



**NEXUS BETWEEN DECENTRALIZATION AND  
HUMAN CAPITAL DEVELOPMENT:  
WITH A SPECIAL EMPHASIS ON UVA PROVINCE  
OF SRI LANKA**

地方分権化と人的資本開発の関係: スリランカの  
ウバ州を中心に

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OF SRI LANKA**

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**Doctor of Philosophy**

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## **Abstract**

Not too long after Sri Lanka obtained independence from the British Empire in 1948, it saw social turmoil and political transformation. In the 1960s, 1970s and 1980s, youth belonging to the minority Tamil community and educated youth from the majority Sinhalese community started engaging in rebellious and violent activities, but for different reasons. The Tamil youth were up in arms against racial discrimination and restrictions on access to political participation while the Sinhalese youth were protesting unemployment, with the discontent of both parties leading to much social unrest. This prompted successive governments that came to power in Sri Lanka to address and eliminate social tensions, involve the local people in the decision-making process, and strive to ensure better service delivery by improving basic public services like education and health. In 1987, due to the political intervention of neighboring India and progressive Sinhalese political leaders, nine new administrative units known as ‘Provincial Councils’ (PCs) were introduced. Since then, Sri Lanka's PCs have been a part of the country's governance structure, in which the political, administrative, and fiscal powers are decentralized and delegated to these sub-national governments. The two most highly decentralized subjects now handled by the PCs are education and health, both of which have a direct influence on Human Capital Development (HCD). Meanwhile, studies on the working of this system in the world have revealed a positive relationship between decentralization and HCD in the country.

Thirty years have passed since the introduction of PCs and decentralized HCD approach, but still it has not addressed the core problems of supplying industrial workforce, social unrest, and regional disparities leading Sri Lanka to become a socially and economically failed nation. Therefore, the general objective of this study is to determine the impact of decentralization on public service delivery and HCD in Sri Lanka. Based on this general objective, this study aims to achieve three specific objectives.

The first specific objective is to determine the short-term and long-term impacts of fiscal decentralization on the delivery of local health and education services in Sri Lanka. Secondary data were used, with more importance being given to annual time series data from 1988 to 2018 using the Auto Regressive Distributive Lag (ARDL) Model/ Bounds Testing Approach. The findings reveal that fiscal decentralization has had either insignificant or unexpected negative short- or long-term effects on HCD.

The second specific objective is to identify the differences between physical and human resources in national and provincial schools in Uva Province, Sri Lanka and determine the impact of existing resources on academic performance in the two types of schools. A field survey was conducted using a structured questionnaire, with 60 national and provincial school principals from Uva Province participating as the respondents. There was significant difference in the students' academic performance between national and

provincial schools but the availability of physical resources and educational support facilities between schools were more or less the same. Similarly, there was not much difference in human resources, except for a significantly higher percentage of trained teachers in the national schools. These empirical findings prove that decentralization has not supported efficient delivery of education services in the provincial schools of the Uva province.

The third specific objective is to make a comparative assessment of the satisfaction level of provincial school principals with the public services provided by the Uva and Western Provincial Councils of Sri Lanka. A sample of 60 principals of 1AB type provincial schools from Uva and Western provinces was picked to collect primary data using the SERVQUAL questionnaire. The results revealed dissatisfaction among the principals of both provinces. The PCs in both developed and underdeveloped areas operate in the same inefficient and ineffective manner.

Overall, it can be concluded that the decentralization of power through existing PCs in Sri Lanka have not contributed much to HCD in the country. Reforms and re-structuring are necessary in the areas of fiscal decentralization (expenditure and revenue structure, and deregulation); governance and political influence; and allocation of suitable physical and human resources to cater to the educational needs (e.g. STEM education) to develop human capital that can drive sustainable economic development in the country.

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Working on and completing a doctoral dissertation successfully is a monumental task, which I learned is a thing that cannot be accomplished without a great deal of help and support from many people. It is only natural that I should want to express my immense appreciation and profound gratitude to all those persons who contributed in various ways so that I could realize my aspiration. In this connection, I feel obliged to acknowledge the help and support extended to me by every one of those involved in some way in the preparation and successful completion of this daunting project.

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## **List of Abbreviations**

5S	Seiri, Seiton, Seiso, Seiketsu and Shitsuke
ADF	Augmented Dickey-Fuller
AG	Attorney General
AIAS	All-Island Administrative Service
AL	Advanced Level
AMM	Antecedents and Mediator Model
ARDL	Auto Regressive Distributive Lag
BC	Before Christ
BRD	Balanced Regional Development
BTT	Business Turnover Tax
CAAARS	Capacity, Authority, Autonomy, Accountability, Responsiveness, Sustainability
CGE	Central Government Expenditure
CGR	Central Government Revenue
CP	Central Province
DB	Decentralized Budget
DDC	District Development Councils
DPA	District Political Authority
DSs	Divisional Secretariats
ECED	Child Education and Development
EP	Eastern Province
EPD	Effective political discretion
EPD	Effective Political Discretion
ER	Expenditure Ratio
ER	Expenditure Ratio
FA	Fiscal autonomy
FA	Fiscal autonomy
FDI	Fiscal Decentralization Index

FDI	Fiscal Decentralization Index
GCE	General Certificate of Education
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
GNI	Gross National Income
GSE	Gross School Enrolment
HDI	Human Development Index
ICT	Information Communication Technology
IMR	Infant mortality Rate
LDI	Local Development International
LEET	Liberation Tigers of Tamil Eelam
LKR	Sri Lankan Rupee
MDG	Millennium Development Goals
NCP	North Central Province
NGO	Non-governmental Organizations
NIE	National Institute of Education
NP	Northern Province
NWP	North-Western Province
OECD	Organization for Economic Co-operation and Development
OL	Ordinary Level
OSR	Own-Sourced Revenue
OSR	Own-Sourced Revenue
PAT	Principal-Agent Theory
PCR	Provincial Councils Revenue
PCs	Provincial Councils
PCT	Public Choice Theory
PGE	Provincial Government Expenditure
PMCIS	Primary Medical Care Institutions
PPPs	Public-private partnerships

PSC	Public Service Commission
RR	Revenue Ratio
SDGs	Sustainable Development Goals
SGP	Sabaragamuwa Province
SN	Sub-national
SNG	Sub National Government
SNG	Sub-National Governments
SP	Southern Province
STEM	Science, Technology, Engineering, and Mathematics
TE	Total Expenditure
TVET	Technical and Vocational Education
UN	United Nations
UNDP	United Nations Development Programme
UP	Uva province
USAID	United States Agency for International Development

## **Publications**

### **Journal Articles:**

**Mudalige, P. W., & De Silva, S. (2022).** The Nexus between Decentralization and Educational Services in Government Schools: The Case of Uva Province in Sri Lanka. *佐賀大学経済論集* 54 巻3 号 pp 33-51.

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# CHAPTER 1

## INTRODUCTION

### 1.1. Background of the Research

Sri Lanka (formerly Ceylon) is a small island that was successively under the rule of three Western colonial powers; namely Portuguese (1505-1658), Dutch (1658-1796), and British (1796-1948). This foreign domination had a profound impact on all spheres of life in Sri Lanka including the economy, society, politics, and other sectors (Sagar, Manorathna, & Silva, 2021: 71). Besides, Sri Lanka is an island nation that recognized democratic governance and had traditionally accommodated multi-cultural society. The majority population are Sinhalese (74.9%), followed by Tamils (15.3%), and Moors (9.3%)- (Central Bank of Sri Lanka, 2022). Other minor ethnic groups inhabiting the island are Burghers, Malays, Chinese, and Indigenous Veddhas (Department of Census & Statistics, Sri Lanka, 2012). This evidence shows that since there is an ethnically diverse population in Sri Lanka, it would be correct to identify Sri Lanka as a multi-ethnic, multi-lingual, and multi-religious country.

Many researchers have shown that Sri Lanka's colonial past significantly influenced the ethnic relations that exist now. Borders were established by the colonizers, and the resulting demographic pattern mixed or divided the separate ethnic groups. The 'divide and rule policy'<sup>1</sup> throughout the British colonial era was part of British imperialism's strategy in Sri Lanka (Imtiyaz & Stavis, 2008: 4). At the end of this process, a political rivalry was created between the Tamils and the Sinhalese, with both of them trying to dominate in the economic and political domains. The Tamil elite leaders were also participating in the power struggle with the Sinhalese elite leaders who were fighting strongly on behalf of the Sinhalese majority. Since independence in 1948, politicians have used the two tools 'violence and votes' to gain power in Sri Lanka (Imtiyaz & Stavis, 2008: 8). Sri Lanka experienced numerous economic, social, political, and geopolitical issues after gaining independence from the British in 1948. In the 1960s and 1970s, several problems were encountered by the Sinhalese ethnic group, mainly due to the increasing unemployment among the well-educated youth

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<sup>1</sup> 'Divide and rule policy' is a strategy employed by empires attempting to expand their territories in a variety of ways.

(Kearney, 1980: 300). Soon, the Sinhala youth joined a radical group and started to rebel against the Sri Lankan state, culminating in an armed insurrection in 1971. This was put down by the government, but it was resurrected in 1987-1990 during which period there was much unrest and violence. Again, this was ended by the government through the excessive use of force. Even before that, in 1983, youth belonging to the Tamil community had started protests and began engaging in violent acts across the country. In fact, they started a war in the North and East of the country, which was led by the Liberation Tigers of Tamil Eelam (LTTE)<sup>2</sup>, a violent armed group. Therefore, the disruption caused by these conflicts resulted in the people having to face severe socioeconomic problems in the country.

Successive governments that came to power in Sri Lanka have worked repeatedly to address and eliminate ethnic tensions, involve the local people in the decision-making process to ensure better governance, and improve basic public services such as education and health. Sinhala and Tamil political leaders believed that these problems could be solved through the strategy of decentralization of power. However, India, Sri Lanka's neighbour, constantly monitors the island due to the geopolitics and sociocultural composition of the region. The Tamil people of India and Sri Lanka are closely related historically and culturally. Due to the violence between the Sinhala and Tamil people in July 1983, the Indian government had an emotionally powerful influence on the Sri Lankan government (Rao, 1988: 419). In the meantime, the majority of the Tamil people and their leaders in the northern and eastern parts of Sri Lanka pressured the central government to establish a separate administrative unit for their needs. Simultaneously, the Sri Lankan Civil War had been raging since 1983 between the Sri Lankan government forces and the LTTE organization. There was social unrest in Sri Lanka in 1971 and 1988. The main political party involved was the *Janatha Vimukthi Peramuna*-the People's Liberation Front. They released violence against the government across the country to gain political power (Moore, 1993).

The economy is one of the main elements driving Sri Lanka's decision to implement a decentralized government system. Welfare services made up more than a quarter of all government spending in the 1950s and 1960s, and this number grew after the 1980s. The welfare system contributed to the country's population growth; by the 1980s, youth comprised most of the population (Abeyratne, 2004). Youth education rates in the nation rose because of welfare state initiatives in the areas of health and education. In the meantime, the

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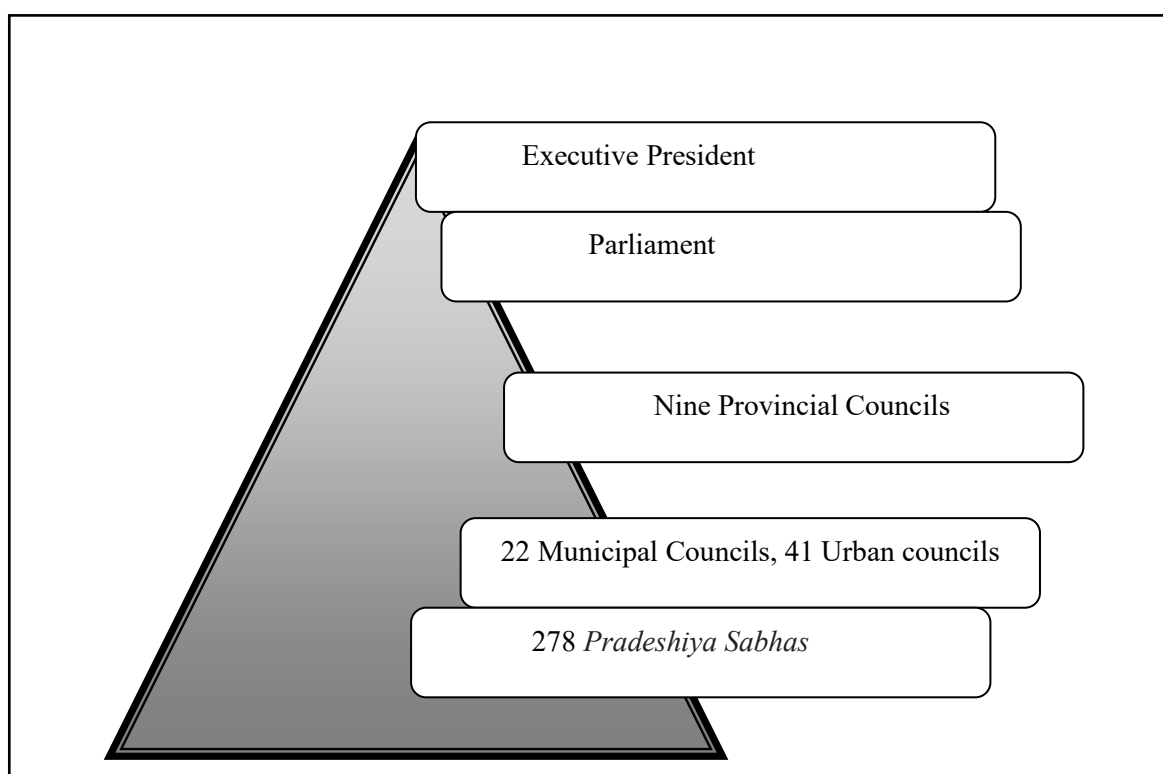
<sup>2</sup> The Liberation Tigers of Tamil Eelam (LTTE) was a Tamil terrorist organization centered in north-eastern Sri Lanka.

effects of the open economic system were also felt by society. However, the educated youth did not wish to rely on the traditional family-based economic system then. As a result, social pressure was created, and young people worked to pressure the government for economic resources and opportunities (Abeyratne, 2004).

Cultural factors are another issue in the politics of decentralization in Sri Lanka. English was used as the official language of Sri Lanka after independence. That situation gave the Tamil people a greater advantage in getting private and public sector jobs. Also, the fact that non-Sinhalese groups had more control in trade activities caused the curiosity of the Sinhalese community. Because of this, since 1944, Sinhala leaders tried to make Sinhala the official language. But in the end, the governments had to make Sinhala and Tamil the official languages. Meanwhile, another anti-Tamil riot broke out in March and April 1958. The main reason for this was the decision to use Sinhala letters on the number plates of government-owned buses. Also, the Dudley Chelvanayagam pact of 1965 proposed prioritizing the Tamil-speaking people in the North and East. On the other hand, undermining the pluralism of the governments of 1960-65 and 1970-77 led the Tamil people to separatist mobilizations (Jayamaha, 2021).

As a consequence of pressure from various parties on the Sri Lankan government, the 13th constitutional amendment was passed in 1987, resulting in the creation of Provincial Councils, which are made up of nine sub-national government units. The three main political and administrative tiers of Sri Lanka are depicted in Figure 1.1. The central government (president and parliament) is at the very top of the country. Meanwhile, nine Provincial Councils function as intermediate sub-national governments. Municipal Councils, Urban Councils, and *Pradeshiya Sabhas* fall under the lower tiers.

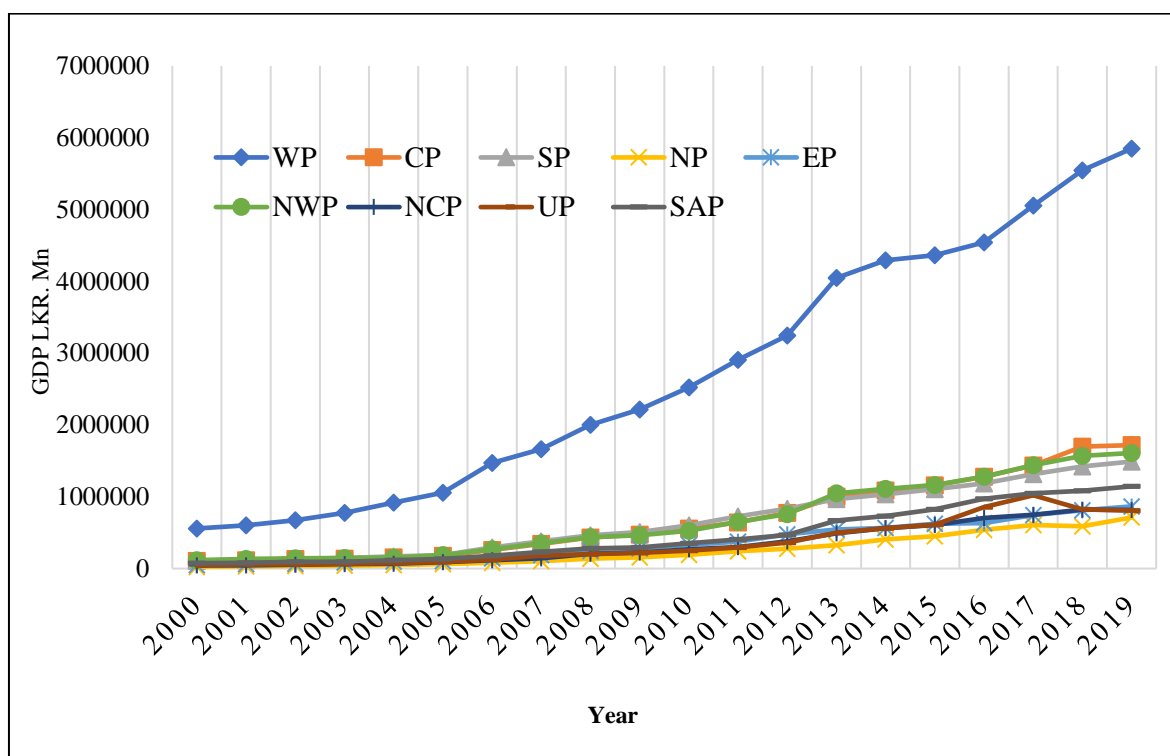
**Figure 1.1: Layers of Government in Sri Lanka**



Source: (UNDP-Sri Lanka Human Development Report, 2012: 111; Adjusted by the Researcher, 2023).

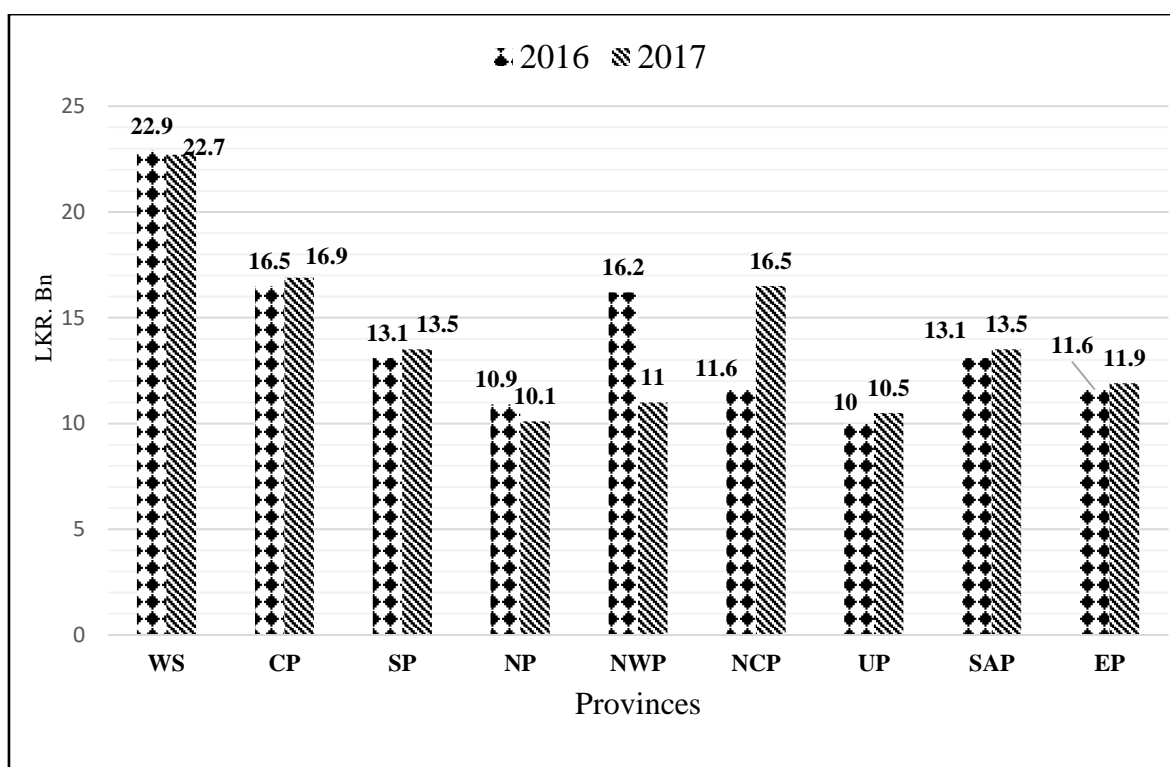
The new Provincial Councils were in marked contrast to the decentralization schemes that had been attempted in the past and proved unsuccessful. Thus, the Provincial Councils that have been delivering several public services since then now possess three decades of experience at the provincial level. Moreover, many problems related to governance and service delivery have arisen at the provincial level. Meanwhile, education and health are the two most decentralized services transferred to Provincial Councils in Sri Lanka. Education and health are two significant components of human capital development. Human capital is closely related to economic growth, and it is also a wonderful support for the country's economic progress. As a result, increasing investment in the education and health sectors is both efficient and profitable. Thus, the contribution of economic growth to the development of human capital is necessary. Figure 1. 2 shows the GDP distribution in Sri Lanka's provinces during the last two decades. However, the figure reveals high levels of inequality and provincial disparities. It shows that the Western province dominates more than half of the economic activities of the entire provinces of the Sri Lanka.

**Figure 1.2: GDP by Provinces of Sri Lanka -2000-2019- LKR. Mn.**



Source: (Central Bank of Sri Lanka, 2000-2020).

