially in the country with democratic polity.
- Enjoy the authority to make political choice: the choice in policy making, financial resource mobilization (through the collection of revenues from tax and non-tax sources), resource collection for delivery of goods and services at sub-national level and addressing the local issues through the adoption of appropriate mechanism and strategies.
- Work as multi-purpose institutions in the process of delivering services and goods at sub-national levels.

- Enjoy constitutional status
- Exercise statute making power

However adequate institutional capacity is prerequisite in order to deliver better service and work for development in an effective manner.

### **Human Resource at Eastern Provincial Council**

An organization involves group of people working together interdependently to achieve common goals, managing those human resources is one dimension that can significantly constrain or assist the capacity of organization to perform. UNDP (1998, p.10) believes that human resources are central to capacity development and is the most critical factor to consider in analyzing capacity. Human resource with sufficient skills is essential for making comprehensive development policy and gain the benefits from other sector meant to regional development. Eastern Province has a pluralist society with different political options. So, sufficient human resources with skills are prerequisite to balance pluralism and make good foundation for the policy which is appropriate to the Province. Human resource dimension of capacity relates to the ability of an organization to recruit, utilize, train, and retain employees, especially those who are managerially, professionally, and technically capable. Thus the EPC had better to have such capacity.

The Central Government recruits and transfers staff grade personnel such as Sri Lanka Administrative Service, Sri Lanka Planning Service, Sri Lanka Engineering Service, Sri Lanka Accounting Service, and Sri Lanka Scientific Service to EPC. All the Provincial Ministry Secretaries belong to the centrally organized Sri Lanka Administrative Service. Other staff members come within the Provincial Public Service. It is worth noting here that, devolution of government power has been identified in the literature as the political form of decentralization under which 'the central government establishes regional government with legally conferred legislative and executive power in designated fields of policy and administration' (Sherwood, Frank cited in Bandara 2010, p.169). Further the section 32 of the Provincial Councils Act vests appointment, transfer, dismissal and disciplinary control of such officers (Provincial Public Service) with the Governor of the EPC. As a consequence the elected members of the EPC do not have control over their public officers who are expected to implement the decision of the EPC. Also the nature of the Provincial Public Service Commission is such that it inspires no confidence as to its impartiality and independence. It is symptomatic of the weak institutional framework that no one makes any material distinction between the Governor and the Provincial Public Service Commission (CPA 2010, p.60).

The Provincial Public Service Commission appoints the other grade personnel. Also it deals with transfers, promotion, extension, retirement approval, re-instatement, termination of service, conducting exams and interviews for recruitment and promotion. In case of staff grade personnel, they would be recalled by the central government at any time. Another problem is,



when a vacancy occurs in a staff grade position, EPC has to wait until the National Public Service Commission or the relevant line ministry to appoint or transfer a new person. Noteworthy, there were delays in appointing the personnel to particular post. Some of the Cadres requested by the EPC were not approved by the Central Government on time.

The inadequacy of the human resource is one of the factors which contribute for the weak institutional capacity of the EPC. According to the Chief Minister of the EPC, ‘the council had been working towards regional development without a proper development plan. Thus, it faced challenged related to identification of problems, and mobilizations of resources as well as balanced regional development’ (<http://www.ep.gov.lk/> -Budget Speech 2012).

The EPC’s staffs obtained multiple training in provincial, national as well international level. These programme were organized by various sectors such as EPC, Universities, Private sector, NGOs and donors. The EPC established a unit namely Management Development and Training Department (MDTD) intend to provide multiple training. Thus it has conducted numerous programme since 2009. (See Table I).

Table I

<b>HR Development activities organized by MDTD</b>	
<b>Year</b>	<b>Name of Programme</b>
2009	Induction Training for Newly Appointed Management Assistant (MA)
2009	Disciplinary Procedures
2009	New Trends in Public Financial Management
2009	Traffic Rules and Safe Driving
2009	Basic Computer Maintenance operation
2010	Training Programme on Office Administration and Management Techniques
2010	Safety Management Quality and Implementation
2010	Training on Office System
2010	Training Programme on Web Based Human Resource Database
2012	Workshop on Pension Matters
2012	Workshop for Minor Staff on Productivity & Service Delivery Improvement

Source: Administrative Report-2009, 2010 & 2011, Provincial Planning Secretariat, EPC, Trincomalee.