**Figure 1.3: Figure: Education Sector Allocations by Provinces 2016-2017 -LKR. Bn.**



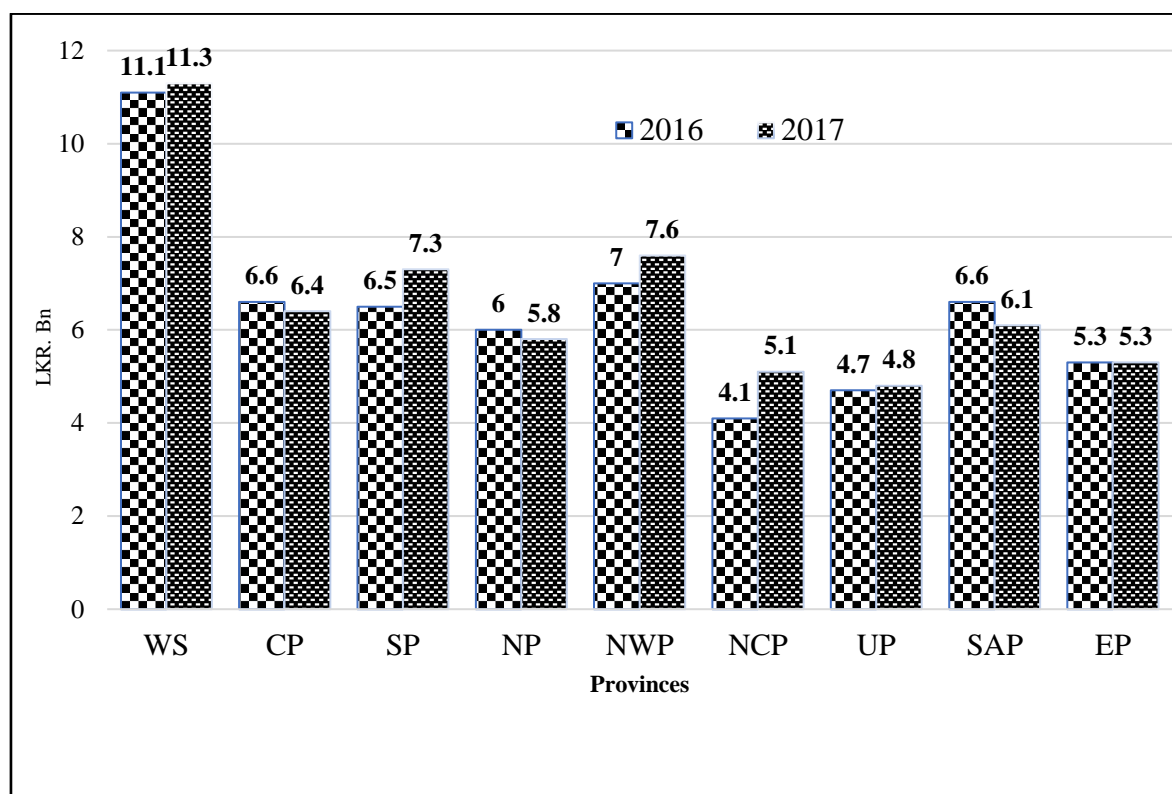
Source: (UNICEF, 2019).

The education sector in Sri Lanka can be split into three categories: (i) general education (preschool, primary, and secondary education), (ii) higher (or tertiary) education, and (iii) technical and vocational education (TVET). On the other hand, the government provides free primary, secondary and higher education. In addition, the government offers numerous welfare programs to students. In a country where free education is implemented, there are still many issues with school education.

As shown in Figure 1. 3, each Provincial Council has allocated large funds for education annually. As shown in the figure, the amount the Western Provincial Council allocated is more than the other eight provinces. However, in the three decades since the establishment of Provincial Councils in 1987, a number of difficulties have developed regarding the delivery of education services and educational performance. The lack of food and clothing in low-income households is a regular source of concern. On the other hand, the family's desire to earn a child's money, the distance to school, the absence of suitable transportation facilities, the tough terrain, and frequent sicknesses have all contributed to an increase in the number of 'school dropouts.' School dropouts have also happened as a result of prejudice, family roles, social ideals, unemployment, and poverty (Solangaarachchi & Karunathilake, & Gamage, 2022). Some national and popular schools in urban areas have modern computer laboratories, labs, large playgrounds with modern equipment, skilled human resources, swimming pools, and so on (Perera, 2015: 8). As a result, parents do not try to enroll their children in some schools run by Provincial Councils. Therefore, schools were closed by school officials, schools are finally closed by school officials since there is no interest in rural schools.

The main components of Sri Lanka's health system are primarily Western and Ayurvedic (Ministry of National Policies and Economic Affairs of Sri Lanka, 2017: 2). The government provides most of these services for free. Sri Lanka's central government and Provincial Councils spent 2.3% of the annual Gross Domestic Product (GDP) in 2021 (Central Bank of Sri Lanka, 2021). Figure 1.4 depicts a discrepancy in Provincial Councils health expenditures between 2016 and 2017. The gap between the western province and the other provinces is especially pronounced. At the same time, when Western province most spent allocation on health, Uva province became the lowest-allocation province in 2017.

**Figure 1.4: Health Expenditure by All Provinces of Sri Lanka**



Source (UNICEF, 2019).

All in all, although the national health statistics show a significant improvement in the health sector, there are still several severe problems in the health sector in Sri Lanka at the local and provincial levels. Many issues have arisen in low-income households, and malnutrition among children and mothers has become a prominent issue. In the case of mothers, it demonstrates that nutritional anaemia has been a crucial factor in disturbing pregnancy. Underweight (low weight for age) 5-year-old children, chronic malnutrition, and iodine deficiency are common among provincial school students. On the other side, iodine deficiency persists in the Uva province, whereas iodine levels in North Central Province are reported to be greater than the recommended level (Jayasekara, & Schultz, 2007: 229-230). In general, the lack of a pre-hospital care system, a lack of networking, a lack well-functioning forward and backward referral system, low “affinity” for treating trauma victims, poor infrastructure, poor infrastructure for emergency care, lack of medical specialists, and weak political commitment are problems in Sri Lankan health service delivery.

As seen in Table 1.1, the Western and Uva provinces have several noticeable variations among Sri Lanka’s nine Provincial Councils. As a result, these two provinces were initially

chosen for the survey in this study. Uva Province comprises of the two landlocked administrative districts of Badulla and Monaragala in Sri Lanka. This province has an estimated population of 1400 (in thousands) in 2021, and a land area of 8,335 km<sup>2</sup> (Central Bank of Sri Lanka, 2022: 1; Finance Commission of Sri Lanka, 2019; Department of Census & Statistics, 2021). Agriculture makes the biggest contribution to the economy of Uva province, with 56% of employment provided by the agricultural sector, and with 29.4 % of employees in the service sector, 14.6% in the industrial sector (Department of Census & Statistics- Labor Force Survey, 2021: 17). Uva Province is also the province with the highest percentage of agricultural workers. According to the demography of Uva Province, three ethnic groups live there, comprising 80.8% Sinhalese, 14.7% Tamil and 4.3% Moor. Also, in terms of religious composition, Buddhism makes up 80.43%, Christianity 1.67%, Hinduism 13.39%, Islam 4.50% and others 0.01% of the population (Department of Census & Statistics, 2011).

The socioeconomic indicators of Uva Province reported poor performance in education, health, and nutrition issues, with increased outward migration of manufacturing labor to other provinces. Its General Certificate of Education (GCE) Ordinary Level (O/L) examination Qualified for GCE A/L was the eight places among the provinces at 70.1% (2019), while the General Certificate of Education (GCE) Advanced Level (A/L) examination qualified for university entrance was 65.9% (2016), again the lowest among the nine provinces. Furthermore, the Uva Province had the highest percentage of 6.2 % (2019) of people without any schooling among the provinces (Central Bank of Sri Lanka, 2022: 78-79). The unemployment rate in Uva Province was 5.6% (2021), while the youth unemployment rate was as high as 38.3%, making it the province with the highest youth unemployment rate in 2021 (Department of Census & Statistics -Labour Force Survey, 2021: 27). The other development indicators of the province were also equally depressing. Computer literacy rate in Uva was only 24.2 % in 2021 (Department of Census and Statistics, 2021). In 2019, the poverty headcount index of Uva Province was 28.3 %, and number of poor households was 24.5 %, while the poverty gap index was 5.7, which is also the highest recorded figure among the provinces in Sri Lanka (Central Bank of Sri Lanka, 2022: 72). Please see Annex One (1) for further details.

**Table 1.1: Basic Socio-Economic Information of Western & Uva Provinces of Sri Lanka**

Features	Uva Province	Western Province	(National Level)
Population in 2021 (Thousands)	1400 (6.28%)	6119 (28.18%)	22516
Provincial GDP in 2021(LKR. Bn)	922 (5.2%)	7541 (42.6 %)	17686
Provincial GDP growth (%) LKR. Mn - 2017/18	6.4	9.8	7.8
Per Capita GDP in 2019 (LKR.)	586,040	951,187	688,573
Poverty Headcount Index (%) in 2019 *	28.3	5.7	14.3
Poor Households % - 2019	24.5	4.4	11.9
Poverty Gap Index (%) in 2019	5.7	1.1	2.8
% of Students Enrolled by Grade One	7.74	24.04	100
No Schooling (%) - 2019	6.2	1.9	3.1
GCE. O/L -Performance-2019 (%)	70.1	76.0	73.84
GCE. A/L- Performance - 2019 (%)	65.9	66.5	65.76
Computer literacy rate (%) -2021	24.2	45.9	34.3
Unemployment rate (%) - 2021	5.6	4.9	5.1
Youth Unemployment Ratio (%) - 2021	38.3	21.7	26.5
Human Capital Index Score (%) - 2017	55	62	58
Human Capital Rank - 2017	6	2	n.a.
Health Expenditure -2017 (LKR. Bn.)	4.8	11.3	n.a.
Number of ICUs -2021	8 (5.67)	51 (36.17%)	141
ICU beds -2021	42 (5.05 %)	344 (41.39 %)	831

Source: (Kumarage, 2009; Central Bank of Sri Lanka, 2020, 2022; Sarvananthan, 2016; Department of Census and Statistics, Sri Lanka Labour Force Survey, 2021; Finance Commission of Sri Lanka, 2019; Rajapaksa et al., 2021) \* Updated poverty line.

The other province that was selected for this study is the Western Province. This province consists of three administrative districts (Colombo, Gampaha and Kalutara) along the western seaboard of Sri Lanka. Most of the industrial, economic, and administrative centers are in the Western Province, which has an estimated population of 6119 (in thousands) in

2021, with a land area of 3,593 km<sup>2</sup> (Central Bank of Sri Lanka, 2022: 1; Department of Census & Statistics, 2021; Finance Commission of Sri Lanka, 2019). Services and manufacturing have more importance in the economy of the Western Province, with 62.7% of employees in the service sector, 31.3% in the industrial sector and Agricultural sector 6.0 % (Labour Force Survey, 2021; 17). According to the demographic data of Western Province, three ethnic groups live here, the distribution being 84.2% Sinhalese, 6.8% Tamil and 7.9% Moor. As for religious composition, Buddhism comprises 73.38%, Christianity 13.22%, Hinduism 4.77 %, Islam 8. 57 % and Others 0.06% (Department of Census & Statistics, 2011). The educational indicators in the Western Province are as follows. General Certificate of Education (GCE) Ordinary Level (O/L) examination qualified GCE A/L was the second place among the provinces at 76.0% (2019), while the General Certificate of Education (GCE) Advanced Level (A/L) examination qualified for university entrance was 66.5 % (2019), the third place among the nine provinces. Meanwhile, the Western Province had the lowest percentage 1.9 % (2019) among the provinces of people without any schooling (Central Bank of Sri Lanka, 2022: 78-79). Western Province's unemployment rate was 4.9% (2021), the fourth lowest among the nine provinces, while the youth unemployment rate was 21.7%, making it the fifth lowest youth unemployment among the nine provinces in 2021 (Department of Census and Statistics, Sri Lanka Labour Force Survey, 2021: 27).

The computer literacy rate in the Western Province was recorded as 45.9 % in 2021 (Department of Census and Statistics, Computer Literacy Statistics, Sri Lanka, 2021). In 2019, the poverty headcount index of Western Province was 5.7%, occurrence of poor households was 4.4%, and the poverty gap index was 1.1%, which is the lowest figure recorded among the provinces (Central Bank of Sri Lanka, 2022: 72). According to the demographic and social indices, there are significant variations between the Uva and Western provinces.

This study focuses on human capital development through service delivery of the Provincial Councils in Sri Lanka. It is crucial that the education and health sectors should make a massive contribution towards developing a country's human capital. It is remarkable that both these services are provided free of charge in a developing country like Sri Lanka. Most of the services in the health sector and the primary and secondary education sectors were provided directly by the central government prior to 1987. During the latter part of 1987 all these services were decentralized and transferred to the Provincial Councils (Aturupane et al., 2021: 8).

The size of the population, wealth, natural resources, geographical features, culture, language, history, ethnicity, religion and so on of countries around the world vary widely from one to another. The diversity among the different nations leads each of them to set out their priorities and objectives according to their circumstances. Most countries in the world have introduced various reforms to aid governance and address social diversity. As part of this process, the central governments of many countries have introduced the strategy of decentralization as the most effective mechanism to deliver better services to their people. The term 'decentralization' in English is derived from the French and Latin-influenced word 'de' which means 'down, down from', then the Latin suffix 'de' was combined with the English word 'centralization' to derive the word 'decentralization', and thus it means 'away from the centre' (Meenakshisundaram, 1994: 11; Paul, 2017: 501). According to this arrangement, the power and responsibilities associated with governance are transferred in a prescribed manner from the central government to the lower-level peripheral government.

#### **1.1.1. Decentralization Context**

There are two main types of state structures worldwide: federal and unitary. In the federal type of state, the central government gets the support of sub-national governments with one or more layers to provide public services (Elazar, 1997). Typically, many countries share or delegate administrative functions with one, two, or three levels of sub-national governments. Some countries, such as China, have complex layers of sub-national governments with four or even five levels of administration (OECD, 2016: 14). In fact, most sub-national governments have one, two, or three tiers of governance. Currently, countries' sub-national governments are divided into three levels. Municipal (509748), Intermediate (11181), and State/Regional (1700) (OECD, 2016: 15). Over 600000 sub-national governments exist in countries around the world.

Most democratic countries across the world have implemented decentralization mechanisms to improve local level governments. Several governance-related objectives have led to the adoption of decentralization. They can be summarized as follows: human capital development, greater efficiency in the provision of public goods and services, improvement in the quality and accessibility of important basic public services such as education and healthcare, increased people's participation in local development, planning and management,

better coordination of administrative functions, and facilitation of political and administrative ‘penetration’ (Cheema & Rondinelli, 1983: 15). Additional objectives are creating social equity, ensuring more effective coordination, encouraging local ‘experiments’ that would lead to more flexible, innovative, and creative administration, helping to develop isolated/ backward areas, bringing about the integration of regional economies, promoting macroeconomic stability, and improving political stability. Other anticipated benefits of decentralization would be wider availability of public goods and services, increased people’s participation in planning, monitoring, and evaluation, more efficient delivery of goods and services, better local-level financial management, higher administrative efficiency, etc. (Cheema & Rondinelli, 1983, 14-16; Rondinelli, Nellis, & Cheema, 1983; Miranda-Lescano, Muinelo-Gallo, & Roca-Sagalés, 2022).

**Table 1.2: Six Distinct Concepts of Decentralization**

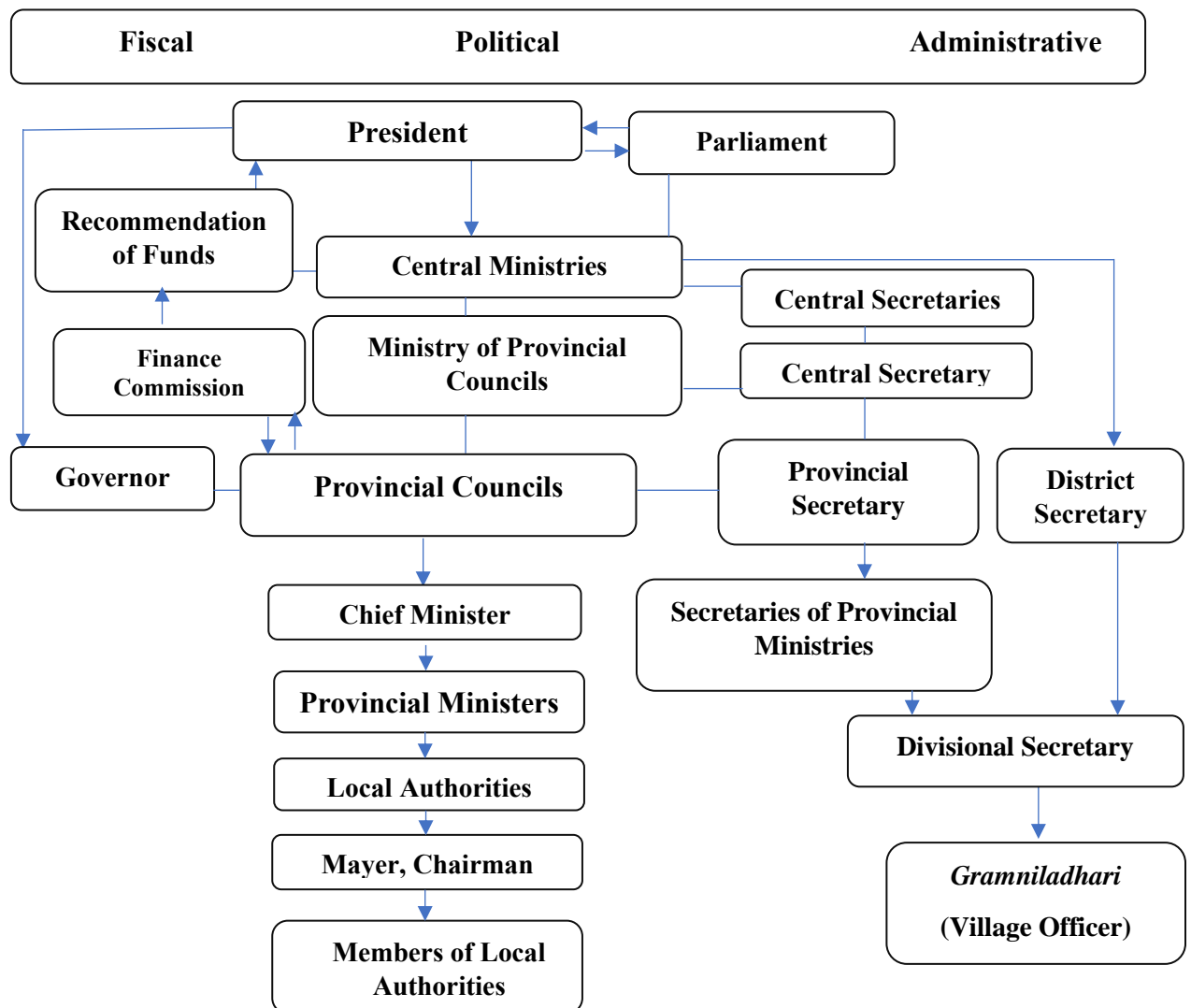
	Type of Decentralization	Definition
1	Vertical	Based on the layers of a government or administrative body. It can be at the central, provincial, prefectural, county, town, or village level. (China - five layers, Singapore - one layer and Slovenia - two layers)
2	Decision making	Based on how the political decision-making authority is distributed across different tiers of the government.
3	Appointment	Attention to the different levels at which selection and dismissal of officials can be done.
4	Electoral	In a democratic context, local officials are elected by popular vote or appointed by higher-level elected officials.
5	Fiscal	It is a civic right to be aware of how tax revenues and public expenditures are distributed among the different tiers of government.
6	Personnel	Focusing on how the administrative resources are distributed among the various tiers of government.

Source: (Treisman, 2002: 5-14; Treisman, 2007: 28).

Treisman (2002: 5) identified six distinct decentralization concepts, as shown in Table 1.2. The first one is focused on the number of layers in the political structure of the government, while the other five are concerned with how the different traits are distributed throughout the layers. According to policy perspectives on decentralization concepts, it is divided into four categories as (i) Political, (ii) Administrative, (iii) Fiscal and (iv) Market (Economic)

(Hossain, 2005: 3; Shah, & Thompson, 2004). Many governments have introduced various levels of decentralization into the administrative structure of the country based on their social, economic, and political needs. The decentralization of power through the Provincial Councils in Sri Lanka has created a decentralization structure that is based on a mixture of political, administrative, and fiscal power.

**Figure 1.5: Structure of Fiscal, Political and Administrative Decentralization in Sri Lanka**



Source: (Created by Researcher, 2023)

As seen in Figure 1.5, the Provincial Councils receive funding transfers and allocations from the president and parliament through the cabinet. In parallel, the finance commission makes

recommendations to the central government's president about transferring funds from the central government to the Provincial Councils. At the same time, the Provincial Councils have the authority to make and spend money following the designated subject areas. According to Sri Lanka's political hierarchy, the national president and the parliament are at the topmost layer. Provincial councils are established as decentralized bodies at the sub-national level. People's representatives are elected to Provincial Councils by the people's vote. Then, the provincial chief minister is chosen by the consent of the majority of the people's representatives of the Provincial Councils. After that, the Provincial Governor, who is appointed by the President, appoints a Council of Ministers for the Provincial Council, and it is done according to the instructions of the Provincial Chief Minister. Local authorities are the political institutions composed of people's representatives below the Provincial Councils. They are named Municipal Councils, Urban Councils and *Pradeshiya Sabha*. The central government president and the parliament is at the top of the administrative hierarchy. Simultaneously, from the president's secretary to the secretaries of the ministries of central government, they provide support to the political executive related to administrative affairs. The Provincial Councils have also been given the authority to decentralize administrative authority. As a result, administrative matters are handled by the chief minister and the board of ministers, which includes the governor of the Provincial Councils. At the same time, the central government's district secretariats and divisional secretariats get support in the administrative matters of the Province Councils. The category of administrative officers engaged in administrative work at the rural level is *Grama niladharies* (village officers).

### **1.1.2. Political Context**

In Sri Lanka, the administrative system up to the regional level consists of five layers and each layer is divided into different geographical regions as indicated below. They are the Country (01), Provinces (09), Administrative Districts (25), Divisional Secretariats (333) and Villages (14,000), a structure of governance led by a strong centralized state. The Thirteenth Amendment to the Constitution in 1987 granted each of the nine provinces (Western, North-Western, Sabaragamuwa, Central, Eastern, Southern, North Central, Northern and Uva- See Map 1) the power to establish a unicameral political body known as the Provincial Councils (Cooray & Chandralal, 2017: 95). This was soon followed by the establishment of Provincial Councils as per the Provincial Councils Act No. 42 of 1987 (Wickramaratne, 2019: 1). Thus,

Provincial Councils, which are a type of sub-national level political and administrative unit came into being in Sri Lanka. They formed the second layer of Sri Lanka's governance structure and functioned as a model of decentralized power. The Provincial Councils are now set up with the necessary posts and legal framework to carry out the political, administrative, and fiscal responsibilities of the government in a decentralized environment. Presently, the Provincial Councils have full governing authority to fulfill their responsibilities covering 37 subjects. Please see Annex two (2) for further details. Additionally, the Provincial Councils have been devolved the power to fulfill their responsibilities over 36 other subjects, but they must exercise that power concurrently with the central government (Constitution of Sri Lanka (1978) - Ninth Schedule). Please see annex three (3) for further details. It is clear from the subjects and functions assigned to them that Provincial Councils have oversight of many critical public services that directly affect the daily life of the people. Through the assignment of these subjects, the Provincial Councils have become the basic provider of those services for the community. Tasks and responsibilities assigned to the Provincial Councils can be summarized as follows: Public order, administration and provincial affairs, provincial planning, provincial finance, economic and social services, human resources development and community services, infrastructure, urban development and environment, trade, commerce and food distribution, culture and sports, regulation of provincial activities and miscellaneous services (Gunawardena, 2002: 8). Currently, Provincial Councils have a history of public service delivery with three decades of experience. Therefore, it is essential to focus on the socio-economic and political development of the provinces and the provision of public services.

### **1.1.3. Welfare Context**

In Sri Lanka, 92 % of the poor live in rural areas and the estate sector. On the other hand, about 3/4 of the poor families rely on income (Institute of Policy Studies of Sri Lanka, 2018). Therefore, the government of Sri Lanka, even before gaining independence, began to pay more attention to welfarist policies since a large part of the country's population needed external support to survive. Accordingly, Sri Lanka has a long history of providing public services to run a social welfare state.

**Table:1.3: Major Education Reforms in Sri Lanka**

<b>Year</b>	<b>Major Reforms in Education Policy</b>
1869	Establishment of the Department of Public Instruction
1939	Enactment of Education Ordinance No. 31 of 1939
1943	Special Committee on Education publishes its Report
1943	Establishment of Central Schools
1947	Free education policy -to provide free education by the government
1961	Government takeover of denominational schools: to establish a national system of education
1981	Create cluster schools: Education administration decentralization and the growth of impoverished schools
1985	Establishment of National Institute of Education: to establish a unique institute for the capacity building of educational administrators, teacher educators, and teachers, as well as to design and develop school curricula and conduct educational policy research.
1986	Establishment of National Colleges of Education: Training of teachers required for schools
1987	Provincial Councils: decentralization of political and administrative responsibilities related to education at the sub-national level.
1991	Establishment of National Education Commission: Formulation of national policy on education.
1997	Education reforms-four-pronged strategy: revising examinations to bring them at par with developed countries.
1998	Enactment of compulsory education regulations: Compulsory education for children aged 5 to 14 years.
2006	Education Sector Development Framework and Program (2006-2010): 1: Promoting equitable access to basic and secondary education. 2: Improving the quality of primary and secondary education. 3: Enhancing the economic efficiency and equity of resource allocation; & 4: Strengthening education governance and service delivery
2020	National Education Policy Framework (2020-2030) Strengthening and expanding the existing system in terms of regulatory frameworks, resources and systems, procedures and quality and relevance of outcomes related to education.

Source: (Ministry of Education, 2013: 16; National Education Commission of Sri Lanka, 2022).

The temperance movement of 1895<sup>3</sup> that appeared to take care of the politics and economic interests of the poor in this country was a semi-political movement. It received much support from the Buddhist, Hindu, and Muslim revival movement. This movement, led by the middle-class Ceylonese pressured the government to address the country's economic issues (Godamunne, 2019: 8). The Colebrooke-Cameron recommendations<sup>4</sup> of 1833 paved the way for the introduction of English-medium education and thus opened the civil service to native applicants. As a result, it turned out to be a catalyst for better education and other social reforms in Sri Lanka (Jayasuriya, 2001: 7; Yogasundaram, 2012: 270). By 1915 the Ceylon Social Service League, which came up with a proposal to give mass education, medical relief, compulsory insurance, and minimum wages, also worked to deliver those reliefs. Soon after, the Ceylon National Congress<sup>5</sup> was formed in 1919, and it consisted of Sinhala and Tamil organizations. This institution, which was established with multiple objectives in mind, also worked hard to provide social service relief for the poor (Jayasuriya, 2010: 91-92).

Meanwhile, the Donoughmore reforms of 1931 targeted two broad areas of social policy at the time, viz. education and health. Moreover, the Donoughmore reforms were closely associated with the nationalist and religious movements that called for educational reform within welfare politics (Jayasuriya, 2001: 26; Jayasuriya, 2010: 94).

Therefore, free education and free healthcare were remarkable reforms that were introduced by the Donoughmore Commission, and all subsequent governments had to carry forward these welfare reforms. During that same era, with the introduction of universal franchise in 1931, the people of Sri Lanka for the first time had the privilege to elect their own political leaders and thus experience government within a social democratic framework.

In Sri Lanka, following the adoption of the CWW. *Kannangara* education policy<sup>6</sup>, several important programs were implemented for the advancement of education. It started with the teaching of science in all secondary schools in rural areas by the late 1950s, the launching of an all-school lunch program in 1950, the introduction of a scholarship program in 1952 for

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<sup>3</sup> The Temperance Movement was motivated by Buddhism and anti-colonialism in Sri Lanka and was a leading organization of the National Independence Movement.

<sup>4</sup> The Colebrooke-Cameron recommendations were the recommendations of the commission appointed by the British Colonial office to inquire about the administration of Sri Lanka and make recommendations for administrative, financial, economic and judicial reforms.

<sup>5</sup> The Ceylon National Congress was a nationalist political party created in Sri Lanka. It was established during the rise of nationalism in the early twentieth century during British colonial rule.

<sup>6</sup> CWW. *Kannangara* education policy referred to the decision to provide free education from kindergarten to first degree in Sri Lanka since 1945.

the benefit of students from the most impoverished families, and the act of bringing several private schools under government control in the early 1960s. All of these were followed by the establishment of a Curriculum Development Center for drawing up the school curricula from 1965 to 1970, the distribution of free textbooks to students in 1980, the introduction of a district-based quota system for university admissions in 1978, establishment of the College of Education system in 1985 to strengthen the standard of the teaching profession, and establishment of the National Institute of Education (NIE) in 1986. The reforms and programs continued even after the decentralization and transfer of educational powers to the Provincial Councils with the passage of the Thirteenth Amendment<sup>7</sup> to the constitution in 1987. See Table 1.3 for further details.

In the same year, the concept of ‘National Schools’<sup>8</sup> was introduced. Another important move was the establishment of the National Education Commission in 1991 to advise the President on education policies (Grero, 2019: 27-30). In 1993, the government implemented a program to provide free school uniforms to all students from Grade 1 through Grade 13, which had a positive impact on the students’ school attendance while also providing much relief to poor parents. In 1997, the government implemented the Navodya Schools development program to improve the infrastructure of rural schools and provide various types of teaching aids. The aim of the program was to build and develop at least one well-equipped school in every divisional secretariat division of the Sri Lanka. With the funding and assistance of this program all rural schools would be better placed to put up new buildings, laboratories, classrooms, and library facilities (Alawattegama, 2020: 5-6).

The government introduced English medium education at the secondary level in 2002 in selected government schools and for selected subjects on an island-wide basis, and in 2013 introduced a new technology stream for the General Certificate of Education (GCE) Advanced Level (A/L)<sup>9</sup> students (Grero, 2019: 27-30). To assist in providing essential physical resources like laboratories required as part of educational facilities in schools, Mahindodaya Technical Laboratories was established in 2012. It is expected that this institution will make a big contribution towards providing the technical facilities needed to

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<sup>7</sup> The Thirteenth Amendment to the Constitution is an amendment to the 1978 Constitution of Sri Lanka passed in 1987, which created the Provincial Councils of Sri Lanka.

<sup>8</sup> National schools are a type of school that is funded and managed by the central government's Ministry of Education in Sri Lanka. These schools offer both primary and secondary education.

<sup>9</sup> An Advanced level (A/L) is a Sri Lankan General Certificate of Education (GCE) qualifying examination, similar to the British Advanced Level, conducted annually by the Department of Examination of the Ministry of Education.

upgrade 1000 secondary schools. The *Mahindodaya* program was introduced to eliminate the large disparities between the technical facilities available to popular urban schools and rural schools in Sri Lanka (Ministry of Education, Annual Performance Report, 2013: 11; Alawattagama, 2020: 7). The ‘*SURAKSHA*<sup>10</sup>’ Health Insurance program was introduced in 2017 with the aim of providing free health insurance to all students in government schools (Ministry of Education, Annual Performance Report, 2018: 18). Simultaneously, implementation of the ‘Nearest School is the Best School’ project was underway as a mid-term national strategic development program in 2016-2020 (Ministry of Sustainable Development, Wildlife and Regional Development, 2018: 81). The ‘Nearest School is the Best School’ project aims to construct three-storied buildings, primary learning resource centers, technical colleges of education, administrative buildings, laboratories, auditoriums, dental health centers, aesthetic study units, principals’ and teachers’ quarters in remote areas, student hostels, technical units, multi-purpose buildings, canteens, and so on. After that, the government led by former president Gotabaya Rajapaksa drew up plans to increase the number of national schools to 1000 and provide them with the physical and human resources needed under this program (Presidential Election Manifesto, 2019: 20). Thus, the successive governments that ruled Sri Lanka introduced numerous policies over time to improve the human and physical resources of government schools to raise student performance to a much higher level.

Meanwhile, health is a free service the government provides and is as essential as education. Health service is provided in both the public and private sectors in Sri Lanka. However, the public sector is the leading healthcare provider, accounting for 95 % of inpatient care. Outpatient treatment is equally shared between the public and private sectors, with the public sector consisting of a network of hospitals ranging from regional to teaching hospitals (Ministry of Health, Nutrition and Indigenous Medicine and Department of Census and Statistics, 2018:1). The central government and the Provincial Councils share the public health service in Sri Lanka. Primary Medical Care Institutions (PMCI)s only provide outpatient services, whereas District Hospitals (DHs) also provide inpatient and maternity care. Provincial health departments governed primary medical care facilities (Thekkur, et al., 2022: 3). Annex four (4) has shown the availability services related to health services in Sri Lanka (Ministry of Health, Nutrition and Indigenous Medicine Sri Lanka, 2019: 9). The

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<sup>10</sup> SURAKSHA” Student Insurance Scheme is a programme conducted by the Government of Sri Lanka according to the budget proposal of 2017, under the theme “Protect forever – The Children of the Nation”.

services provided by hospitals and other medical facilities under the provincial jurisdiction of Sri Lanka are limited.

All these efforts led Sri Lanka to gain a relatively high ranking on the United Nations (UN) Human Development Index (HDI) (Godamunne, 2019: 1-10). In this manner, most of Sri Lanka's post-independence human development gains were achieved under the welfare model. But the centralized system of governance failed to meet the rising socio-economic expectations of the people and rid them of their perception of inequality and discrimination. Also, the gaps in development were the root cause of civil conflicts in the North and South of the country. Hence, 'decentralization' was seen as the ideal strategy for development, conflict resolution, and restoration of peace in Sri Lanka (Gunawardena, 2018: 7).

#### **1.1.4. Human Development Context**

In general, economic, health services, and education services improvements lead to increased human capital development (Smith, Ikoma, & Baker, 2016). Human capital development means improving the human inventive factor in the organization by enhancing the combined intelligence, skills and expertise of staff members that give the organization its distinctive character and productive capabilities. The human elements of the organization are those that are capable of learning, changing, innovating, and providing the creative thrust, which if properly harnessed can ensure the long-term survival of the organization (Bontis, Dragonetti, Jacobsen, & Roos, 1999: 393). The aim of human development is not just to increase income but also people's self-esteem and economic and social choices. Equity, sustainability, productivity, and empowerment are the four pillars that support human development (Alkire & Deneulin, 2009: 26). Human capital is recognized as a central determinant of economic well-being and social progress in the modern world economy. The concept of human capital encompasses many vital aspects of human life, including the knowledge and skills that people acquire and the nutrition and health they enjoy throughout their lives (Aturupane et al., 2021: 1). The Human Development Index (HDI) is used to make a quantitative assessment of human capital in economics. On the other hand, the concept of human capital also makes use of the Human Development Index as a key strategic instrument. This index is a multidimensional measure devised by the United Nations Development Programme – UNDP (Yakunina & Bychkov, 2015: 1-2).

According to Table 1.4, data on the Human Development Index of selected Asian countries reveals that overall human development in Sri Lanka is at a high level. As the Human Development Report of 2021/22 reveals, Sri Lanka's HDI value of 0.782 put the country in the 75rd position out of 189 countries. Sri Lanka's indicators were, life expectancy at birth, 76.4 years; expected years of schooling, 14.1; mean years of schooling, 10.8; gross national income (GNI) per capita, \$12,578.

In comparison with other countries in South Asia, Sri Lanka is far ahead. However, when compared with high-income countries, Sri Lanka lags behind and thus needs to improve the components of the Human Development Index (National Education Commission of Sri Lanka, 2022: 8). Sri Lanka's high ranking in the Human Development Index for South Asian countries may be attributed to its free healthcare and education policy (Liyanage, 2014: 121).

**Table 1.4: Comparison of Human Development Index (HDI) Across Asian Countries – 2022**

Income category	Country	Human Development Index	Life expectancy at birth	Expected years of schooling	Mean years of schooling	Gross National Income (GNI) per capita (US \$)	Rank
High Income	Korea	0.925	83.7	16.5	12.5	44510	19
	Singapore	0.939	82.8	16.5	11.9	90919	12
	Japan	0.925	84.8	15.2	13.4	42274	19
Upper Middle Income	Malaysia	0.803	74.9	13.3	10.6	26658	62
	Thailand	0.800	78.7	15.9	8.7	17030	66
Lower Middle Income	Sri Lanka	0.782	76.4	14.1	10.8	12578	73
	Bangladesh	0.661	72.4	12.4	7.4	5472	129
	India	0.633	67.2	11.9	6.7	6590	132
	Nepal	0.602	68.4	12.9	5.1	3877	143
	Pakistan	0.544	66.1	8.7	4.5	4624	161

Source: (National Education Commission of Sri Lanka, 2022: 9; UNDP, 2022: 272-275).

It is recognized that decentralization, as a policy tool, can contribute to improving the quality and accessibility of essential public services such as education and healthcare. Also, people get the opportunity to participate in the political decision-making process. It can encourage citizens to make the local fiscal authorities more accountable for their actions and improve human development in society. Furthermore, it is recognized that a well-functioning network of regional administrations can improve the sustainability of human development policies (Scott, 2006: 2; Miranda-Lescano, Muinelo-Gallo, & Roca-Sagalés, 2022: 3).

The benefits of human capital development are important in two ways, specifically, for ‘public’ and ‘private’ benefits. Personal benefits for individuals include better job prospects, higher wages, and greater ability to save and invest, all of which consistently contribute to improving health and quality of life. It leads to an increase in labor productivity, creativity, ability to use modern technologies and promotion of entrepreneurship. In terms of public benefits, the government can collect higher income tax revenues from the educated and successful people, society can increase its consumption rate, while there is a reduction in the population growth rate and crime rate, and there is increased community participation in development, accompanied by greater awareness of their responsibilities by the people (Ratnayake & De Silva, 2010: 2).

Table 1. 5 shows that education in Sri Lanka has not shown much progress even with South Asia as per the indicators of the main education pillars in the Global Competitiveness Index (GCI). In comparison, other countries have achieved better performance and been more innovative in using ICT. There is a big demand for skilled human resources in most developed countries and they prefer to recruit cheap labor from the developing countries as that is more profitable for them. However, Sri Lanka is unable to take advantage of this because their skills and performance do not measure up to the required standards in those fields. The GCI rankings show that not only high-income and upper-middle-income countries but even some lower-middle-income countries have outperformed Sri Lanka in the field of research and development (National Education Commission of Sri Lanka, 2022: 9-10).

**Table 1. 5: Sri Lanka's Performance in the Global Competitiveness Index based on Education and Health.**

Income Category	Country	Global Competitiveness Index (GCI)		Selected Main Pillars of GCI						
		Overall Index	Rank	ICT Adoption	Skills	Innovation Capability	Research & Development	Health	Utility infrastructure	
									Unsafe drinking water	Reliability of water supply
High Income	Korea	80	13.0	92.8	74.0	79.1	92.5	99.0	100.0	86.3
	Singapore	85	1.0	87.1	78.8	75.2	70.5	100	100.0	96.8
	Japan	82	6.0	86.2	73.3	78.3	100	100	100.0	94.6
Upper Middle Income	Malaysia	75	27.0	71.6	72.5	55.0	44.0	81.2	89.8	73.8
	Thailand	68.1	40.0	60.1	62.3	43.9	33.6	89.9	48.3	69.2
Lower Middle Income	Sri Lanka	57.0	84.0	40.3	63.8	34.9	21.0	87.1	68.1	58.2
	Bangladesh	52.1	52.1	39.1	46.1	30.7	23.3	72.1	23.2	44.6
	India	61	68	32.1	50.5	50.9	57.1	60.5	49.9	55.9
	Nepal	52	108	38.6	49.3	29.4	20.6	65.9	33.7	
	Pakistan	51	107	25.2	40.8	35.8	26.0	56.3	28.9	49.7

Source: (National Education Commission of Sri Lanka, 2022: 9; Global Competitiveness Report, 2019).

**Table 1.6: Economic Indicators of Selected Asian Countries**

Features	Bangladesh	India	Maldives	Sri Lanka	Thailand	Malaysia
GDP Per Capita US\$ (2021)	2457.9	2256.6	10366.3	4013.7	7066.2	11109.3
% GDP Growth rate (2021)	5.7	7.8	39.8	2.2	1.4	3.1
% GDP, Agriculture (2020)	12.0	18.2	8.0	8.1	8.7	8.2
% GDP, Industry (2020)	32.9	24.5	36.0	27.9	33.2	36.0
- % GDP, Manufacturing (2020)	20.6	13.7	22.3	16.1	25.5	22.3
% GDP, Services (2020)	51.5	48.4	54.8	57.1	58.1	54.8
Exports of goods and services % of GDP (2021)	10.7	21.4	75.3	16.9	58.2	68.8
Export, Mn, US\$ (2021)	44,385.4	679,680.6	4,070.3	14,985.2	294,505.5	256,756.0

Source: (World Bank Data, 2020 &amp; 2021)

Table 1. 6 indicates some of the economic indicators from selected countries. This evidence also reveals that Sri Lanka is still stuck in middle-income countries.

Furthermore, human capital development is an integral part of a country's national wealth. These include social security, human health, improvement of family relations, improved functioning of sub-national level governance institutions, and radical changes in the education system. In building a country's human capital, education plays a crucial role. The size of the country, its rich natural resources, or the amount of its financial capital by themselves do not determine the development of a country, but rather it is the level of education and quantum of knowledge accumulated by the society that determine the development (Khasanova, Nikadambaeva, & Kenjaboev, 2021: 48). Therefore, human capital development plays an important role in ensuring the overall development of the country as well as human well-being. According to the decentralization theory, it is confirmed that delegation of powers to the periphery supports the enhancement of human capital development.

**Table 1.7: Human Capital Index by Province – Sri Lanka (2016/17)**

Province	HCI Score (%)	HCI Rank	GDP Per Capita LKR	GDP Per Capita Rank	Population (Thousands)	Share of Total Population (%)
Western	62	2	783,645	1	6,081	28
Central	54	7	466,518	5	2,722	13
Southern	63	1	463,205	6	2,611	12
North-Western	59	3-4	512,520	4	2,508	12
Northern	52	8	449,819	7	1,119	5
Eastern	51	9	416,088	9	1,677	8
North Central	57	5	519,344	2	1,349	6
Uva	55	6	518,388	3	1,376	6
Sabaragamuwa	59	3-4	446,698	8	2,028	9
National	58	n.a	561,321	n.a.	21,444	100

Source: (Aturupane et al., 2021: 10).

The Human Capital Index<sup>11</sup> (HCI) scores of Sri Lanka's provinces differ significantly, as can be seen in Table 1.7. The Eastern Province scored the lowest figure of 51% and the Southern Province scored the highest figure of 63%, the difference being 12%. Also, the Western Province is ranked second place with 62% rank in the Human Development Index. On the other hand, Uva province has scored 55% rank in the Human Development Index and is ranked sixth place.

## **1.2. Problems of Decentralization in Sri Lanka**

One of the objectives in creating Provincial Councils is to include the general public in decision-making connected to provincial governance and to assist them in enhancing their well-being. However, it is seen that numerous issues have arisen with decentralized governance when studying the experience of the Provincial Councils during the past three decades.

Three decades of accumulated experience reveal that the financial capacity of the Provincial Councils is rather poor. The thirteenth amendment to the Constitution prioritizes the allocation of funds from the Annual Budget to meet the needs of the provinces with the aim of achieving 'Balanced Regional Development'. Thus, the devolution of fiscal power is expected to lead to greater provincial convergence in development (Gunawardena, 2019: 221). According to figure 1.8, the other eight Provincial Councils, including the Western Provincial Council with high tax revenue, are dependent on the central government's fiscal grant. Therefore, the Provincial Councils are heavily dependent on the central government. Despite several income sources, the provincial tax base is limited. Therefore, Provincial Councils have had to make substantial financial cutbacks in critical areas such as education and health, which are probably the two most important components of human capital development. Furthermore, as illustrated in Figure 1.6, each provincial council receives a large sum of money from the national government to fund its expenses.

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<sup>11</sup> The Human Capital Index (HCI) is calculated based on five indicators: (1) child survival to age five; (2) expected years of schooling; (3) harmonized learning outcome; (4) adult survival (ages 15–60); and (5) share of under-five children who are not stunted. The World Bank has developed regional differences in human capital, considering the importance of provinces in providing education and health services in Sri Lanka. The basic principle of calculating the provincial HCI was to make the aggregated provincial HCI equal to the national human capital index provided by the Human Capital global study.

Inadequacy of financial resources is a significant problem affecting Provincial Councils. This has hampered the implementation of innovative development programs and the ability to meet recurrent expenditure at the sub-national level. A high level of central government control also appears to be a hindrance to the smooth functioning of the Provincial Councils (Cooray, 2013: 3; Cooray & Chandralal, 2017: 98).

**Table: 1.8: Grants Received from the Central Government in Sri Lanka (LKR. Mn)**

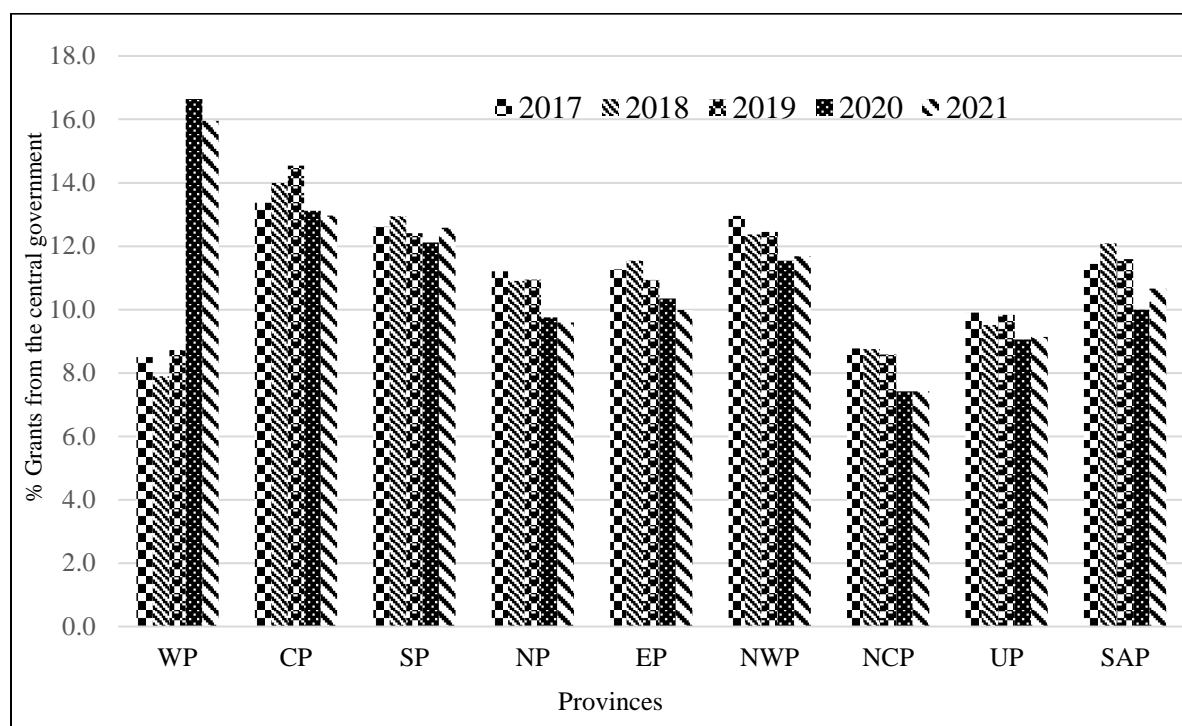
Provinces	2017	2018	2019	2020	2021
Western	16091	15472	18621	46322	47839
Central	25420	27444	31043	36515	38879
Southern	23977	25382	26508	33737	37718
Northern	21304	21385	23365	27151	28762
Eastern	21420	22632	23346	28796	29940
North -western	24631	24263	26591	32130	35024
North -central	16688	17155	18334	20664	22260
Uva	18840	18651	21000	25206	27401
Sabaragamuwa	21747	23708	24745	27829	31975

Source: (Central Bank of Sri Lanka, 2017-2021)

One of the major factors responsible for the financial deficit faced by the Provincial Councils is the large sum that must be spent every month to maintain the public administration system of the Provincial Councils. The Provincial Councils are required to spend money on nine governors, nine chief ministers, 45 provincial ministers, 445 provincial councilors, and many public officials (Gunasekara, 2019).