The legislation is thus the framework by which governments of whatever persuasion seek to achieve their purposes. Statutes are necessary for running the EPC. The subject allocated to the EPC cover a range of items, which are of particular relevance to the regional development and Provincial governance. Very recently a legal unit has been established at EPC. They allocated 0.50 million through Criteria Based Grant to establish the unit (EPC Annual Implementation Programme- Status Report-2012). The officials and the elected Provincial Councilors are extremely eager to prepare statutes on an emergency basis. For this purpose ‘Statute Drafting Unit’ with the necessary human and material resources is pre-required. But the biggest

challenge is the unavailability of qualified personnel (Legal Draftsman). EPC is not properly equipped to the specialized task of making statutes. In 1988, when the Provincial Council system started functioning, there were about 300 laws in force pertaining to subjects in the Provincial and Concurrent list (Wicramaratna 2010). All these referred to the functions and powers of Ministers in the Central Government. But, the EPC could enact very few numbers of statutes since 2008.

### **Fiscal Resource at Eastern Provincial Council**

Availability of sufficient financial resource is an important aspect of devolution of powers. Once the powers are devolved through legislation, EPC cannot proceed further unless they are in a position to meet their financial needs and commitments. Thus, there are arrangements to meet the financial needs of EPC. The EPC gets funds through Devolved Revenue, Surplus on Advance Account Activities, Profits made on enterprises directly run by the EPC, Grants from the Government on the recommendation of the Finance Commission, Grants from Line Ministries and others ways.

The decentralization theorem asserts that the assignment of public expenditure powers to Provinces must be determined by adequate finances to meet such needs. Revenue rising powers assigned to Eastern Provincial Council include a combination of tax and non-tax sources. EPC passed the finance statute in 2008 for devolved revenue and it is in the process of collecting revenue.

Business Turnover Tax was the major revenue source of Eastern Provincial Council. The Central Government allocates fund to EPC from the Annual Budget on the recommendation and in consultation with the Finance Commission. The Finance Commission is required to consult with and recommended to Government needs of the Eastern Province so as to enable allocations from the Annual Budget funds as are adequate to meet such needs of the EPC. Financial transfer to Eastern Provincial Council constitutes an annual cycle. It comprises; Assessment of the 'Needs of the Province', Allocation of funds from the Annual Budget and Apportionment of Funds between the Provinces. Furthermore, EPC gets funds through Block Grant, Matching Grant, Criteria Based Grant and Provincial Specific Development Grant.

Block Grant is allocated to meet recurrent expenditure needs of Provinces for the purpose of sustaining and improving the service delivery system. The estimate of revenue of the Province for a particular year is deducted from the estimated recurrent needs for the same year and the balance is recommended as Block Grant. The table II indicates the block grants which were allocated during 2008 to 2011 to the EPC.

Table II

<b>Allocation and Release of Block Grant 2008-2011</b>			
<b>Rs. Million</b>			
Provincial Council	Year	Allocation	Release
Eastern Provincial Council	2008	8,500	8,104
	2009	9,891	9,421
	2010	10,100	10,100
	2011	10,473	10952

Source: Finance Commission and General Treasury-cited in Finance Commission Recommendation 2012,p.9.

The Provincial Specific Development Grant is recommended by the Finance Commission in consultation with the Department of National Planning the basis of national priority. This grant is mainly expected for financing capital nature development projects paying special attention to infrastructure development under different devolved subjects.