Inadequacy of financial resources is a significant problem affecting Provincial Councils. This has hampered the implementation of innovative development programs and the ability to meet recurrent expenditure at the sub-national level. A high level of central government control also appears to be a hindrance to the smooth functioning of the Provincial Councils (Cooray, 2013: 3; Cooray & Chandralal, 2017: 98).

**Figure 1.6: Grants Received from the Central Government as % (LKR: Mn)**



Source: (Central Bank of Sri Lanka, 2017-2021)

Maintenance of the Provincial Council system gobbles up huge sums of money required for the holding of Provincial Council elections, and for the payment of salaries to provincial ministers and council members. Money must also be spent on the construction of Provincial Council buildings and infrastructure, salaries of the personal staff of members, and the foreign trips of provincial councilors. Thus, Provincial Councils spend a large amount of money regularly on public services (provincial establishment and provincial administration), which comes under recurrent expenditure. The share of Provincial Councils in government expenditure accounts increased from 3.39 % in 2004 to 6.18 % in 2009 and 8.5 % in 2017 (Gunasekara, 2019: 241). Meanwhile, the World Bank has pointed out that the central government's dominance over the Provincial Councils, the presence of additional layers with administrative and overlapping responsibilities, has made the Provincial Councils a big burden on the central government's budget, despite which the Provincial Councils were not showing any effectiveness in providing public service delivery.

Another issue is the central government's reluctance to allow the Provincial Councils to exercise or wield the powers that have been devolved to them. As Bastian (1999) argues, the Provincial Council system only decentralizes administrative power, not proper political

power. The central government lacks the political will to exercise even the limited powers granted by the Constitution (Bastian 1993). Furthermore, as new boundaries based on a scientific plan have not been drawn up for the Provincial Councils, the old boundaries that existed during colonial rule are still being followed. The same is true for the administrative structures. Therefore, problems have arisen regarding the control of land use in the provinces. In this connection, there is a debate about the devolution of power to the Provincial Councils with the demand that the central government should have more power in certain areas. On the other hand, there are also complaints that the dominance of the administrative machinery of the central government has reduced the ability of Provincial Councils to make decisions.

By converting the schools administered under the Provincial Councils into national schools, the central government has smoothly and deceptively revoked the educational powers granted to the Provincial Councils. In addition to the takeover of schools, the process of converting hospitals under local government administration into teaching hospitals also appears to be what some would describe as a cunning re-centralization process.

The next problem facing the provinces is to do with the development of facilities related to social infrastructure. For example, subjects such as education, health, etc. have already been devolved to the provincial governments by the central government. However, a large percentage of the total recurrent expenditure budget of the Provincial Councils must be allocated to build and maintain this social infrastructure. Due to such expenditures, the Provincial Councils have been criticized collectively as white elephants, but they do play a major role in supporting the crucial social services that the citizens need. Further, the service delivery has prioritized education and health, which accounts for 83 % of the total provincial expenditure in 2004, 78.25 % in 2009, and 77.1 % in 2017 (Gunawardena, 2019: 241).

### **1.3. Problems Affecting Human Capital Development in Sri Lanka**

Sri Lanka has a long history of providing free support for the ‘Three Pillars’ of a welfare state, which are education, healthcare, and social services (Jayasuriya, 2000: 8). This welfare program has continued even after the establishment of the Provincial Councils in 1987, and since then, the Provincial Councils too have been contributing towards the implementation of the welfare policy of the state.

The quality and availability of the needed human resources are significant factors that play an important part in achieving the main objectives of the Provincial Councils. However, Provincial Councils have very limited control over their human resource cadre. The Provincial Councils are obliged to recruit their civil servants through the All-Island Administrative Service (AIAS), an agency of the central government. Moreover, the Provincial Councils have limited control over the recruitment and transfer of civil servants. The Provincial Councils also have no control over the management of human resources (Bandara, 2019: 317-318). As a result, there are numerous issues with the provincial civil service. The provincial staff members may have a negative attitude towards the Provincial Council due to some personal problems they face within the system. The Provincial Councils system has remained captive of the centralized administrative culture, leading to the politicization of the bureaucracy at the Provincial Level. The Provincial Council system is also handicapped by the fact that its senior administrators had to owe their primary loyalty to the central government as they were still answerable to the central administrative office. This situation has led to an unwillingness or inability on the part of the provincial administrative leadership to challenge their masters at the center. The provincial bureaucrats had to be wary so they would not fall victim to any political witch-hunting, while another section of bureaucrats seemed to have adopted an anti-devolution stance for whatever reason. There was also the typical bureaucratic reluctance to face new challenges and/ or a change in the status quo, as it maintained them within their comfort zone in the organization (Bandara, 2019: 352).

Meanwhile, the other problem is that the development of human capital is not proceeding smoothly at the provincial level. This is because even though the human capital development in Sri Lanka is high, there are still considerable disparities within and between the provinces, according to countrywide figures. The Southern and Western provinces occupy the two highest places in terms of human capital development. Please see Table 1.6 for further details. The main reason for this result is the strong focus of policymakers on good teacher management and the development of school education (Aturupane et al., 2021: 10). When comparing the levels of human capital development, per capita health expenditure, and education expenditure per student in each province, provinces with low human capital development, such as the Northern Province, have higher health and education expenditures than the more developed Western, Southern and North-Western provinces. However, some provinces spend less on human capital development in provinces such as Eastern (health and

education), Central (health), and Uva (education), indicating there are gaps in their investments (Aturupane et al., 2021: 17). Additionally, many provinces now have a variety of educational issues. Every province experiences the issue of inadequate teacher training in terms of new technology, innovation, and strategies. Also, certain provincial schools experience difficulties due to a shortage of teachers who can teach courses like English, Science, and Mathematics. To add to the problems, the parliament and the Provincial Councils have been constantly changing their decisions on the recruitment, promotion, and transfer of civil servants and the executive-level appointments in the fields of education and health.

#### **1.4. Major Research Questions**

The efforts of Sri Lanka's Provincial Councils to promote human capital development have run into numerous issues. The central government still retains unrestricted territorial authority in most legal scenarios. Therefore, the Provincial Councils are constantly dependent on the central government for funding and to make needed changes, but the central government has demonstrated a marked unwillingness to grant the Provincial Councils the necessary constitutional authority. One of the most critical factors that has a bearing on the effectiveness and efficiency of the services offered by Provincial Councils is the competence of the administrative staff at the provincial level. However, there is a severe shortage of experienced officers with the requisite professional and technical expertise in most of the provincial administrations. Most service recipients have reported reduced satisfaction with the ineffective service delivery, and other ills such as abuse of power, bribery, corruption, etc. associated with the Provincial Councils. To study these issues and gain a better understanding of the same, this thesis attempts to generate significant new knowledge using primary and secondary data related to the services offered by Provincial Councils in Sri Lanka. The findings are expected to promote human capital development and public policy formulation.

All in all, Provincial Councils have been introduced to reduce disparities between provinces in Sri Lanka and to reduce socio-political and economic problems. However, these goals have not been achieved. Furthermore, Sri Lanka is still stuck in the lower middle-income category, while many other Asian countries have achieved substantial development in the

country. It can be believed that increasing human capital development is vital in solving internal and external social, economic and political problems in Sri Lanka. Therefore, this research has focused on the impact of Provincial Councils on human capital development. The three main research questions listed below are presented based on these arguments.

- 1) What are the short-term and long-term impacts of fiscal decentralization on the delivery of local education services and health (human capital development) in Sri Lanka?
- 2) Although three decades have passed since the establishment of Provincial Councils in Sri Lanka, why the disparities between the provinces and between the provincial and national schools are not reduced?
- 3) What is the level of service recipients' satisfaction with the public education services provided by the Provincial Councils of Sri Lanka?

### **1.5. Objectives of the Research**

In any country, human capital development is crucial for increasing employment, productivity, and economic growth. Along with physical capital and technology, human capital is now a key driver of economic growth in the economies of South Asian nations. Thus, South Asian nations have advanced significantly in terms of overall progress and school education with high attendance. However, in the case of certain countries, there are still large gaps in access to, participation in, and completion of education across gender, income, and social groups. It has been acknowledged that the most prominent problems are the low quality of education and the high disparity in learning outcomes among students, both of which have proved to be significant challenges in South Asia (Lee et al., 2017: 27). In the political and administrative structure of practically all South Asian countries (India, Sri Lanka, Pakistan, Bangladesh, Nepal, Bhutan, and the Maldives), many essential public service delivery functions and powers have been decentralized and thus devolved to the local and regional bodies (Faridi et al., 2019: 532). Although Sri Lanka has achieved significant progress in human capital development at the national level, there are yet notable disparities between the provinces.

The Provincial Councils and their affiliated provincial administrative machinery play a significant role in coordinating the administrative affairs and delivering essential public services. Because they possess that capability, many important functions in the education and health sectors have been devolved to the provinces. In order to address the research questions given above, the general objective of this study to determine the impact of decentralization on public service delivery and human capital development in Sri Lanka. In this study, the general objective is to address the major research problems listed above and this is articulated as follows.

To determine the impact of decentralization on public service delivery and human capital development in Sri Lanka.

Based on this general objective, there are three specific objectives as follows in Chapter 3, 4 and 5 in this thesis.

- 1) To determine the short-run and long-run impacts that fiscal decentralization on the delivery of local health and education services (human capital development) in Sri Lanka
- 2) To identify the differences between physical and human resources in '1AB' type national and provincial schools in the Uva Province, Sri Lanka and to determine the impact of existing resources on academic performance in the two types of schools.
- 3) To make a comparative assessment of the satisfaction level of provincial school principals with the public services provided by the Uva and Western Provinces of Sri Lanka.

## **1.6. Significance of the Research**

In almost every country, the responsibility for improving the standard of education, health and other services related to human capital development through proper management is shouldered by the government. It aims to protect and enhance the quality of educational services and deliver them effectively. Sri Lanka's Human Development Index for 2022 recorded a value of 0.782, making it the highest among the lower middle income countries (Human Development Report, 2022). Sri Lanka, even with lower-middle income status, has a long history of getting good results in the health and education sectors despite its citizens'

modest income levels (Sibbons, 2004: 76). The delivery of school education and health service in Sri Lanka is almost entirely provided by the central and Provincial Councils. On the other hand, education and health are the most decentralized subjects.

In Sri Lanka, after the establishment of Provincial Councils in 1987, some of the responsibilities of the central government pertaining to education were transferred to the Provincial Councils. Generally, it was found that there were many types of disparities between the Provincial Councils in Sri Lanka, which varied from service to service. Particularly, there appeared to be many types of disparities in the area of education from province to province. Provincial Councils have now become an important part of the administrative structure of Sri Lanka. Thus, the Provincial Councils have taken on the responsibility for providing a wide range of services, including education and health services. As such, there is a timely need to study the delivery of educational and health services by the Provincial Councils of Sri Lanka to improve the standard of education and health services in the country. From this it can be surmised that when there is a debate about decentralization in the country, this research may prove to be of importance to society, because the research results can be used to improve the quality of education and health in the country and to eliminate disparities between the provinces. This research will also benefit all citizens and society by enabling them to look at the Provincial Councils from a quantitative and qualitative perspective.

The findings of this study will help to generate knowledge that could prove useful in addressing any identified gaps, such as how decentralization in Sri Lanka has improved human capital development. Furthermore, the findings of this study could serve as essential information for researchers, for service recipients who receive services from the Provincial Councils in Sri Lanka, as well as the bureaucrats, and the provincial councilors in the Provincial Councils. Additionally, the research findings can also assist policymakers to make decisions while they are building an institutional framework in the fields of education and health to foster human capital development at the national and provincial levels. It also helps to understand to what extent the Provincial Councils have lost their capacity to improve their human capital development.

## **1.7. Methodology of the Research**

To achieve each specific objective, this research carried out several sub-studies which are given in the forthcoming Chapters of this thesis. Each study used different methodologies and this section briefly summarizes those methodologies used. The overall study used both qualitative and quantitative methods. Both primary and secondary data are used for this research. The mixed research method was used to collect data in this study, according to Creswell (2014: 219-223). The main method of primary data collection includes two types, questionnaire surveys and interviews. This helped to gather information on the involvement of Provincial Councils in the distribution of educational services.

The researcher conducted questionnaire surveys to collect public feedback and relevant information about the services provided by the Provincial Councils. The target population of this research is comprised of the people living in the Western and Uva provinces of Sri Lanka. The Western Province has recorded a significant improvement in public service delivery compared to the other provinces on the island with the Uva Province among the those with the poorest service delivery. The in most cases random sampling method is used for this research. Moreover, interviews were conducted with selected administrative staff members in the two provinces.

When conducting the questionnaire surveys and interviews, the necessary ethical guidelines were followed. First the research objectives were explained to each of the selected participants and then their willingness to participate in the survey was ascertained. Their written permission was also obtained. For secondary data collection, several government websites and the websites of various non-governmental organizations (NGO) were reviewed. In addition, published and unpublished literature, including journal articles, annual reports, policy papers, monographs, etc. were used to collect both qualitative and quantitative data. Data was collected from the Reports of the Finance Commission of Sri Lanka, Reports of the Central Bank of Sri Lanka, Official Reports of the Provincial Councils, and the Annual Reports of the Ministry of Education in Sri Lanka. For supplementary information on the theory and practice of decentralization and the delivery of educational and health services, books, journal articles, and other references linked to same were perused.

The data collected is analyzed in this research using the descriptive statistical method and output in the form of percentage, frequency, tables, charts, and other graphic means. Furthermore, EViews and SPSS used to perform the data analysis on a scientific basis to ensure its validity. An overview of the research procedures that will be used in this study is presented in Table 1.9. It provides details of the procedures used for gathering data, the units of measurement, and the procedure for analyzing the data in the context of the research objectives.

**Table 1.9: Summary of the Methodology**

Objective	Research Design	Data Collection Methods	Unit of Analysis	Sample Size	Analysis
1) To determine the short-term and long-term impacts that fiscal decentralization on the delivery of local health and education services (human capital development) in Sri Lanka	Investigating the relationship between macroeconomic indicators	Secondary data	Province	9 provinces	Time series analysis using ARDL approach
2) To distinguish the difference between physical and human resources in '1AB' type national and provincial schools in the Uva Province and to determine the impact of existing resources on the academic performance in the two types of schools.	Cross-sectional survey	Questionnaire survey	Uva Province 1AB schools Principals (National & provincial schools)	60	Descriptive Analysis
3) To make a comparative assessment of the satisfaction that provincial school principals have with the public services provided by the Uva and Western Provinces of Sri Lanka.	Comparative Design	Questionnaire Survey and Interviews	Uva and Western Province, Provincial AB schools	60	Descriptive Analysis

Source: (Researcher, 2023).

## **1.8. Organization of the Thesis**

This thesis consists of Six chapters, followed by the annexes. The beginning of the first chapter is allocated to explaining the background of the research and is divided into two main themes as problems of decentralization, and problems of human capital development in Sri Lanka. Then, the nature of the problems is identified more clearly, and the research questions are posed. This chapter concludes with an explanation of the research methodology, and description of the chapter organization. The second chapter reviews the existing literature on theoretical and empirical research and the prevailing practices on decentralization, service delivery, and human capital development both in Sri Lanka and other countries. The third chapter presents the first section of the analysis related to the study. Accordingly, an econometric analysis is carried out on the secondary data collected on the variables of education and health, which are two of the essential services that were decentralized in Sri Lanka with the objective of improving the human capital development. The fourth chapter presents the second part of the analysis of this study on decentralization and education service delivery in the case of Uva Province. This helps to distinguish the difference between the effects of physical and human resources in ‘1AB’ type national and provincial schools in the Uva Province, and to determine the impact that existing resources have on the academic performance of the two types of schools. The proposition is that because of the decentralized administration, ‘1AB’ type provincial schools have better human resources and physical facilities. Thus, students’ academic performance in the Uva province was tested and compared to that of national schools in Sri Lanka based on the research objectives. The fifth chapter presents to the third section of the analysis in this research and thus makes an assessment of the quality and satisfaction with the service provided by the provinces as seen from the perspective of the principals of Uva and Western provincial 1AB schools. The six and last chapter of this research report presents the conclusion and the study’s recommendations.

## **CHAPTER 2**

# **DECENTRALIZATION, SERVICE DELIVERY AND HUMAN CAPITAL DEVELOPMENT: THEORIES AND CONCEPTS**

### **2.1. Introduction**

In terms of theory and practice related to research areas, this chapter reviews the literature on the political, and economic perspectives, the concept of decentralization and related theories, as well as important theories on human capital development and public service satisfaction. Also, the use of decentralization in developing countries and the factors affecting it have also been explained. This chapter discusses the functions of Provincial Councils as sub-national governments in Sri Lanka. Overall, the theoretical foundations of the research are strengthened by the explanations contained in this chapter. Finally, the conceptual framework of this research is created based on these arguments.

### **2.2. Theories of Decentralization**

The theories of decentralization are discussed in this section. To begin with, it was investigated to what degree theories may be used to comprehend the actual working of systems, and whether any problems, concepts or phenomena related to decentralization could be explained in terms of those ideas. The theories of decentralization can be broadly categorized into political perspective and political economic perspective. Brief explanations are given about the different theories of decentralization below.

#### **2.2.1. Political Perspective**

It is important to consider the theoretical value of decentralization from a political perspective. The process of decentralization has occupied a prominent place in the policy-reform agenda of countries all over the world. On the other hand, these reforms aim to make the public

administration more efficient, flexible and responsive and deliver good service. In 2000, the World Bank projected that between 80 and 100 % of the world's countries were either experimenting with or considering some type of decentralization (Faguet, & Pöschl, 2015). Furthermore, decentralization has many political values. Therefore, three theories of the concept of decentralization that are relevant to this study have been addressed.

#### *a) Sequential Theory*

Sequential theory, which describes decentralization as a process, emphasizes that it ‘goes beyond the description of the condition of political or budgetary institutions.’ It focuses on the process that integrates several public policy reforms (Zotikishvili, 2020: 12). According to the definitions, decentralization is a public reform process involving a series of public policies that move responsibilities, resources, and authority from higher to lower levels of government within a state (Falleti, 2005: 328). This theory explains the advantages and disadvantages of each kind of decentralization process. The national executive can, when required, curtail the authority of subnational officials through financial transfers, and this can have a bad effect on administrative decentralization, which is supposed to strengthen the capacity of subnational governments by aiding municipal and state bureaucracy. The fiscal decentralization approach can positively or negatively impact the autonomy of subnational governments. Especially, that effect can be achieved by increasing the devolution of the tax authority to subnational units or the ability of the national executive to subsidize regional budgets. This theory expects that political decentralization should always increase the degree of autonomy granted to the subnational officials by the center. However, the national executive can only affect the extent of political decentralization by establishing new sub-national units. According to the theory’s conclusion, the national executive can influence the process of political, administrative, and fiscal decentralization through their institutional designs by unpacking decentralization policies (Falleti, 2004: 3-5; Falleti, 2005: 329).

### ***b) Soufflé Theory***

The Soufflé theory has been used to explain the service delivery process to citizens in terms of the various dimensions of decentralization (Muema, 2019). In general, the Soufflé theory holds that all components of the decentralization package, viz. fiscal, political, and administrative, must be balanced and implemented for decentralization to be successful (Godha, 2014: 117; File & Mulugeta, 2011: 60). This theory is based on the idea of soufflé, which requires the right combination of milk, eggs, and heat to rise. This theory also explains why the correct mix of political, fiscal, and institutional elements is necessary for a successful decentralization effort. Besides, this theory attempts to integrate the political, economic, and administrative aspects of decentralization. It also links intermediate outcomes that are likely to impact service delivery outputs and outcomes (Parker, 1995: 44). Godha (2014) has used the Soufflé theory effectively to analyze the strengths and prospects of education under decentralization in Tanzania.

### ***c) Principal-Agent Theory***

The Principal-Agent Theory (PAT) offers a method for comprehending how decentralization affects local management capability. According to this theory, authority is divided between superiors and subordinates. This focuses on the transfer of authority from central governments (principals) to local governments (agents). The theory describes the top-down power structure between the two government entities (Shin & Jhee, 2021: 50).

This theory stands out because it proposes a ‘principal’ with specific objectives and ‘agents’ who must perform tasks to meet those objectives. Thus, the fundamental component of the Principal-Agent Theory, the ‘agency relationship,’ depends on the power balance and the flow of information between the principals and agents (Masanyiwa, Niehof, & Termeer, 2013: 79). Furthermore, in principal-agent relationships, as the principals are directly responsible for providing services they theoretically hold significantly more power than agents (Hiskey, 2010: 30). This notion has certain implications for both administrative and political decentralization. For one thing, it reveals a weak stance on fiscal decentralization. Political decentralization emphasizes that the citizens should delegate the duty of providing services to the service providers. Moreover, administrators of decentralized bodies should be accountable to citizens as

the law requires. Most importantly, people's representatives must assiduously implement their stated policies and fulfill the promises they made to the voters who elected them (Muema, 2019). Economists and political scientists have applied the Principal-Agent Theory to examine federal intergovernmental transfers among states in the United States of America. Also, this theory has been utilized in Britain to study the bargaining practices between the local and central government, as well as the local government's role as the agent of the central government (Bossert, 1998: 1516).

The responsibility of a government is to maintain a safe environment for people to live well. Many countries have implemented decentralization reforms to attain these objectives. It is expected to provide efficient and better-quality service. The central government and decentralized institutions are responsible for developing the country's education and health and therefore focus on human capital theory in the next section.

### **2.2.2. Political Economic Perspective**

This section discusses decentralization theories from the perspective of political economy. The term "Political Economy" was used to refer to Adam Smith's "Wealth of Nations" (1776), David Ricardo's "Principles of Political Economy and Taxation" (1817), Karl Marx's "Economic and Philosophical Manuscripts" (1844), and John Stuart Mill's "Principles of Political Economy" (Heywood, 2013:129). Thus, there are many approaches to political economy among the various schools of economic thought (Classical political economy, Marxist economics, Institutional economics, Keynesian economics, Neoclassical economics and Modern political economy) that have developed over the past few centuries (Stilwell, 2006: 6-9). The study of the intersection between politics and economics is known as political economy. In short, political factors influence economic outcomes and economic factors influence political outcomes. It investigates politics with economic tools (Heywood, 2013:129).

Political economy can be defined in three ways. That is, in terms of the real-world problems it focuses on, in terms of the manner in which these problems are analyzed, and in terms of currents economic from which it draws (Stilwell, 2006:3). According to Heywood (2013), among the

theories of political economy, rational choice theory, public choice theory, social choice theory and game theory are important.

***a) Rational Choice Theory***

This Theory explains how a person performs a cost-benefit analysis to assess whether an option is right for them. This theory examines three concepts: “rational actors, self-interest, and the invisible hand” (Scott, 1999). This theory is widely recognized as a key methodological resource for mainstream economics (Blakely, 2020:39). As stated by Elster (1989), the rational choice theory states that “When presented with multiple options, people usually choose the one they believe will result in the best overall outcome”. Social scientists have identified rational choice theory as a method for comprehending human behavior (Ogu, 2013:91).

***b) Public Choice Theory***

Public Choice Theory focuses on how elected officials, bureaucrats, and other government agents might be influenced by their own perceived self-interest while making decisions in their official jobs (Buchanan, 1984). Moreover, public choice theorists have presented their ideas using the concepts and principles of economics (Firidin, 2022:17). Reforms in local government organizations connected to decentralization were demanded by proponents of public choice theory. They believe that giving local government contracts to the private sector will result in high-quality service delivery that will encourage competition and a profit-driven mindset (Naha, 2015:28). The benefits and costs of decentralizing the provision of particular public services can be analyzed using public choice theory. Furthermore, this theory is important to determine the possibilities of deregulation and privatization (Rondinelli, McCullough, & Johnson, 1989:59). Moreover, the public choice theory has been able to explain the interaction between state capacity and competitive pressures in the ‘market for governance’ or the relationship between investment in state capacity and economic development (Volejníková, & Kuba, 2020:1).

### ***c) Social Choice Theory***

Social choice theory is the study of systems and institutions for making collective choices, choices that affect a group of people (Kelly, 2013). On the other hand, this theory is likewise concerned with the relationship between people's preferences and their social preferences (Sen, 1977:53, as cited in Fishburn,1973). This theory also seeks to elucidate issues concerning individual preferences as well as social preferences. As a result, the study of the procedures for aggregating individual preferences to societal choices is critical to welfare economics as well as the sub-disciplines of democracy and elections (Jain, 2022:1).

### ***d) Game Theory***

Game theory provides a comprehensive set of concepts, linkages, and models that invite a plethora of applications to real political economy problems (Ferguson, 2013). Game theory is defined as the study of mathematical models of conflict and cooperation between intelligent rational decision-makers (Myerson,1991). It is clear that game theory has had a huge impact on economists' thinking. Furthermore, this theory has assisted economists in "understanding what has happened in the economic environment" and "what is going to happen," and making predictions as a result. Moreover, game theory has been applied to investigate most microeconomic and macroeconomic theoretical issues (Yeung, 2016:337).

## **2.3. Relationship Between Political Economy and Decentralization**

Evidence suggests that 'decentralization' has been a significant governance reform in many developing countries. Development partners (International partners) have mostly focused on decentralization in the country while giving help for public sector reforms (Eaton, Kaiser, & Smoke, 2011). The theories discussed above assist to obtain a perspective of the help to get a picture of the political economy in relation to the influence of human behavior. Political economy helps to study the effect of the activities of the layers involved in the administration of the country. Accordingly, the concept of governance is an important point to focus on in political

economy. Governance is an administrative innovation to ensure the effective application of institutional arrangements and reforms. The layers of governance are best represented by decentralization, and the concept of decentralization refers to the transfer of central government authorities, functions, responsibilities, and grassroots administrative units. (Al Farid Uddin, 2018). Kaufmann and Kraay (2002) have identified three dimensions of "governance" as the traditions and institutions through which power is exercised in a country. It includes (1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them. Thus, it is clear that decentralization has a good place in the field of political economy due to its relationship with governance.

The World Bank has considered four main aspects of decentralization in terms of political economy at the national and intergovernmental levels (Eaton, Kaiser, & Smoke, 2011):

- I. The initial context and motivations for decentralization reform.
- II. The key actors involved in decentralization—politicians, bureaucrats, and citizens.
- III. The current stage of reform and its trajectory as it has unfolded since the initial decision to decentralize; and
- IV. The role and incentives of key external development partners.

In practice, every developed and developing country around the world has embraced decentralization. Among them, the challenges associated with decentralization in developed countries are the least severe. However, due to the emergence of many types of challenges in developing countries, issues have developed in the process of decentralization. As a result, developing countries have had to exert considerable effort to obtain the expected effects of decentralization. Meanwhile, developing countries have pursued decentralization for a variety of reasons. For example, it serves to encourage economic growth, eliminate rural poverty, and strengthen political democracy in the country. Due to the inability of the central government to achieve these goals, some countries have also undertaken reforms to strengthen civil society and strengthen local democracy. On the other hand, societies with a multicultural context in developing countries still believe in waiting for positive results of decentralization. Therefore, decentralization and trend in governance are more influenced by political and economic factors

that directly affect service delivery. As a result, an environment has been created to assess decentralization from a political economy perspective based on new political and economic trends.

## **2.4. Concept of Decentralization**

In the 1950s, the idea of decentralization was conceived by political scientists as a means to build a more functional and modern state by reforming the unitary administrative structure inherited by post-colonial states (Mewes, 2011: 30). Furthermore, as many developing nations started to revise their community development policies in the 1960s, interest in decentralization grew (Mewes, 2011: 30). In the 1970s, many nations in Asia, Latin America, and Africa embraced decentralization as an experiment in new approaches to development, political and administrative systems (Rondinelli & Cheema, 1983: 9). Meanwhile, with increasing interest in more efficient governance in the 1980s, greater attention is being paid to decentralization (Mewes, 2011: 32). By the 1990s, more countries moved towards decentralization with the general trend towards democracy and the need to stimulate development processes (Mewes, 2011: 30-32). According to the United Nations Development Program (UNDP), decentralization in one form or another has been implemented in about 80% of developing nations, including the transitional economies of Eastern and Central Europe (as cited in Work, 2002: 9). The goal of development strategies in these countries was to share the positive outcomes of economic progress in a more equitable manner so that all sections of society could enjoy the increased national productivity and income, thereby improving the standard of living of the poor (Cheema, Nellis, & Rondinelli, 1983: 7). The ability to improve public services through a better-financed plan that considers local requirements is another vital justification for decentralization (Saavedra, 2009: 1). It has been noted that more democratization of countries generally leads to greater decentralization. There were 69 democratic countries in 1989 but by 2014 that number increased to 125 (Piccone, 2016: 2).

### **2.4.1. Definition of Decentralization**

Many researchers have developed definitions of decentralization based on various viewpoints of the concept and practice (See Table 2.1). The word ‘decentralization’ is based on the common idea of ‘Away from the center’ originating from Latin (Meenakshisundaram, 1994: 1). It is a simple idea meaning that some of the central government’s powers related to governance are transferred to one or more other levels of peripheral administration.

Numerous scholars have defined the concept of decentralization as a transfer of power from a higher level of government to lower-level institutions. According to Rondinelli’s (1981:137) definition, it is the transfer of central government’s power to other government institutions or a semi-autonomous government or the private sector. It also covers both horizontal and pyramidal decentralization, including the regional and subordinate levels of government (Herath, 2009: 159). Accordingly, transferring decision-making power, delegating authority with responsibility, allowing people to take necessary actions appropriate to their locality, assigning tasks from the center to the periphery, allowing people to formulate plans and implement them, are all made possible through decentralization (Hossain, 2005: 2). Taken in aggregate, decentralization can be safely defined as the transfer of specific functions and responsibilities from the central government to other governmental bodies governing varying land extents and non-governmental agencies of various types.

These definitions have several standard features. That is, releasing part of the executive or legislative powers related to the governance of the central government to the lower levels under its supervision. Accordingly, it is said that it is possible to decentralize various subject areas such as political, administrative, economic, and fiscal. On the other hand, certain central government functions can be removed entirely from the central government and given to another private institution. It reveals that power can also be decentralized to institutions with or without public representatives at various levels. It is also meant to allow the corresponding lower tiers of government to take over some of the duties or decision-making authority of the central government.

**Table 2.1: Definition of Decentralization**

<b>Scholars</b>	<b>Definitions</b>
Rondinelli	Decentralization is the transfer or delegation of the legal and political authority to plan, make decisions, and manage public functions from the central government and its agencies to field organizations of those agencies, subordinate units of government, semi-autonomous public corporations, area-wide or regional development authorities, functional authorities, autonomous local governments, or non-governmental organizations (Rondinelli, 1981: 137).
Wollman	Decentralization is the transfer of powers and functions (along with resources) to subnational organizations and actors who have some political independence within an intergovernmental framework (Wollman, 2007: 2).
Work	Decentralization refers to the transfer of responsibility for planning and management and resource mobilization to lower levels of the central government. For this, the central government allocates needed resources to the lower levels of government (Work, 2002: 5)
White	Decentralization is the process of transferring administrative authority from a higher level to a lower level, and the most essential part of it is the delegation of decision-making functions (Krishnamohan, 2017: 202).
<b>Institutions</b>	
OECD	Decentralization is an ambiguous term but may generally be seen as “the transfer of authority to plan, make decisions or manage public functions from the national level to any organization or agency at the sub-national level (OECD, 2004: 16).
UNDP	Decentralization is the restructuring of authority so that there is a system of shared responsibility between institutions of governance at the central, regional, and local levels according to the principle of subsidiarity. Based on such a principle, functions (or tasks) are transferred to the lowest institutional or social level that is capable (or potentially capable) of completing them. Decentralization relates to the role of and the relationship between central and sub-national institutions, whether they are public, private, or civic (UNDP, 2004: 4).
World Bank	Decentralization is the transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations and/or the private sector – this is a complex multifaceted concept.

Local Development International (LDI).	Decentralization is the assignment of public functions to subnational governments along with structures, systems, resources, and procedures that support implementing those functions to meet specific goals. There is an emerging broader view of decentralization that focuses on empowering autonomous local governments to meet a general mandate to provide for the welfare of their constituencies, not just for their assumption of functions assigned by the center (Local Development International-LDI), 2013: 2).
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Source: (Rondinelli, 1981: 137; Wollman, 2007: 2; Work, 2002: 5; Krishnamohan, 2017: 202; OECD, 2004: 16; UNDP, 2004: 4; Local Development International, 2013: 2).

### 2.4.2. Objectives of Decentralization

Many governments across the world resort to decentralization to achieve various political, administrative, and economic objectives. These objectives can be identified as primary and intermediate.

Cheema and Rondinelli (1983: 14-16) offer a good description of those objectives, as follows: Increase people's participation in local development, planning and management, coordinate administrative functions, create social equity through political and administrative 'penetration', facilitate local 'experiments', lead to more flexible, innovative and creative administration, develop isolated or backward areas, integrate regional economies, ensure macroeconomic stability, improve political stability, decentralize the provision of public goods and services, participate in planning, monitoring, and evaluation, streamline delivery of goods and services, improve local level financial management and administrative efficiency, and so on. However, some countries also embrace decentralization to identify and implement sustainable human development strategies, and to achieve priority objectives such as poverty reduction, employment creation, gender equality, and environmental regeneration (Krishnamohan, 2015: 6). As the Local Development International (2013, 3) explains, the primary objectives of decentralization are to improve service delivery (efficiency, equity, etc.), provide better governance (deeper and more inclusive), and reduce conflicts.

Intermediate objectives relate to the adoption of technology, efficient management, capacity development, and greater accountability (downward, upward and horizontal) through electoral and enhanced citizen capacity. However, achieving these objectives requires developing some

systems and following certain processes that involve expenditure. Accordingly, insufficient fiscal decentralization can hinder the local officials' and public representatives' ability to act on these matters. It does happen though, due to a lack of discipline in the administrative and financial allocation mechanisms, sensible use of fiscal powers does not occur. Consequently, when the local people do not receive sufficient benefits because the reforms were not properly implemented due to the lack of funds or misspent funds, they become disillusioned and alienated from local democracy.

There are relationships between primary objectives and intermediate objectives. Accordingly, the state of different contextual factors can (in varying ways) affect decentralization. Among these are the size/nature of the local economy, level of institutional and political development, demographic and social characteristics, the extent of social capital, level of urbanization, political-economic factors, and dependence on aid from the center.

There may be several valid reasons for governments to decentralize. In Central and Eastern Europe and the former Soviet Union, it was actually in the nature of secession, leading to a dramatic political and economic transformation (Shah & Thompson, 2004: 3). In the Latin American countries, it resulted in the transition to democracy (Shah & Thompson, 2004: 3). In Ethiopia, Indonesia, Yugoslavia, Nigeria, Sri Lanka, and the Philippines, decentralization addressed ethnic or political conflicts (Shah & Thompson, 2004: 3). In Chile, Uganda, and Cote D'Ivoire, the purpose of decentralization was to improve the provision of basic services (Shah & Thompson, 2004: 3). For the Czech Republic, Slovakia, Hungary, and Poland, that was one of the conditions imposed for access to the European Union (Shah & Thompson, 2004: 3). In Argentina, Brazil, Bolivia, Colombia, India, Pakistan, and the Philippines decentralization enhanced people's participation in government (Shah & Thompson, 2004: 3). In China, its aim was to protect communist rule in a populous and diverse country (Shah & Thompson, 2004: 3). Meanwhile, in African countries, it is invoked for the purpose of shifting the responsibility for implementing unpopular adjustment programs (Shah & Thompson, 2004: 3; Ahmad et al., 2005: 1). There is evidence to prove that decentralization can enhance the services provided by many governments.

### **2.4.3. Forms of Decentralization**

Many scholars, including a few attached to the World Bank, point out that there are different types of decentralization. It will prove useful to understand the theory and practice of this concept, but there is a complication in that decentralization encompasses a variety of domains. There can be political, administrative, fiscal, and market decentralization, which can appear in many forms and combinations in different countries (Rondinelli, 1999). Therefore, there is no common agreement among scholars about the different forms of decentralization. According to Meenakshisundaram (1994: 11), de-concentration, devolution, delegation, privatization, and deregulation can all be different ways implementing decentralization. Cheema and Rondinelli (1983: 18) have identified four primary forms of decentralization as de-concentration, delegation to semi-autonomous or parastatal agencies, devolution to local governments, and transfer of functions from the public to non-governmental institutions. Mugabi (2005: 24) showed that decentralization could be divided into four types as de-concentration, devolution, delegation, and divestment/ privatization. This illustrates the different meanings ascribed to the different forms of decentralization.

Scholars who have studied the concept of decentralization classify it into two waves (or generations), known as the first wave of decentralization and the second wave of decentralization. The first wave of decentralization or the first generation of decentralization is based on the period from the late 1960s to the mid-1970s in many Asian and African regions (Chowdhury, 2017: 116). However, as Olsen pointed out, the first-generation decentralization failed due to several reasons. This included lack of people's participation, lack of local administrative performance and capacity, and no real change occurring in the distribution of power, wealth, and status. However, by the beginning of the 1990s, many developing countries were using the second wave or second-generation decentralization. This resulted in a move from superficial reform to restructuring by a shift in the decision-making process from the center to the periphery (Olsen, 2007: 2-3). As pointed out by Olsen, the second wave, or second-generation decentralization, can be observed in effect in four domains, as political, administrative, fiscal, and market decentralization (Chowdhury, 2017: 117).

Olsen (2007: 3) also showed that the second wave, or second-generation decentralization, was aimed at state reform (state modernization), local governance, local democracy, and regional

economic development. Thus, many countries of the world expect to solve many complex social, economic, and political issues related to governance through decentralization measures.

Currently, many countries have implemented decentralization systems for improving the governance mechanism within the state. Different types of decentralization are identified in Table 2.2, as political, administrative, fiscal, and market (economic) decentralization. These decentralization methods have been adopted in various countries and used in different combinations (Islam & Fujita, 2012: 5). Furthermore, Political, administrative, fiscal, and market decentralization are the four categories of decentralization that have been defined by the World Bank. It is further noted that these five types of decentralization can manifest in various configurations and arrangements across countries, within countries, and even within sectors. (Litvack. et al.,1999). Therefore, it would be helpful to have an overview of the four types of decentralization.

**Table 2.2: Forms and Dimensions of Decentralization**

Forms and Dimensions	Privatization	Delegation	De-concentration	Devolution	Deregulation
Political				✓	
Administrative		✓	✓	✓	
Fiscal				✓	
Market	✓				✓

Source: (Steiner, 2005: 10; Muriu, 2013: 7).

#### ***a) Political decentralization***

The purpose of political decentralization is to empower citizens through their elected representatives so the latter could make public decisions at the sub-national level to better meet local needs. Kauzya (2007: 76) has given a more explicit definition for understanding political decentralization: Political decentralization is ‘transferring the power to select political leadership and representatives from the central government to local governments and transferring the power and authority for making socio-political-economic decisions from the central government to local governments and communities.’ Thus, political decentralization means the delegation of authority to a sub-national body by the central government. Political decentralization can be

identified as the most popular and most democratic system of decentralization. Devolution is carried out through political decentralization.

Cheema and Rondinelli (1983: 22) have interpreted 'devolution' as 'creating or strengthening independent levels or units of government through devolution of functions and authority. Through devolution, the central government relinquishes certain functions by creating new units of government that are outside of its direct control.' Meenakshisundaram (1994: 11) concurs by defining devolution of power as, 'the creation and strengthening of sub-national units of the government, activities of which are substantially outside the direct control of the central government.' When devolving power, the central government relinquishes some of its supervisory powers and delegates the powers to carry out certain essential financial and other functions to the local government bodies. This power-sharing arrangement aims to bring citizens closer to the government administration mechanism and enables them to maintain a direct relationship to facilitate public services that meet the local needs better.

#### ***b) Administrative decentralization***

In general terms, the process of transferring central government structures and bureaucrats to the local level involves administrative decentralization. As defined by Rondinelli (1999: 2), 'Administrative decentralization seeks to redistribute authority, responsibility, and financial resources for providing public services through different levels of government.' Administrative decentralization is often necessitated by civil service reform in a country. Likewise, decentralization models such as de-concentration and delegation are implemented under administrative decentralization.

The de-concentration forms a major part of the procedure involved in decentralizing the central government's administrative power. Under de-concentration, the administrative responsibilities of the central government are transferred to its sub-national or local level institutions. This happens for example, when a ministry or agency headquarters re-assigns its workload to an external entity and its officials. Under these circumstances, the sub-unit acquires the power to make decisions relating to administrative matters at the local level (Cheema & Rondinelli, 1983: 18). Meenakshisundaram (1994: 11) also defined de-concentration as, 'The granting of

administrative authority or responsibility to lower-level ministries or agencies of a central government.’ Islam (2014: 93) also views de-concentration as the re-assigning of major responsibilities like power and authority from the decision-makers at the financial and management levels of the central government to administrators in the regional or local bodies. In this manner, the central government shifts the workload to lower-level administrative institutions.

According to the above definitions administrative power is entrusted to local administrative institutions so they may carry out the public service functions and responsibilities on behalf of the central government. Alternatively, it can be seen as an arrangement whereby regional administrative institutions are allowed to make administrative decisions in accordance with the central government’s guidelines. This means the central government can use the ‘de-concentration method’ to fulfill its public service responsibilities through a duly elected local level body. This practice of transferring responsibility for performing certain governance tasks to the provincial, district or local administrative units, and allocating the requisite funds, has been adopted by many central governments around the world. Prominent examples are, Indonesia, Algeria, Thailand, Pakistan, Kenya, Tunisia, Tanzania, the Philippines, Sri Lanka, and Morocco (Rondinelli & Nellis, 1986: 6).

Rondinelli, Nellis, and Cheema (1983: 19) define delegation as ‘the transfer of managerial responsibility for specifically defined functions to organizations that are outside the regular bureaucratic structure and are only indirectly controlled by the central government.’ To Meenakshisundaram (1994: 11) delegation is, ‘transferring responsibility for specifically defined functions to organizations that are outside the regular bureaucratic structure and are only indirectly controlled by the central government.’ These definitions signify that the central government confers the authority to carry out specific functions and responsibilities to an organization or institution according to certain clearly expressed rules and regulations. Central governments have the power to set up specialized power delegation bodies and assign responsibilities to these institutions. For example, these may be public enterprises or corporations, housing authorities, transportation authorities, special service districts, semi-autonomous school districts, regional development corporations, or special project implementation units (World Bank, 1999). However, there is indirect control over these

institutions or bodies through the relevant central government ministries. Thus, these institutions can be kept in line by using the administrative power of the central government if they deviate from the charted path. At the same time, the central government reserves the right to regulate these institutions through legislation and policymaking. There are many examples of service delivery being practiced using the delegation method, such as for the management of infrastructure in East Africa, cotton growing in Sudan, and tea growing in Kenya, along with the organization and management of other agricultural activities (Rondinelli, Nellis, & Cheema, 1983: 20). Further examples are, providing social services in Latin America, high priority development projects in Mexico, and electricity management and water supply management in Sri Lanka (Rondinelli, Nellis, & Cheema, 1983: 20-21).

### *c) Fiscal decentralization*

As per Work's definition, 'Fiscal decentralization means the reallocation of resources to the sub-national levels in a government.' Arrangements for resource allocation are often negotiated between the central and local government authorities based on various factors including interregional equity, availability of resources at all levels of government, and local fiscal management capacity (Work, 2002: 6). Sub-national governments have now become key actors providing public goods and services to citizens of countries around the world. Therefore, it is increasingly important to know the impact of fiscal decentralization on the economy, society, and politics. A wide variety of socio-economic issues includes growth and development, poverty reduction, achieving the Millennium Development Goals <sup>12</sup>-(MDG's), and enhancing public sector efficiency and governance to achieve greater macroeconomic stability and fiscal sustainability (Vazquez, Peñas, & Sacchi, 2015: 1). Moreover, many of the 17 Sustainable Development Goals<sup>13</sup> (SDGs) can be achieved through fiscal decentralization within countries. Among them, it stands out for providing education and health services (Amin, 2018).

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<sup>12</sup> The United Nations Millennium Summit, which took place in 2000 and saw the approval of the United Nations Millennium Declaration, resulted in establishment of the eight international development goals known as the Millennium Development Goals (MDGs) for 2015.