Upon the receipt of Provincial development plans, the Finance Commission and respective Provincial authorities discussed and agreed to ensure that such plans would address the provincial needs and that they are within the National Development Policy Framework of the Government. For each investment, measurable results (output, outcome and impact) need to be identified in the form of pre-defined indicators and periodical monitoring and evaluation of achievements, on the basis of such indicators should be carried out. Results based monitoring and evaluation process should be conducted by the Eastern Provincial Council authorities and facilitated by the Finance Commission.

Table No: III

<b>Allocation and Release of Province Specific Development Grant 2008 – 2011</b>			
<b>Rs. Million</b>			
Provincial Council	Year	Allocation	Release
Eastern Provincial Council	2008	1,641	747
	2009	4,702	1,202
	2010	3,273	1,730
	2011	5,079	1,135

Source: Finance Commission and General Treasury-cited in Finance Commission Recommendation 2012.

The fiscal resources should be adequate to meet the Eastern Provincial public expenditure. But the fiscal grants which allocated to the EPC through the Fiancé Commission insufficient. The Provincial Council List contains various items relating to taxation and other revenues recoverable by EPC. However, since the main taxes such as income tax, customs duty and the major portion of the turnover tax accrue to the central government. Navaratna Bandara

(Bandara 2009) noted that ‘from the total revenue of the Central Government of this country the PCs are receiving only 10% for their development activities, and 90% of the state funds are spent for recurrent expenditure and salaries and maintenance work. Consequently the 90% of the state funds allocated for recurrent expenditure are used to pay the salaries of the public servants once appointed by the Central Government’.

The Finance Commission at the centre is charged with making recommendations to the government regarding financial allocations to the EPC under the annual budget.

The Financial Commission (FC) is mandated by the Constitution to focus on achieving balanced regional development. The per capita income is one of the indicators considered by the FC while recommending fund for the EPC. The purchasing power is an important indicator which covers various aspects; namely poverty, economic development capacity and standard of living. It was found that, Per capita income in the Western Province in 2009/2010 is the highest (Rs.11, 561) among all Provinces of the country. Meanwhile the Per Capita Income of the eastern province is low (Rs.5, 663) compared to other Provinces. It may be attributed to the conflict situation which was existed in the eastern province.

It is worth noting here that, institutionally the foreign aid delivery system constitutes an interlock network of partner agencies contributing to coordination, negotiation, mobilization and utilization of official development assistance to the Government of Sri Lanka (Gunawardena 2003, p.8). The Department of External Resources (DER), Ministry of Finance and Planning constitute the focal agency in the aid system networking with policy, donor and user agencies. The DER is the apex government institution that coordinates and mobilizes the foreign financing to Sri Lanka for financing development projects in order to achieve the development targets of “Mahinda Chinthana”. The total foreign finance commitment in 2011 was USD 2,076 million. This consists of project loans of USD 1945 million and grants of USD 131 million (Performance Report 2011, ERD).

### **Partnership Approach for Development**

The fiscal arrangement and financial assistance are not sufficient to fulfill the needs of the people. Therefore the partnership approach can be an alternative as well as resource mobilizing approach intend to getting things done towards development in the Province. All respondent from the EPC expressed the importance of partnership approach for regional development. Financial deficiency of EPC is one of the motivation factors for partnership approach. Thus specially designed projects with specific objectives are being implemented in the Eastern Province with the assistance under international economic cooperation in collaboration with relevant stakeholders at national and provincial levels ([www.ep.gov.lk](http://www.ep.gov.lk)). Most of the projects are aims to support rehabilitation of essential infrastructure and restoration of community livelihoods in the most severely conflict affected areas of the Eastern Province.

The EPC cooperated with the Central Government on matters relevant to development or of

benefit to the people of the Eastern Province. When dealing with parallel Ministries, the Board of Ministers of EPC acts cordially and are successful with some development projects. The local Authorities also are taking place in the development activities in the Province. Local Authorities are the development agents in their respective areas and they are playing greater role in development activities at local level in collaboration with Central and Provincial government agencies (TVEC 2010, p.10). The process of development in Eastern Province of Sri Lanka has been complemented by the foreign aid substantially. The Asian Development Bank (ADB) is one of the major multilateral development partners of Sri Lanka with over 45 years of productive partnership. Hence, the medium-term Country Partnership Strategy developed jointly by the Government of Sri Lanka and ADB in 2011 for 2012-2016 focuses on three main objectives namely (i) inclusive and sustainable economic growth (ii) catalyzing private investment and enhancing the effectiveness of public investment (iii) human resource and knowledge development. Accordingly, it assures continuous support for infrastructure development including roads and transport, water supply and sanitation, and energy, as development of these sectors are vital to meet the high demand for such services resulting from the accelerated economic growth. For instance; 'Eastern and North Central Provincial Road Project' is being implemented in 2011. The total estimated cost of the project is USD 78 million of which USD 70 million is provided by the ADB. In addition, the ADB has agreed to provide a grant of USD 800,000 for institutional development of provincial road agencies in Eastern, North and Central Province while the Government will make a contribution an equivalent to USD 150,000. The proceeds of the loan will be utilized to rehabilitate 150 km of provincial roads in the Eastern Province as well in order to improve the transport system in the Eastern Province (DER, Performance Report 2011.p.16).

Asoka Gunawardena (2007, p.6) noted that, 'the fiscal devolution arrangements constitute an integral component of the multi-level governance system introduced through devolution for power sharing under the Thirteenth Amendment to the Constitution'. The EPC too face challenges in term of finance and human resources as well. Partnership is an important pillar of the multi-level governance. Multi-level governance takes place in the eastern province development. However EPC had better establish proper mechanism for partnership approach. Also the national level political will is a must in this regard.

## **Conclusion**

In the words of James Gustava Speth, "Whenever change is for betterment, wherever human condition is improving, people point to governance as the key. The better governance is not just national- it is local, it is regional (Provincial) and global" (WHO 2000). Better sub-national governance can also be defined as the effective and efficient exercise of authority and powers at sub-national level with the ample scope for the participation of the local people. Meaningful decentralization is a pre-requisite for effective and efficient exercise of authority and powers by

sub-national government. Development needs to be address essential production, the resources there of, indigenous technology capability creations for them, consonant education and training and an infra-structure program that makes sense. This is way also in proper devolution a large autonomous role for the region concerned is essential, which will avoid eye-catching, entirely deficient development systems (Suriyakumaran 2002). The resources capacity arrangements at the EPC have proved what Navaratna Bandara (2010, p.165) noted in 2000, "...despite the Constitutional devolution, the de facto system in Sri Lanka still resembles de-concentration rather than devolution". Thirteenth Amendment has thus suffered from inadequacies in design as well as in practice, and especially from lack of coherence and commitment in moving from centralized to devolved governance.

As said earlier, EPC cannot proceed further unless they are in a position to meet their financial needs and commitments. Thus, there are arrangements to meet the financial needs of EPC. However EPC faced challenges due the lack of financial capacity. The human resources are central to capacity development and are the most critical factor to consider in analyzing capacity of an institution. The inadequacy related to the human resource provided to the EPC has also contributed to the weak capacity basis of the EPC. It is worth noting here the EPC was being re-established after a period of 20 years. Also from the beginning the members of the EPC had to build knowledge, strengthen governance structures and establish greater trust between public officials and the community were some of the challenges they faced. Although faced challenges they look to the future with a renewed confidence as they work towards the further development of their province (<http://www.undp.org/content/srilanka>). Many development activities especially in the area of infrastructure take place in the eastern province. The EPC too had better take vital role in the development process thus it must have the capacity to work on. EPC as a sub-national government cannot be work in an effective manner without meaningful support from bottom level. Participatory, people-centred development activities are far more effective than top-down, institutional delivery. It is worth noting here that, the EPC is expected to be fundamental institutions with the responsibility for steering the ship of sub-national governance in order to provide better service delivery and work for the development. Finally considering the merits of principle of subsidiarity and bottom up approach further necessary arrangements had better make by government in order to empower the EPC.

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