<sup>13</sup> The Sustainable Development Goals (SDGs) are a set of seventeen interconnected goals meant to act as a standard guide for world peace and prosperity both now and in the future. The United Nations General Assembly created the SDGs in 2015.

Under fiscal decentralization, the emphasis is on strengthening sub-national financial capacity. This means it is essential to give sub-national governments some revenue authority and the freedom to disburse funds as necessary, but responsibly. Therefore, these sub-national institutions are allowed to determine their priorities and the allocations of their budget.

#### *d) Economic or Market decentralization*

The processes of privatization and deregulation introduced through market decentralization are determined by the nature of the economic liberalization and market development policies in force in a particular country. When there is economic decentralization, the responsibility for growth shifts from the public to the private sector. Economic or market decentralization means a transfer of the functions of the government to the private sector. This generally leads to privatization and deregulation. This kind of decentralization promotes the engagement of businesses, community groups, co-operatives, private volunteer associations, and other non-government organizations in economic activity (Hossain, 2005: 5). In practice, the privatization of state enterprises and the deregulation of markets inevitably lead to economic or market decentralization.

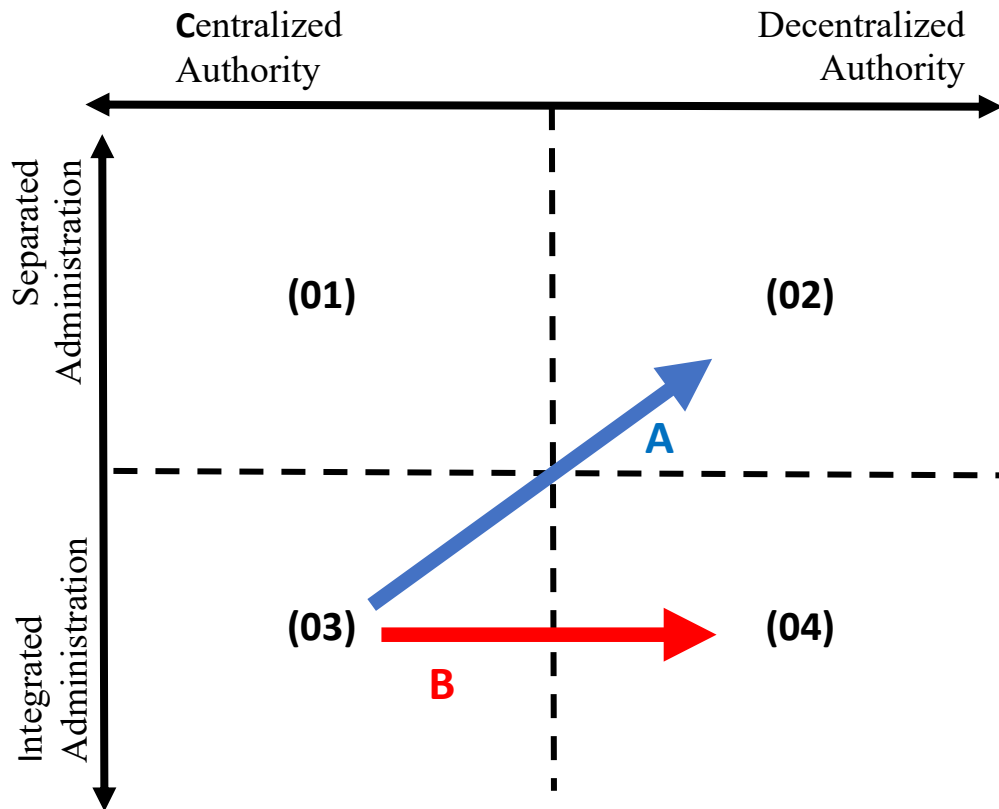
Rondinelli and Iacono (1996: 3-4) have defined privatization as the sale of public assets to private investors. To Bach (2000: 10), privatization is the transfer of the ownership, management, finance, or control to the private sector from the public sector. A broader concept of privatization is reflected in any policy that encourages private sector participation in the provision of public services and infrastructure and eliminates or dilutes the monopoly of state enterprises (Martin, 1997: 3-4). There are many success stories of high- or middle-income countries that have benefited greatly by privatizing state assets. For example, some countries have improved their infrastructure, provided additional public services, generated extra income for the government, and reduced conflict between the public sector and commercial sector through raising private capital. This measure has also increased the efficiency of the economy, stimulated market forces, expanded the economy, promoted the capital market, reduced political interference, resulted in higher microeconomic efficiency, and lowered the borrowing requirements of the public sector (Sheshinski & Calva, 2003: 432-440). Institutions like the World Bank and the International

Monetary Fund (IMF) have always encouraged privatization and liberal reform (Due, 1993: 1). Consequently, the number of roles that the government must play in a country is reduced, relieving it of some unnecessary burdens. In 1996, telecommunication was handed over to the private sector by the state authority and is a famous case of privatization of public institutions in Sri Lanka (Jayasuriya, & Knight-John, 2000).

## **2.5. Approaches to Decentralization**

The idea of alternative decentralization mechanisms has developed due to the pressing need to link the discrete institutional entities at the macro and micro levels distributed throughout the whole governance structure of the country (Silverman, 1992: 16). According to Nobou (2009), there are four models with decentralization features, as seen in Figure 2.1. They are, 1) Centralized and separate model, 2) Decentralized and separate model, 3) Centralized and integrated model, and 4) Decentralized and integrated model. The national government of a country administered almost entirely under a ‘centralized and separate model,’ gives local governments very little authority or responsibility at the center. Under this arrangement, even local administrative matters are handled by regional-level branches of the national government. Hence, the involvement of local government agencies in administrative tasks is not required (e.g., Russia, China, and pre-war Japan) (Nobou (2009). However, there is a degree of autonomy for the local government organizations to carry out administrative work independently without the national government’s involvement under the ‘decentralized and separate model’. Also, some local governments have often chosen to deliver only a limited number of implementation-focused services (e.g., Britain, United States, Canada, and Australia). In the ‘centralized and integrated model’, the national government has delegated certain governance functions to local governments. But the central government retains the power to exercise its authority and maintain control over the sources of revenue. However, the implementation of its policies has been entrusted to the local governments (e.g., France, Germany, Italy, and post-war Japan). By resorting to a decentralized and integrated model, the central government is able to formulate and impose guidelines for the administrative practices of the provincial governments and to have control over their revenue sources. However, the planning, implementation, and evaluation of administrative tasks are left to the local governments (e.g., Sweden, Norway) (Nobou, 2009).

**Figure 2.1: Decentralization Options**



Source: (Nobou, 2009:51)

In general, subjects are implemented cooperatively between the central and provincial governments under the different forms of decentralization. Thus, when the functions of the local governments are arranged along with the centralized government's functions it results in the formation of a combination system, which is referred to as hybrid decentralization. The central government retains responsibility for planning, funding, and employing the technical staff while the ministries provide technical assistance. Sometimes, the central government transfers responsibility for financing and supervising investment projects to local governments, and it is a common form of the hybrid system. Both top-down and bottom-up methods are used to carry out the power-sharing between the central government and local governments (Silverman, 1992: 15).

## **2.6.Theories Related to Human Capital Development**

The founders of classical economic theory on creating the idea of human capital are at the forefront of the academic debate, with W. Petty, A. Smith, and D. Ricardo among the leading economists. However, in focusing on the era of post-industrial society, new qualitative content in the category of ‘human capital’ has been prioritized in scholarly discussions (Khaykin, Lapinskas, & Kochergina, 2020:1). In this discussion, one main theory presented regarding human capital development has been focused on as follows.

### **2.6.1. Human Capital Theory**

In economic theory, the main production factors of the 1950s were capital, labor, land, and management. In addition to these four conventional factors of production, human capital was recognized as another key factor in the early 1960s (Nafukho, Hairston, & Brooks, 2004: 545). Human capital development is intimately linked to decentralization, and as theoretical evidence supports, decentralization contributes to ensuring human existence, which is essential for the social life of humans (Lufunyo, 2015: 352). As a result, this topic is now one that has received much attention in literature. Human resource development has also been acknowledged as a viable and crucial strategic policy factor for organizational change, whereas decentralization aids organizational transformation for effective and efficient service delivery (Lufunyo, 2015: 352).

According to human capital development, developing people by training them rigorously helps to increase their productivity. Human capital development enhances workforce development through investment in education and training. Human capital development enhances people's intellect, leads to contented workforce, imparts positive attitude, and improves character attributes such as dependability, dedication, capacity for learning, aptitude, inventiveness, and the drive to share information and knowledge to effect beneficial changes that are likely to bring about innovation (Nafukho, Hairston, & Brooks, 2004: 549).

Efficient delivery of public services can contribute significantly towards the acceleration of human activity and the reduction of economic disparity in a country. As a result, offering

dependable public services has become increasingly necessary for organizations to survive and grow in many developing countries (Majid et al., 2019: 27).

South Korea has been able to produce highly competent individuals who can support the growth of the economy in that country because of its advanced education system (Achugbue & Ochonogor, 2013: 77). This suggests that human capital and a strong education policy can be key drivers of a country's development. Additionally, education has a favorable impact on the economy, infrastructure, and other facets of the nation's social system. Therefore, it can be stated with conviction that the surest way for a country to progress is by attaining a high level of human capital development through education (Achugbue & Ochonogor, 2013: 77).

Although the solution is simple in theory, substantial resources are needed in practice to enhance and then maintain a high quality of school and university education in a country. Without heavy investment in education, there can be no prospect of high academic achievement by students (Savasci & Tomul, 2013: 1). Funds are necessary to facilitate school administration and simplify the teaching and learning process. The entire operation is dependent on a combination of human and physical resources such as the teachers, school infrastructure and educational facilities like libraries, laboratories, teaching aids like audio-visual equipment, etc. (Dangara, 2016: 30; Akomolafe & Adesua, 2016: 1). The physical resources of schools directly shape the learning environment, and they also exercise a strong influence on the academic outcome of the students. In the context of education, physical resources refer to all manner of structures found in a school system other than the people involved. Accordingly, physical infrastructure refers to the school buildings and facilities, which play an important role in creating a conducive environment for teaching and learning, helping students to develop skills through outdoor activities, making it easier for schoolteachers to perform their duties, and helping to retain teachers in school.

Khaykin, Lapinskas, & Kochergina, (2020: 507), as cited in Schultz (1961) 'Human capital' is the product of an individual's total knowledge, skills, and abilities. Human capital includes education as one of its components because it is intrinsically linked to the person who possesses it. Furthermore, through planning for education, it helps to improve the quality of the workforce of a country. Meanwhile, education is also an investment in factors of production that create surplus output.

## **2.7. Theories of Service Delivery**

The central government focuses on macroeconomic policies, but the sub-national governments are concerned with the microeconomic needs. The parochial nature of the smaller organization is a better environment for providing a customized service to meet the local conditions. Thus, public goods and services are enhanced through the decentralization mechanism (Ekpo, 2008: 8-11). The most democratic way of providing services is by means of political, fiscal and administrative decentralization. Therefore, in many countries around the world, it has become more popular. The people are generally more familiar with the representatives of sub-national governments than those of the central government due to their proximity. Therefore, the elected members are more accessible to the people and so they must pay good attention to the needs of the people. Being so close to them, sub-national governments have to be more careful in delivering the services that people expect.

Many scholars and commentators have argued that decentralization contributes towards improving governance and sub-national government service delivery in the country (Muriu, 2013:11-13). In fact, over the past three decades, the new trend in governance has been the use of decentralization mechanisms for the provision of public services in both developed and developing countries (Shah & Thompson, 2004: 1-2). This means the service delivery has been delegated by the government to a local body through an institutional arrangement by which the latter can perform that task. 'Service delivery' is essential to show the relationship that exists between the government and the citizens. Also, reliable and proper service delivery can serve well to project a better image of the government (Abe & Monisola, 2014: 102). Many factors can influence the performance of decentralized service delivery, such as the political framework, fiscal management of decentralization, transparency in government actions, peoples' participation in public service delivery, the efficiency of civil society, aspects of the social structure, capacity of the sub-national governments, and other matters (Azfar et al., 1999: 5). In general, public services are those that are sponsored entirely or partially by taxes and have common goals. Public services also cover the public administration and management sectors, by dealing with topics like home affairs, security, justice, health, education, and the services of non-profit semi-governmental organizations. Furthermore, when it comes to regulatory functions,

public services frequently exhibit the traits of being required in addition to being monopolistic or oligopolistic in nature (Humphreys, 1998: 6-9).

The government rests on four service-delivery pillars for the fulfilment of its functions, as follows: (i) citizen satisfaction, (ii) trust, (iii) reliability, and (iv) legitimacy (Eigeman, 2007). Most developing countries have decentralized the primary resources and responsibilities like health and education services to the local governments (Khemani, 2004). However, the delivered services such as education, healthcare, infrastructure, social welfare, sanitation, environmental protection, and waste management happen to pass through more than one layer. As classified by UNDP, four basic and broad models have been adopted by governments to deliver public goods and services to citizens (Pradeep, 2011: 20; Nyamal, 2013: 6-7). The four basic models can be described as follows.

#### **2.7.1. Direct Service Delivery Model**

In this model, the operation and delivery of services are entirely the responsibility of the central government, either directly from the central government or via decentralized line agencies. Because of that, the central government's service delivery responsibilities include investing, enacting, and upholding laws, hiring employees, producing and delivering services, and recruitment of staff.

#### **2.7.2. Privatization Service Delivery Model**

This model illustrates how the central government delegates responsibility to private enterprises and gets them to provide public services. In this process, privatization takes priority. The primary rationale is to take advantage of the market mechanism's allocative efficiency by intervening to meet the resource gaps present in the public sector through the mobilization of private sector investment.

### **2.7.3. Decentralization Service Delivery Model**

In this model, which is a popular one used in many countries, the central government transfers the power of service delivery to local governments. The proportion of power transferred through decentralization is primarily determined based on the social, economic, and political needs of the countries. Decentralization can take various forms, and this strategy is employed to involve the local people in decision-making and to provide better services. The citizens are also assured of greater accountability in governance by adopting this approach.

### **2.7.4. Alternative Service Delivery Model**

Many developed nations are utilizing the alternative service delivery model, which is a recently introduced one, to deliver public services. The government and the private sector (public-private partnership) are both heavily involved in the process, which is governed by several contractual agreements. Public-private partnerships (PPPs) have become a crucial tool of public policy around the world since the 1990s (Mudyarabikwa & Regmi, 2014: 161). Skelcher (2005: 347) defines Public-Private Partnership (PPP) as a strategy that combines public resources with private agents (companies or non-profit organizations) to achieve social goals.

## **2.8. Theories of Service Satisfaction**

The need to ensure customer satisfaction is essential in modern society. As such, this concept has drawn much attention from many academics and professionals. Particularly, private companies and organizations seek to increase their profits by providing high-quality service to customers. It is the same with government institutions too, as they try to provide a more effective and efficient service to the people. The strength of the consumers' relationship with these institutions depends on the level of customer satisfaction. Therefore, customer satisfaction is the best strategy to attract and retain the customer, while increasing the profit and reputation of the service provider. However, since customer satisfaction is accepted as a hallowed principle by all public and private sector organizations that provide various services, it is also a vital indicator

of the performance of the relevant institutions. Many theories have been put forward to explain and describe satisfaction with the quality of services.

### **2.8.1. Dissonance Theory**

Dissonance Theory identifies the factors that determine service satisfaction and assesses its quality. This theory focuses on a person who expects to obtain a product of high value but receives a product of low value; then, when he recognizes the inconsistency, he may be affected further by cognitive dissonance (Dawson, 1999). Moreover, this theory recognizes that if the price of the desired product is high, the consumers will maximize their evaluation of the product (Cardozo, 1995). Therefore, it is clear this theory mainly analyzes consumer behavior from a psychological perspective.

### **2.8.2. Expectancy Disconfirmation Theory**

The ‘Expectancy Disconfirmation Theory’ can be used to explain customer satisfaction with service quality. This is a cognitive theory that tries to explain performance in terms of the service quality expectation and perceived service quality (Oliver, 1977: 1). Although this theory was initially found in the disciplines of psychology and marketing, it has since been used to understand phenomena in other disciplines. The theory posits that one’s reaction can be assumed to be a function of three constructs, viz. expectancy, outcome, and disconfirmation (Oliver, 1977: 482). Expectations and perceived confirmation levels have been identified as the two primary factors that positively affect customer satisfaction with service (Huang, 2015: 2). Also, this theory asserts that positive reinforcement occurs when service performance exceeds the initial expectations, and that in turn, leads to higher satisfaction. Conversely, negative confirmation occurs when someone’s service performance falls short of what was initially expected, leading to less satisfaction (Serenko & Stach, 2009: 28).

### **2.8.3. Balance Theory**

There is a significant correlation between service quality and customer retention since service quality is a prerequisite for customer satisfaction (Cronin & Taylor, 1994). Based on this, the ‘Balance Theory’ investigates the relationship between service quality and customer satisfaction. This theory describes the relationship between three entities, the service organization, the service provider, and the customer. As this theory explains, deficiencies arise when there is an unexpected drop in perceived service quality between any two of these three entities. First, when the previously positive relationship between the service organization (x) and the customer (p) deteriorates; Second, when the stable relationship between the service provider (o) and the customer (p) is likely to erode; Third, when organizationally imposed standards are not implemented in the delivery process, the bond between the service organization (x) and the service provider (o) becomes negative (Carson et al., 1997: 107).

## **2.9. Impact of Decentralization in Developing Counties**

In developing countries, norms and ideals are a pervasive feature of political, economic, and administrative organization. Many of these countries have long been a legacy of colonial rule, and hence the impact on governance is immense. Meanwhile, most developing countries decentralized development planning and management in the 1970s and 1980s, despite the effects of centralization (Rondinelli, Nellis & Cheema, 1983: 5).

The literature review has primarily focused on the practices of decentralization in relation to human capital development (health and education) in developing countries. Globally, there are various decentralization structures that function under different combinations of political, fiscal, administrative and market factors and constraints. There is also significant overlapping. Consequently, this is explained in terms of the positive and negative outcomes related to the impact of decentralization.

### **2.9.1. Positive Impacts of Decentralization**

Positive impacts in the practice of decentralization in developing countries are explained in this section. Hossain (2005) has emphasized that financial responsibility is a critical component of fiscal decentralization. Although local governments or administrative units in many developing countries may have the power and jurisdiction to impose taxes, their tax revenues are weak, and they are dependent on the central government for subsidies to implement their programs.

Many government functions depend on how sub-national governments use their expenditures and incomes of autonomy (Ganaie et al., 2018). The provision of sub-national government services is highly dependent on the transfer of funds from the central government to sub-national governments. Some have argued that increased sub-national government revenue autonomy is linked to better delivery of services to society (Elhiraika, 2007). Hayek (1945) long ago pointed out that sub-national governments are better informed about their local populations than the central government and it is easier for them to make decisions related to local governance activities. As a result, the reasoning goes, sub-national governments can respond more efficiently and flexibly to local demands for goods and services (Qian & Weingast, 1997).

Ekpo (2008) stated that in most developing countries studied, decentralization facilitates the effective delivery of services. Alderman (1998) found that decentralization positively impacted the allocation of social assistance in Albania. Studies by Bardhan and Mookherjee (2004) found that the decentralization of government to panchayats (village councils) positively contributed to India's implementation of poverty alleviation programs. Habibi et al. (2003) revealed that Argentina's fiscal decentralization helped to deliver public services such as education and health, while Enikolopov and Zhuravskaya (2007) and Faguet (2004) pointed out that the fiscal decentralization helped the people to get social services more efficiently and this improved public services.

Bardhan and Mookherjee (1998) and Bardhan and Mookherjee (2006) compared the delivery of social services (education, health and welfare programs) in different settings in their theoretical model of decentralization and centralization systems. Using this model, they say the positive impact of decentralization on service delivery is based on the political context.

Rauf et al. (2017) have discussed the implications of fiscal decentralization on Pakistan's public service provision. The study used annual time series data from 1972 to 2009 and the Autoregressive Distributive Lag (ARDL) model to estimate long-run coefficients. According to the study's findings: 1) fiscal transfers correlated with a significant decrease in the infant mortality rate in the long run; and 2) vertical balance and fiscal transfers significantly impacted public service (health) provision in the short run. Sasana, Indrawati, and Juliprijanto (2018) illustrated that fiscal decentralization is correlated with significant improvements of people's welfare in Indonesia's Central Java province. Mehmood and Sadiq (2010) investigated the effect of fiscal decentralization in time series data for Pakistan from 1976 to 2009. They observed that fiscal decentralization was correlated to increases in human resources development. Iimi (2005) also investigated Pakistan's fiscal decentralization and found that the country's fiscal decentralization and public service delivery was correlated with increases in per capita income. Nguyen (2017) found significant positive correlations between fiscal decentralization and economic growth in Vietnam's provinces. His study uses a panel dataset covering 64 provinces of Vietnam for the period 2004-2010. Asfaw et al. (2007) found that India's infant mortality rate fell significantly at a time of financial decentralization from 1990 to 1997. According to the random regression analysis, the relation between fiscal decentralization and the reduction of India's infant mortality rate was statistically significant. Rubio (2011) revealed that fiscal decentralization of health services in Canada positively impacted health services and public policy effectiveness. Mclean and King (1999) argued that education services in primary and secondary schools should be decentralized as much as possible and said decentralization should encourage resource mobilization. The relationship between fiscal decentralization and service delivery in Kenya was described by Wagana et.al (2016). Employing descriptive design surveys, they found that fiscal decentralization had a significant positive impact on service delivery.

According to Hanson (1972), there is a positive relationship between administrative decentralization in line with Latin American and North American decentralization models and leadership development, increased individual participation in decision-making, and a greater sense of responsibility.

In 1992, the Mexican federal government transferred responsibility for education to the 31 states. Specially, decentralization plagued Mexico because the highly centralized system was

notoriously rigid, inefficient, confrontational, unresponsive to the needs of local schools, and unable to improve the quality of education. Therefore, just as the decentralization reforms brought about an essential institutional change in the states, it also led to a new institutional model for school management (Ornelas, 2000).

Enikolopov, & Zhuravskaya's, (2007) study of decentralization presents a 25-year cross-sectional and panel data analysis of up to 75 developing and transition countries. The results reveal that decentralization significantly improves the quality of government, controls corruption, and supports the rule of law and public good provision (health and education outcomes). At the same time, it has been mentioned that political institutions play an essential role in determining the results of decentralization. Kyriacou, & Roca-Sagalés (2011) have conducted an analysis using cross-sectional and panel data of two hundred countries from 1996 to 2006 on fiscal and political decentralization based on the indicators of four aspects of government quality: corruption control, the rule of law, regulatory quality, and government effectiveness. Results revealed that fiscal decentralization positively affects the quality of government. However, it is finally revealed that political decentralization moderates the positive impact of fiscal decentralization. According to the World Bank (1999/2000), decentralization in Central America has not affected primary school education, but it has been revealed that decentralization of management responsibility directly to schools has improved educational performance.

### **2.9.2. Negative Impacts of Decentralization**

Negative impacts in the practice of decentralization in developing countries are also presented in literature. Ravallion (1998) concluded that programs to eradicate poverty in Argentina's regions failed at least in part because they were ineffectively implemented. There was significant horizontal inequality in public expenditures in poor areas under Argentina's decentralization. Azfar and Livingston (2007) reported that fiscal decentralization harmed public service provision in Uganda. Winkler and Rounds (1996) found that the decentralization of education responsibilities for local governments led to significant improvement in the early stages but also resulted in lower cognitive test scores. Khaleghian (2003) found that decentralization affected

children's immunization rates negatively in middle-income countries but positively in low-income countries. Elhiraika (2007) assessed the impact of fiscal decentralization on South Africa's public service delivery and found that the central government did not significantly affect the education services in all the provinces in term of programs funded by their own-sources and those paid for with funds transferred from the central government. Health services declined due to the diversion of provincial revenues to other services. Mutebi (2005) has pointed out that popular participation and decentralization are essential tools in improving service delivery and enhancing accountability. Olatona and Olomola (2015) analyzed the effect of fiscal decentralization on health and education services in Nigeria using cross-sectional data. The results of their research indicate that the provisions had a significant positive impact on educational services but a negative influence on health services.

In Hong Kong, Macau, and Taiwan of China, as revealed by Gong, Liu, & Wu (2021), there are issues with administrative decentralization. As a result, decentralization allowed for poor oversight of financial funds and illegal financial practices by local officials. Pramatha, Aryasa, & Putra (2023) have demonstrated that partial fiscal decentralization has a considerable positive impact on the human development index in the case of decentralization in Indonesia. However, the favorable impact of fiscal decentralization on the human development index tends to be muted by capital expenditure. Meanwhile, Bahl (1999) has pointed out that underdeveloped institutions have hampered decentralization in developing and least-developed countries.

## **2.10. Factors Affecting the Impact of Decentralization in Developing Countries**

The literature shows mixed results of decentralization. There are many factors affecting the success or failure of decentralization. In general, Rondinelli, Nellis and Cheema (1983) identify four main factors that influence the success or failure of decentralization in developing countries.

- I. Degree of political commitment and administrative support
- II. Attitudinal, behavioral, and cultural conditions conducive to decentralization
- III. Effective design and organization of decentralization programs
- IV. Adequate financial, human, and physical resources (Rondinelli, Nellis and Cheema, 1983:52)

The success of decentralization is directly impacted by political commitment and bureaucratic support, particularly at the national and sub-national levels. Research show that in Kenya and the Sudan, national-level bureaucrats are reluctant to support decentralization. In Tanzania's decentralization process, the bureaucracy has only half-heartedly supported villagization. Meanwhile, in North Africa, there has been opposition to the decentralization of bureaucracy at the national level. Moreover, Pakistan's position on decentralization is very weak with support from national departments. However, Thailand's 'rural employment generation program'-based decentralization has been successful because of the prime minister's special attention (Rondinelli, Nellis and Cheema, 1983).

A number of different issues can be identified in considering the attitudinal, behavioral and cultural conditions favorable to decentralization in developing countries. North Africa's highly centralized planning system has entrenched attitudes of valuing and accepting citizens' obligation to serve the state. Meanwhile, Algeria has taken the initiative to protect its colonial rule further. In Latin America, the implementation of decentralization has been hampered by the attitudes and behaviour of central government bureaucrats. As far as the Asian countries are concerned, in India, Pakistan, Sri Lanka and Malaysia, the centralist nature of the national-level bureaucrats in carrying out development tasks has hindered the implementation of decentralization programs. Decentralization has been challenging to implement in East Africa because rural people are unwilling to trust public officials and government promises. In particular, this has resulted in local staff identifying and selecting projects without consulting the rural residents (Rondinelli, Nellis and Cheema, 1983). In Kenya, rural people did not accept family planning programs launched by the government due to misunderstandings. The government also launched programs to acquire government land to build rural roads and land to improve agriculture. However, the opposition of rural people has hampered the implementation of decentralization programs (Mbithi, & Barnes, 1974).

Successful implementation of decentralization in a country depends on good organizational design and structure. Fundamental is the institutional structure and the relationship between the central government and the sub-national units involved. Decentralization in Asian countries is not well-organized. For example, implementation of the 1971 Small Farmers Development Agency (SFDA) program in India has been difficult. There has been a great deal of conflict

between the bureaucratic system at the central level and the local level. Also, the ideas of the national-level bureaucracy did not go down properly (Rondinelli, Nellis and Cheema, 1983). However, programs related to decentralization in Indonesia and Thailand had clearly defined objectives and procedures. Therefore, decentralization allowed for more smooth and effective operation of programs in many areas (Rondinelli, Nellis and Cheema, 1983, as cited in Noranitipadungkarn, 1982). The failure of decentralization is attributed to the inability of local institutions to coordinate and integrate with the operational processes of central government ministries. In Africa and Asia, lack of support from central and local governments, public and private institutions, and weak interaction between the central government administration and regional administrations have led to the ineffectiveness of decentralization.

Adequate availability of financial, human, and physical resources provides fertile ground for implementation of decentralization. As scholars reveal, developing countries are faced with a dilemma of decentralization of power. In the countries of Kenya, Tanzania and Sudan, central government ministries, departments, etc., have raised problems with human resources in local government institutions due to the attraction of trained and talented officers (Rondinelli, Nellis and Cheema, 1983: 70). Implementation has been hampered by a lack of qualified workers in the local area, which has been a significant issue. A persistent lack of managers and technicians with the necessary training affects many programs. For instance, the high employee turnover, especially among districts, weakens the SFDA in India (Rondinelli, Nellis and Cheema, 1983: 72). On the other hand, many financial resources problems related to decentralization in developing countries have been created. Accordingly, it has become a problem that the income received from the existing sources is insufficient, and the resources are not used in productive sources. For example, the lack of independent sources of revenue to carry out its functions was a severe problem for SFDAs in India (Rondinelli, Nellis and Cheema, 1983: 72). Mamun, & Chowdhury (2022) indicated that the local administration in Bangladesh could not satisfy the resident's requirements. Lack of funding, resource mismanagement, and a lack of long-term planning by provincial governments have all contributed to financial issues. The effects of decentralization in countries in Latin America have not been encouraging. Willis, Garman, & Haggard (1999: 49) identified that the decentralization processes in Brazil and Argentina produced favorable conditions for budgetary imbalances, central government blackmail of

subnational governments, insufficient monitoring, and corresponding inefficiency and resource waste.

As mentioned above, numerous research has covered a variety of decentralization and service delivery-related topics. However, the work on this subject mainly focuses on how decentralization affects service delivery (Human capital development: education and health) in developing countries. These investigations are essential to understand the impact of decentralization in Sri Lanka as a developing country. The decentralization framework in Sri Lanka consists of three components: political, administrative, and fiscal. Most theoretical evidence reveals that service delivery increases as decentralization increases. However, previous research could not demonstrate this consistency.

## **2.11. Brief History of Decentralization in Sri Lanka**

In short, there is a long history of decentralization in Sri Lanka, which developed from the time of the ancient Sinhalese kings to the modern constitutionally mandated decentralization system. In Table 2.3, decentralization efforts in Sri Lanka from the ancient times to modern constitutional governance are summarized. In this country, the decentralization efforts have been aimed at providing services that are essential for the daily life of the people at the local level while also being invoked to achieve national-level objectives such as finding solutions to the ethnic problem, stimulating economic growth, and improving human development.

### **2.11.1. Ancient Period**

Historical roots of the local government system in Sri Lanka have been traced to the era of early Sinhalese Kings. Therefore, the concept of decentralization is not new to Sri Lanka (Ranasinghe, 2014: 1). In Sri Lanka, during the reign of King Pandukabhaya (from 377 BC to 307 BC), the villages of the country were administered independently as minor administrative units. At the same time, there is evidence that a city planning system existed during the Anuradhapura period (from 3rd to 4<sup>th</sup> centuries). In the administration of a traditional village, the basic services

involved were providing irrigation infrastructure, issuing of water for cultivation, settling of minor disputes, organizing religious events, receiving interest-bearing cash deposits, assisting hospital services, and rendering agro-economic services (Report of the Commission of Inquiry on Local Government Reforms, 1999: 1-6).

Later, when the Portuguese landed in Sri Lanka in 1505, they found there were three Kingdoms. The Tamil Kingdom in the North, the Kotte Kingdom in the Western and Southern coastal areas, and the Kandyan Kingdom in the Central highlands of the country (Bandaranayake, 1986: 22). The Kandyan Kingdom was divided into 4 *Maha Disavas*, 8 *Disavas*, and 09 *Ratas* from the 16<sup>th</sup> century to 1815 AD (Report of the Commission of Inquiry on Local Government Reforms, 1999: 7-8). Thus, in ancient Sri Lanka there was a decentralized administrative mechanism to facilitate the provision of various types of public services.

#### **2.11.2. Prior to the Independent Period**

The British rulers (from 1796 to 1948) made extensive adjustments to the regional administration in Sri Lanka during the colonial period to suit the needs of colonial rule. Accordingly, the British administrators introduced numerous legal measures between 1833 and 1948 to fully implement their colonial agenda.

Prior to 1931, rudimentary forms of local government institutions had been introduced in Sri Lanka, and their purpose was to facilitate administration, not to establish local autonomy. In 1833 the Colebrooke Commission was appointed to make recommendations in several areas including rural administration to encourage foreign investment in the island. Following the commission's report, Municipal Councils were established in the major towns in 1865 and granted the power to collect government revenue based on the public services they rendered. Village Committees were established later in 1871 and set up in accordance with administrative and judicial requirements. Sanitary Boards were established in 1892. These Boards were responsible for safeguarding public health, providing scavenging services, electricity, drainage, public conveniences, markets, dairies, laundries, and water supply. After that, Local Boards were established in 1898, and these councils were entrusted with the same powers and responsibilities

as the Sanitary Boards. Further, two Urban District Councils were established in 1922 and six Rural District Councils in 1926 (Report of the Commission of Inquiry on Local Government Reforms, 1999: 11-15; Bandara, 2017: 21-23).

The Donoughmore Commission recommendations of 1931 proved to be a milestone in the decentralization of power at the rural and urban level in Sri Lanka. According to these recommendations, strict procedures had to be followed when appointing an executive committee to formulate policies on local government development, establishing a local government department, and expanding the scope of local government services. Further, the recommendations required that all representatives of local government bodies be elected by popular vote, while insisting on certain qualifications for candidates seeking to become members of the State Council. Minimum qualifications were also imposed on the candidates who wished to serve in the provincial governments (Report of the Commission of Inquiry on Local Government Reforms, 1999: 15-16). This reform process was one of the most progressive measures instituted for the establishment of democracy and the strengthening of local administration from the bottom to the top in Sri Lanka. In addition, the establishment of local administrations and the granting of universal suffrage provided an opportunity for the political participation of the ordinary people (Gamlath, 2014: 21-22). Thus, the decentralization mechanism that was established allowed social capital to flow easily to the community.

### **2.11.3. Post-Independence Period**

After gaining independence from the British rulers in 1948, successive governments that gained power made several more attempts to decentralize power to solve the existing economic, political, and social problems. The Sri Lanka Freedom Party-led government tried to introduce Regional Councils in 1957 through the Bandaranaike-Chelvanayakam Pact, and later the United National Party-led government tried to introduce District Councils in 1967 through the Dudley-Chelvanayakam Pact.

**Table 2.3: Summarization of the Evolution of the Local Governance System in Sri Lanka**

<b>Eras</b>	<b>Salient Feature</b>	<b>Active Period</b>
Ancient Period	Village administration: village = <i>grama</i> , larger village = <i>mahagam</i> , city = <i>nagara</i>	Aryan settlements (under Vijaya)
	Villages: independently administered under the principle of autonomy	King Pandukabhaya (377 BC to 307 BC)
	Three autonomous regions ( <i>Ratas</i> ): <i>Ruhunu Rata</i> (southern region), <i>Maya Rata</i> (central region), and <i>Pihiti Rata</i> (northern region)	6 <sup>th</sup> to 12 <sup>th</sup> Centuries AD
Pre-Independence Period	Gam Sabhas and Rata Sabhas	Dutch administration (1658)
	Five provinces were created (These provinces were divided into districts and administered) Village committees	Colebrooke-Cameron Reforms (1833) (British administration)
	Road Committees- Act No. 10 of 1861 Municipal Councils- Ordinance No. 17 of 1865 Sanitary boards- Ordinance No. 18 of 1892 Local Boards- Ordinance No. 13 of 1898 Urban Councils- Ordinance No. 61 of 1939 Town Councils- Ordinance No. 3 of 1946	British administration
	Four decentralization units: Village Committee, later Village Councils, Town Councils, Urban Councils and Municipal Councils	Donoughmore reforms (1932) British administration
After Independence to date	Regional Councils (1957)- Not functional District Councils (1967)- Not functional	Bandaranaike-Chelvanayakam Pact (1957) Dudley-Chelvanayakam Pact (1967)
	Development Councils- Act No. 35 of 1980 Provincial Councils- Act No. 42 of 1987 Pradeshiya Sabhas- Act No. 15 of 1987	J. R. Jayewardene Administration
	Divisional Secretariats- Act No. 58 of 1992	R. Premadasa Administration

Source: (Cooray & Chandralal, 2017: 96; Akurugoda, 2014; Chaminda, 2014).

However, due to strong opposition from several political parties and pressure groups, these efforts at decentralization were withdrawn and could not be implemented in the country. Again,

with the aim of administrative decentralization, the Decentralized Budget (DB) scheme and the District Political Authority (DPA) were established in 1970-1977. These two programs sought to identify urgent development programs and development priorities at the district level (Samaraweera, 2007: 3-5). In 1980, the UNP government established the District Development Councils (DDC). The district development councils were given the responsibility for actively working on industrial and agricultural development, welfare, cultural and educational projects (Matthews, 1982: 1121). The district development councils did not prove successful, mainly because they failed to address and accommodate Sri Lanka's multicultural and multilingual diversity, involve people in governance, or provide better service delivery at the local level.

## **2.12. Decentralization in Sri Lanka**

In Sri Lanka, the functions and powers of the Central Government and Provincial Councils are enumerated in three lists that were included in the ninth schedule of the Thirteenth Amendment to the Constitution in 1987. List I is the 'Provincial Councils list', which enumerates the responsibilities and powers devolved to the provinces; List II, known as the 'reserved list' delineates the powers of the central government, while List III, known as the 'concurrent list' mentions specific matters that require the provinces to legislate in consultation with the central government, with the latter having overriding powers (Bagchi, 1988: 25). Furthermore, it is possible to classify the powers granted to the Provincial Councils into four primary categories (see Table 2.4).

**Table 2.4: Key Elements of the Powers and Responsibilities of Provincial Councils**

Powers & Responsibilities	Description of Responsibilities
1. Legislative (Political)	Legislative responsibilities for making statutes for the province covering subjects assigned to the PC under the PCs List and the Concurrent List.
2. Executive (Political)	Executive responsibilities for acting on matters covering subjects for which the PCs have been assigned legislative responsibilities.
3. Fiscal	Fiscal responsibilities include the right to manage the finances of the province, raise revenue, and incur the expenditures needed to meet executive responsibilities.
4. Administrative	Administrative responsibilities refer to the right to engage in legislative and executive actions.

Source: (Gunawardena, 2002: 4).

### **2.12.1. Fiscal, Political and Administrative Decentralization**

In Sri Lanka, decentralization has primarily consisted of fiscal, political and administrative components. Provincial Councils established at the sub-national level show a decentralization that reflects all these three characteristics. In addition to this, administrative decentralization has also been given to district secretariats and divisional secretariats through central government ministries. The Provincial Councils also work together with these administrative institutions of the central government at the rural and district level in Sri Lanka i.e. district secretariats and divisional secretariats.

The Provincial Councils list covers the ‘devolved subjects’, which are matters devolved to the Provincial Councils. The reserved list presents the ‘reserved subjects’ over which the central government has full control as those subjects and functions must adhere strictly with national policy. The ‘concurrent list’ covers the ‘concurrent subjects’ as they must be managed by both the central government and the Provincial Councils (Alwis, 2019: 126). Thus, the Provincial Councils have been assigned the power and responsibility to provide services in respect of 37 subjects at the sub-national administrative level. They must engage fully in the planning, development, provision, and social protection of all these services. The Provincial Councils must assume full responsibility for deciding the budget expenditure on their services, working out

their costs and imposing the necessary taxes to fund them based on fiscal rules (Herath, 2009). A body called the Finance Commission was established to prepare certain ‘principles’ to be followed by the central government when allocating funds annually for the use of the provinces. According to these principles, when allocating funds from the central government’s annual budget, the Finance Commission is expected to take into account the following factors: (i) the population of each province, (ii) the per capita income of each province, (iii) the need to progressively reduce social and economic disparities, and (iv) the need to gradually reduce the differences between the per capita income of the people in each province, and the differences between the per capita income among provinces (Gunawardena, 2019; Herath, 2009).

The revenue sources of Provincial Councils can be identified as falling under three broad categories: (i) taxes on production and expenditure, (ii) receipts from property and investment, and (iii) sales and charges (Waidyasekera, 2005). A significant financial gap continues to remain between the revenues earned by the Provincial Councils and the expenditure on services they plan to offer. As already mentioned, the constitution provides for adequate funds from the central government’s annual budget to meet the budgetary requirements of provincial governments. The Provincial Councils receive four types of grants from the central government: (i) block grants to fund recurrent expenditure needs, (ii) matching grants to support incentives for revenue collection at the provincial level, (iii) criteria-based grants to fund discretionary expenditure requirements, and (iv) province-specific development grants (Gunawardena, 2019). The funds from these sources are used to execute the tasks entrusted to the Provincial Councils and provide services to the people.

Under Provincial Council administration, substantial financial costs are incurred to maintain administrative units that provide services at the provincial level. According to Bandara (2010) and Samaraweera (2007), there are many obstacles to be overcome in the provision of services by Provincial Councils, such as ‘an inadequacy of competent managerial staff, a lack of strong leadership, the declining trend of legislative work, and the inadequacy of funds.’ Dasanayake (2001) identified several shortcomings associated with the provincial level provision of services, such as an inadequate definition of devolved subjects, lack of professional training, shortage of program drafting technicians, difficulty in getting legal advice from the central government, lack of innovation, ineffective provincial council actions, and poor leadership. These factors hinder

the provision of better service by provincial councils. Abeyrathne (2001) listed many problems associated with providing services through Provincial Councils, such as political interference, insufficient and poorly managed financial resources, inadequate power delegation and system utilization, poorly functioning accountability systems, and an incompetent framework, among others. Two things are important under the fiscal incentive if provincial councils are to fulfill the responsibilities assigned to them. They are the revenue and expenditure of the Provincial Councils. In 2017, Provincial Councils accounted for 9.5% of the government's total expenditures and 4.4% of its total revenues (Gunawardena, 2019). In the matter of financial control, it has been revealed that the central government dominates the handling of financial affairs, in respect of both revenue and expenditure.

In Sri Lanka, various mechanisms were introduced in the 1970s and 1980s to implement administrative decentralization. The Divisional Secretariat (DS) system was introduced in 1992 with the objective of delegating administrative authority to local offices in the outlying regions of Sri Lanka. The 332 DSs (see Annex five-5) are the main public service organizations governed by the central government. The DSs provide many services such as recording civil registrations, issuing various licenses (permits), paying pensions, managing the *Samurdhi* program<sup>14</sup>, conducting social welfare services, managing disasters, and running social welfare programs. DSs are expected to facilitate quicker and more effective delivery of these services. All DSs are connected to the relevant district secretariat, the Provincial Councils, and the central government. Therefore, the Divisional Secretariat (DS) can be called the most important administrative unit in Sri Lanka, as it acts as the bridge between the central government and the grassroots communities.

The DS of a Division is a body that is comprised of several institutions at the local level in the administrative hierarchy, which provide more than 90 percent of government-related services to the country's public in rural level (Nilwala, Gunawardana, & Fernando, 2017: 127). Initially, the DSs were placed under the supervision of the Provincial Councils but later they reverted to supervision of the central government for various reasons (Cooray, 2013: 3). The divisional secretariat is the body that represents the central government for administrative purposes at the

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<sup>14</sup> The Samurdhi (or prosperity) program was established by the Sri Lankan government in 1995 to eradicate poverty in the country.

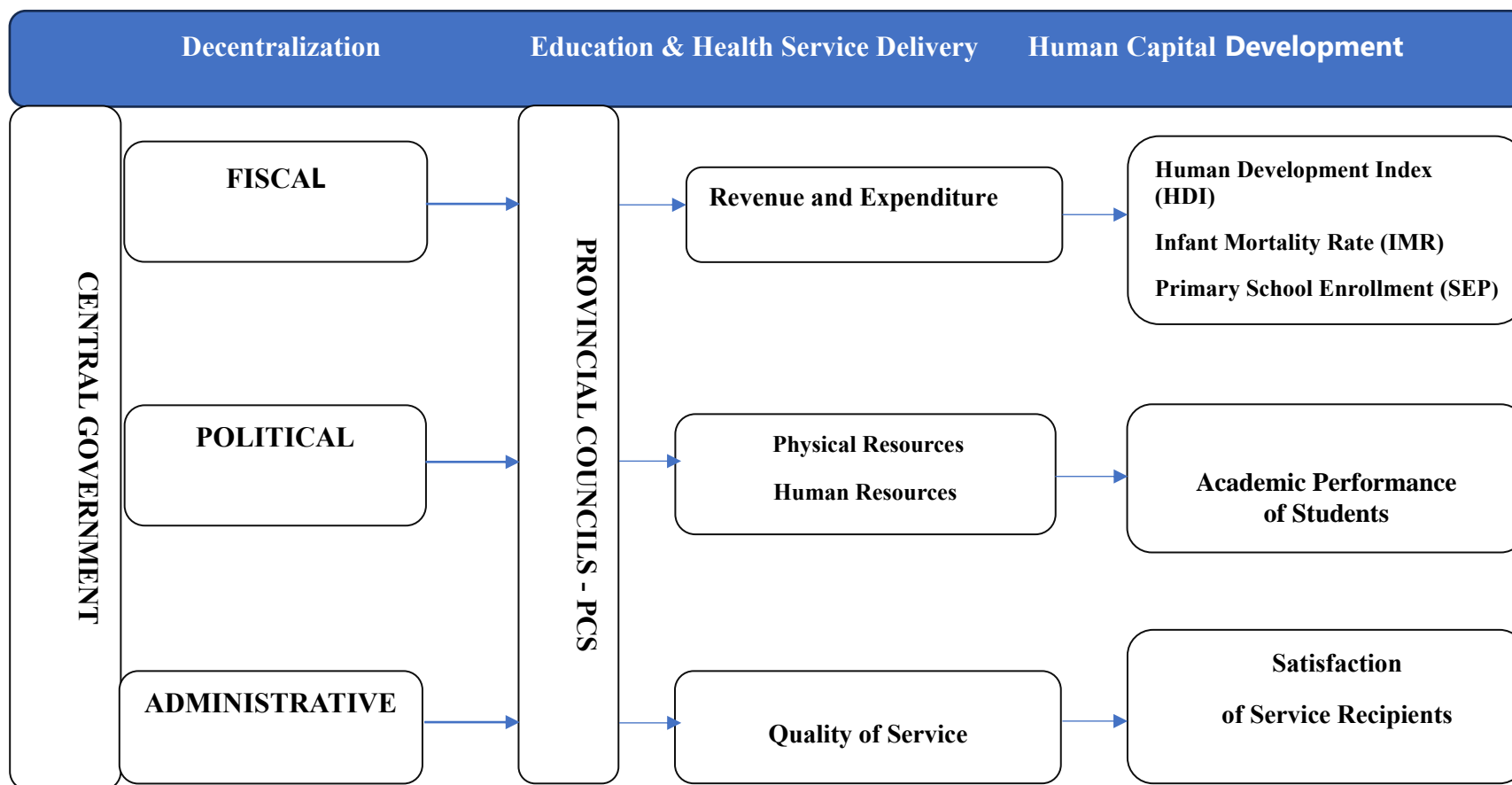
local level. Therefore, the DSs have the potential to enhance the efficiency of service delivery, stimulate economic growth, eradicate rural poverty, strengthen civil society, bolster democracy, reduce the heavy fiscal burden on the central government, and expedite matters as it can directly address various local problems without having to refer them to the central government (Cooray, 2020).

The scope of DSs is not limited to administrative activities, as they also have the responsibility to implement development activities in the region. Further, they provide a wide range of services from birth to death for the citizens of the area. Accordingly, the main duties and responsibilities of the DSs can be categorized under five sections as, 1) Administrative activities, 2) Development activities, 3) Land management activities, 4) Social security activities, and 5) Poverty alleviation activities (Silva, 2016: 168). Furthermore, the DSs are responsible for meeting the regional needs that are likely to arise in case of any emergency in the country. The central government would provide the necessary guidelines, but it is the responsibility of the DS to consider the regional needs and fulfill them as necessary.

### **2.13. Conceptual Framework**

The conceptual framework for the entire study is shown in Figure 2.2. In decentralization in Sri Lanka, there is political, fiscal, and administrative decentralization. These powers have been given to the provincial councils. Decentralization affected revenue and expenditure structure, physical and human resources, and service quality. After the establishment of provincial councils, the relationship between revenue and expenditure indicators of human capital development has been demonstrated. Three selected variables measured revenue and expenditure structure which are the Human Development Index (HDI), Infant Mortality Rate (IMR) and Primary School Enrollment. Also, the relationship between physical and human resources was shown in human capital development, which was measured by the academic performance of students. In parallel, human capital development has been shown to be related to service quality, as measured by service recipient satisfaction.

**Figure 2.2: Conceptual Framework**



Source: (Researcher's work, 2023)

## **CHAPTER 3**

### **FISCAL DECENTRALIZATION AND SERVICE DELIVERY IN PROVINCIAL COUNCILS IN SRI LANKA<sup>15</sup>**

#### **3.1. Summary**

This chapter presents the first part of the analysis related to the study. A core component of the concept of decentralization is the granting of revenue-raising and expenditure-decentralization of powers to subnational governments in Sri Lanka. Thus, fiscal decentralization is the transfer of revenue collecting powers and budgeting responsibilities to the lower-level government tiers in a country. It is crucial to consider the nature and scope of the fiscal powers and responsibilities devolved to the provinces under the 13<sup>th</sup> Constitutional Amendment in Sri Lanka.

Empirical evidence from Sri Lanka illustrates the impact of decentralization on public service delivery at various levels. After 1987, with the establishment of the Provincial Councils, a sub-national level layer was added to the governance framework for the provision of public services. Although the decentralization framework in Sri Lanka has characteristics specific to three forms of decentralization, namely political, administrative, and fiscal, this study focuses primarily on the impact of fiscal decentralization. Consequently, more than three decades of empirical evidence on decentralization has been collected in Sri Lanka. The literature on this topic consists of qualitative studies only and these have failed to focus on the impact of fiscal decentralization on service delivery (Human Capital Development) in Sri Lanka. Theoretical evidence reveals that service delivery improves as fiscal decentralization becomes more extensive. However, previous studies have shown no consistency about this. On the other hand, the relationship between fiscal decentralization and service delivery based on cross-country analysis cannot be generalized and applied to Sri Lanka. In the case of Sri Lanka, no quantitative study has been conducted to determine the impact of fiscal decentralization on Primary gross school enrolment

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<sup>15</sup> The content of this chapter has been published in the International Social Science Journal (ISSJ): Fiscal Decentralization and Provincial Level Service Delivery in Sri Lanka: An Econometric Analysis. International Social Science Journal. Mudalige, P. W., De Silva, S., & Cooray, N. S. pp. 1-17(April 2023). (DOI:10.1111/issj.12402) (Wiley-Blackwell Publishing Ltd, H-Index 48, Q2).

(SEP), Infant mortality rate (per 1000 live births) (IMR), and Human development index (HDI), the three variables analyzed in this study. Therefore, this research aims to fill this gap in the literature by conducting a proper econometric analysis that quantifies the short-term and long-term impact of fiscal decentralization on the delivery of services by Provincial Councils in Sri Lanka. The impact of Sri Lanka's fiscal decentralization is considered in this study by focusing on three education and health indicators namely, 1) IMR, 2) SEP, and 3) HDI.

This investigation into the delivery of services by Provincial Councils in Sri Lanka uses a broad range of secondary data sources. The unit of analysis of this research is the Sri Lanka provincial unit (Provincial Councils), of which there are nine. This study uses a time series dataset covering the nine Provincial Councils, with 30 observations made from 1988 to 2018. The ARDL modeling approach was used to examine the relationship between IMR, SEP, and HDI, along with per capita income of Sri Lanka and the revenue and expenditure decentralization of the Provincial Councils.

The results reveal that fiscal decentralization has not had a significant, long-run positive impact on education service delivery and HDI in Sri Lanka but has had a negative impact. On an expenditure basis, when the fiscal decentralization (i.e., provincial-level expenditure) increased, the SEP decreased significantly in the long run. When provincial-level expenditure increased, IMR and HDI also increased, but their long-run impacts were insignificant. On a revenue basis, when fiscal decentralization (i.e., provincial-level revenue) increased, HDI decreased significantly in the long run. Conversely, when the provincial-level revenue increased, IMR improved, and SEP increased in the long run. However, these associations are not significant.

The results of this study also reveal that fiscal decentralization does not have a positive short-run impact on education and health service delivery either. When provincial-level expenditure increased, HDI significantly decreased in the short run. The relationships between provincial-level expenditure and IMR and SEP are positive but not statistically significant. When provincial-level revenues increased, SEP decreased, while IMR and HDI increased in the short-run. However, none of these relationships are statistically significant. In Sri Lanka, school education, health, and human resource development happened to be better than in many other developing countries even before the establishment of Provincial Councils in 1987. However,

the results reveal that the present level of fiscal decentralization has not made any notable contribution to human capital development, health, and education in the short- and long-run.

It is understood that the inefficiencies of the Provincial Council system have caused this result. Currently, there are two parallel service distribution mechanisms in Sri Lanka. One is the Provincial Council system, and the other the central government's administrative machinery. But the two parallel mechanisms are not conducive to the promotion of effective service delivery. Also, functions and responsibilities related to the health and education services are not fully decentralized in Sri Lanka. As the second tier of governance, the Provincial Councils are expected to play a vital role in providing social infrastructure, especially in education and health services. As shown by the foregoing evidence, revenue and expenditure at the provincial level have not increased when compared to the Central Government in the last three decades, indicating that a proper level of decentralization has not occurred. On the other hand, compared to the central government, Provincial Councils must play a bigger role in education and health services as indicated by the number of schools (373 central government schools vs. 9,782 provincial schools) and hospitals (49 central government hospitals vs. 1054 provincial hospitals). Although service delivery at the provincial level has increased, the revenue and expenditure involved have not changed. Consequently, Provincial Councils are forced to rely on the central government to deliver provincial-level services. No fiscal decentralization has occurred through the Provincial Council system introduced in Sri Lanka in 1987, rather, fiscal centralization has taken place.

It was presumed that decentralization improves human capital development due to the efficiency of public service delivery. However, results revealed that the present level of fiscal decentralization at the provincial level in Sri Lanka has not been able to support human capital development either in the short run or long run. For details of the analysis, results and conclusion and recommendations, please see Mudalige, P. W., De Silva, S., & Cooray, N. S. (2023). Fiscal Decentralization and Provincial Level Service Delivery in Sri Lanka: An Econometric Analysis. *International Social Science Journal*. pp. 1-17. (DOI:10.1111/issj.12402).

## **CHAPTER 4**

### **DECENTRALIZATION AND EDUCATION SERVICE DELIVERY: A CASE ANALYSIS OF UVA PROVINCE<sup>16</sup>**

#### **4.1. Summary**

This chapter is also devoted as part of data analysis in this study. Accordingly, this section aims to identify the differences between physical and human resources in 1AB-type national and provincial schools in the Uva Province, Sri Lanka and to determine the impact of existing resources on academic performance in the two types of schools.

Both theoretical and empirical findings in general proposed a positive correlation between decentralization and quality of educational service delivery due to better use of human and physical resources in the local government schools. Beginning in 1987, the central government delegated some of the responsibilities related to education to the Provincial Councils in the belief that it would improve the efficiency of education and reduce disparities in school education. Nevertheless, there are still disparities in terms of the human and physical resources available for education, which have led to variations in the academic performance of students, depending on the type of school (national vs. provincial and Type 1AB vs. Type 3) they attend and the province in which they live. Although resource allocation depends on the type of school, the same general curriculum that is approved by the Sri Lankan education system is taught in all schools. Uva Province is one of the provinces having comparatively lower resources and this is reflected in the academic performance of the students from this province in their GCE O/L and GCE. A/L examinations results over the period 2007 to 2019. Even three decades after the establishment of Provincial Councils in Sri Lanka, the disparities between provinces and between provincial and national schools have not reduced; this is one of the vexing problems in the school system of this country.

The Uva Province was selected for the field survey of this study. It was found there are 860 schools in this province under the supervision of the Provincial Council, while there are 36

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<sup>16</sup> The content of this chapter was published in Saga University Journal- in Economic Review: The Nexus between Decentralization and Educational Services in Government Schools: The Case of Uva Province in Sri Lanka. 佐賀大学経済論集 54 巻 3 号 pp 33-51(2022 年 3 月). Mudalige, P. W., & De Silva, S. (査読付き).

national schools also under the control of the central government. Two types of respondents participated in this research, the principals of national schools run by the central government and principals of provincial schools run by the provincial government of the Uva Province. The principals of these government schools are the main stakeholders who obtain support from the central and provincial government to provide official services in the province. In this analysis, a comparative study has been done on the performance of human and physical resources in national schools and provincial schools (1AB) in the Uva Province. The three main variables used in this analysis are institutional capacity, service delivery mechanism, and institutional cultural factors. Accordingly, the impact of these three variables on the provision of educational services has been analysed.

This study focuses on identifying the differences between physical and human resources in “1AB” type national and provincial schools in the Uva Province of Sri Lanka to determine the impact of the available resources on the education performance of students. Through the decentralization of education services to the provinces, it was hoped to increase the efficiency of distribution of resources for school education and thereby improve the academic performance of students.

However, even 30 years after the decentralization of education, the performance of students in the Uva Province as measured by Grade five (5) Scholarship, GCE O/L and GCE A/L results has not gone up significantly. The findings of the study revealed that 1AB national schools administered by the central government have significantly better GCE O/L and GCE A/L examination results when compared to 1AB provincial schools administered by the Provincial Councils. The study could not find significant differences between most of the physical resources and educational support facilities provided to both categories of school. Similarly, there was no significant difference in the human resources, except for a significantly higher percentage of trained teachers serving in the national schools. Although the differences are not significant, national schools have similar or better human and physical resources in most of the cases. These empirical findings prove that decentralization has not contributed to greater human and physical resources and a corresponding efficiency in the delivery of education services in the 1AB type provincial schools in the Uva Province of Sri Lanka.

The internal problems that have arisen within the Provincial Council system in Sri Lanka and the adverse effects of external factors (e.g., political interference) may have contributed to such results. In Sri Lanka, the Provincial Councils face several problems in gathering the physical and human resources required to provide education at the provincial level. Most of the schools developed by the Provincial Councils were taken over later by the central government. This has resulted in the public perception that provincial schools are poor institutions compared to national schools. Also, the fiscal deficit has severely affected the building up of human and physical resources in provincial schools. According to official reports, every province except the Western Province is facing financial problems.

The reason for the higher academic performance achieved by students attending national schools commanding similar physical and human resources as provincial schools could not be explained by this study. Because of the highly competitive nature of the Grade five (5) Scholarship examination, GCE O/L examination, and the GCE A/L examination, most students and their parents prioritized tuition classes over regular classes in public schools to pass those examinations with good results, irrespective of the type of school they were attending. The belief that being educated in a national school would improve the students' future career prospects, and such reasons as having a stronger school development society, maintaining an active association with the alumni, and maintaining a good relationship between the school and the parents may have also convinced the studious students and affluent parents to select national schools over provincial schools. It is a fact that the better performing students at provincial schools enter national schools after passing the Grade 5 (five) scholarship examination. In addition, 1AB national schools have attracted the interest of teachers as they are popular in the Uva Province. Working in a popular school ensured better recognition of teachers in the community and their professional field. While good teachers seek national schools, principals of the national schools also select the best teachers who are talented and possess good teaching experience. This also helps teachers to have a larger student base for their private tuition classes that some teachers conduct after school.

Decentralization is supposed to show better human capital development in the provincial schools compared to national schools. However, the micro-study in the Uva Province confirmed that there was no considerable variation between educational support facilities, physical and human

resources, except for trained teachers between national and provincial schools. The results of the three major national level exams (i.e. the grade 5 scholarship examination, GCE O/L examination and the A/L examination) are better in national schools than the provincial schools. These results also reveal that decentralization has not supported the delivery of education services in the Uva Province. The detailed contents of this chapter can be found in Mudalige, P. W., & De Silva, S. (2022) The Nexus between Decentralization and Educational Services in Government Schools: The Case of Uva Province in Sri Lanka. *Saga University Economic Review*: 54(3) pp 33-51.

## CHAPTER 5

### COMPARATIVE ANALYSIS OF SATISFACTION WITH SERVICE QUALITY: EXPERIENCE OF SCHOOL PRINCIPALS IN THE UVA AND WESTERN PROVINCES<sup>17</sup>

#### 5.1. Summary

This chapter lays emphasis on the satisfaction of the service recipients based on their perception of the service quality and performance of Provincial Councils in Sri Lanka. Before the establishment of Provincial Councils, the central government bore the full responsibility for government school education. Then in 1987 the Provincial Councils were granted the authority to deliver services at the provincial level in terms of the 13th Amendment to the Constitution. Thereafter, government schools were divided into two categories as national schools (373 schools) and provincial schools (9782 schools). The national schools are directly governed by the Ministry of Education of the central government, while the provincial schools are governed by the nine Provincial ministries of education. Accordingly, this study analyzed the opinions of the principals of provincial ‘1AB’ type government schools regarding the quality of the services provided by the Uva and Western Provincial Councils in Sri Lanka.

As the literature evidence reveals, many developed and developing countries have decentralized education services. Scholars who argue in favor of decentralizing education point out the increasing range of schooling available to students, thereby reducing inequalities in access to quality education, facilitating increased learning outcomes, and increasing the efficiency of resource allocation and utilization.

This study focused on service satisfaction based on service quality provided by Provincial Councils in Sri Lanka. The SERVQUAL model developed by Parasuraman, Zeithaml, & Berry (1988) was used for this research. The need to ensure customer satisfaction is essential in modern

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<sup>17</sup> The content of this chapter was published in Saga University Journal- in Economic Review: Comparative Analysis of Satisfaction with Service Quality: Experience of School Principals in the Uva and Western Provinces of Sri Lanka. 佐賀大学経済論集 56 巻 1 号 pp 25-52(2023 年 5 月). Mudalige, P. W., & De Silva, S. (査読付き).

society. Therefore, this factor has drawn much attention from many academics and professionals. Particularly, private companies and organizations seek to increase their profits by providing high-quality service to customers. At the same time, government institutions are also expected to provide more effective and efficient services to the people. The strength of the consumers' relationship with these institutions depends on the level of customer satisfaction. Since customer satisfaction is accepted as a hallowed principle by all public or private organizations that provide various services, it serves as a vital indicator of the performance of the relevant institutions.

These institutions are maintained by spending public money. Therefore, it is timely to study the satisfaction of the service recipients of the Provincial Councils. In considering service delivery and resource allocation by Provincial Councils, no scientific effort was identified that examined the satisfaction of service recipients. The Provincial Councils offer various services, including education and educational services. However, the literature on the effectiveness of decentralization is devoid of information on public satisfaction with the education sector. Moreover, the Provincial Councils have the responsibility of being providers of primary and secondary education, which has been enacted to increase the development of human resources in the country. Therefore, carrying out such a study will not only be able to assess the effectiveness of decentralization in Sri Lanka, but it will also be possible to gain new knowledge about the extent of the effects of service delivery in Provincial Councils.

No research has been done on how the Provincial Councils have contributed to the delivery of education services and the level of satisfaction of service recipients. Therefore, research in this analysis aims to fill this gap in the literature by examining the provision of education services by Provincial Councils in Sri Lanka and the recipients' satisfaction with the service quality.

The study has been conducted in two of Sri Lanka's nine provinces, the Uva and Western Provinces. Thirty principals of 1AB type schools, each from two Provincial Councils, were selected as the sample of this study. In this research, simple random sampling methods were used in the selection of respondents and ethical guidelines were respected when collecting data. In addition, interviews were conducted with selected administrative staff members in the two provinces. Accordingly, descriptive statistical method was used for data analysis in this study. The results of this study were summarized using simple descriptive statistics, following which

the mean score and Mann-Whitney U value were calculated for each SERVQUAL dimension (tangibility, reliability, responsiveness, assurance, and empathy).

An important task expected of the Provincial Councils is to improve the effectiveness of their educational service delivery. The Provincial Councils are expected to provide the physical and human resources to deliver prompt services. Also, the Provincial Councils are bound to provide services under the continuous watch and guidance of the central government. In general, the collective opinion of the principals of 1AB schools in the two provinces revealed that they were overall dissatisfied with the services delivered to the provincial school education system. None of the essential services provided by the Provincial Councils shows any significant difference between the provinces as perceived by the school principals. Thus, it can be concluded that the Provincial Councils are merely political organizations that are not close to the people, which fail to gain any recognition for providing quality educational services to the provinces. In examining their effectiveness at providing services for the development of education in the Uva and Western provincial schools, it was confirmed that both Provincial Councils were perceived as being ineffective. It was also acknowledged that there were no significant differences between the perceived effectiveness and quality of the services provided by the two provinces. Thus, it can be concluded that dissatisfaction prevails among the principals regarding the provision of educational services by the two Provincial Councils despite the differences between their socioeconomic conditions of the regions. Principals had a moderate level of perception of the quality of the services provided by the Provincial Councils for all the SERVQUAL dimensions.

The higher education performance of the Western was believed resulting from the superior education service delivery of Western Province Compared to Uva Province. However, results revealed that there are gaps between the services expected by the principals and the services provided by the Provincial Councils in all the five chosen dimensions of service quality, in both provinces. The study could not find any significant differences between the dissatisfaction felt by the school principals of Uva and Western Provinces in respect of those five dimensions. As such, there is dissatisfaction among the principals regarding the provision of education services by both Provincial Councils. The detailed contents of this chapter can be found in Mudalige, P. W., & De Silva, S. (2023) Comparative Analysis of Satisfaction with Service Quality:

Experience of School Principals in the Uva and Western Provinces of Sri Lanka. *Saga University Economic Review*: 56(1) pp 25-52.

## **CHAPTER 6**

### **CONCLUSION, RECOMMENDATIONS AND LIMITATIONS**

#### **6.1. Major Findings of the Research**

In the domains of administration and service delivery, education and health are the most decentralized sectors in Sri Lanka. Accordingly, numerous tiers of officialdom are involved in making educational decisions at the national, provincial, district, zonal, and divisional levels. At the provincial level, there is a ministry of education. Likewise, the health service sector also has a hierarchy of institutions at the national, provincial, district and other geographically divided levels. There is a ministry of education and a ministry of health under every provincial administration. Each ministry consists of two parallel institutions, one comprised of provincial public representatives and the other comprised of provincial departments. The provincial governments' education and health ministries are linked to the central government's ministries of education and health. The Provincial Councils were established in 1987 as a system of subnational level government bodies to deliver public services that were rendered by the central government previously. It has now been three decades since the Provincial Councils started exercising their service delivery powers in connection with political, administrative, and fiscal matters. The performance of Provincial Councils was investigated in this research to determine whether the objectives of decentralization were achieved.

According to the literature, both developed and developing countries have resorted to decentralization to improve public service delivery in the spheres of education and health. At the same time, as predicted by decentralization theory, a positive relationship has been observed between decentralization and the efficiency of service delivery at the subnational level in many countries.

In Sri Lanka, the government provides education and health services free of charge, making access to these essential services easier for the people. Although significant progress has been made in human resource development at the national level, there are still significant disparities

between the provinces. In this study, the general objective is to solve the main research problem enunciated in the first chapter, which is, 'To determine the impact of decentralization on public service delivery and human capital development in Sri Lanka', with a special emphasis on the Uva Province of Sri Lanka, which is one having lowest human resource development indicators.

In 1987, Provincial Councils were entrusted with the responsibility of providing health and education services as they are important for human capital development. Accordingly, to achieve the aforementioned objective, three separate studies were conducted with the following specific objectives.

- I. To determine the short-term and long-term impacts that fiscal decentralization has on the delivery of local health and education services (human capital development) in Sri Lanka (Chapter 3).
- II. To identify the differences between physical and human resources in '1AB' type national and provincial schools in the Uva Province, Sri Lanka, and to determine the impact of existing resources on academic performance in the two types of schools (Chapter 4).
- III. To make a comparative assessment of the satisfaction level of provincial school principals with the public services provided by the Uva and Western provinces of Sri Lanka (Chapter 5).

The third chapter addressed the impact of fiscal decentralization on the delivery of government services such as education, health services, and human capital development in Sri Lanka. This investigation employs the Auto Regressive Distributed Lag (ARDL) modelling approach and uses a broad range of secondary data. The widely used ARDL modelling approach provides fiscal decentralization's short-run and long-run impact. An annual time series dataset was used for this analysis, based on data covering the period from 1988 to 2018 in the nine provinces of Sri Lanka. The results reveal that fiscal decentralization has not had a significant, long-term positive impact on education service delivery and human resource development in Sri Lanka as one might expect but has had a negative impact. Speaking of expenditure, when the provincial-level expenditure increased after fiscal decentralization, the primary gross school enrolment decreased significantly in the long run. When provincial-level expenditure increases, infant mortality rate and human development index also increase, but their long-term impacts are

insignificant. On a revenue basis, when provincial-level revenue increases following decentralization, human capital development decreases significantly in the long term. Conversely, when the provincial-level revenue increases, infant mortality rate improves, and primary gross school enrolment increases in the long term. However, their associations are not significant. The results of this study also reveal that fiscal decentralization does not have a positive short-term impact on education and health service delivery either. When provincial-level expenditure increases, human capital development significantly decreases in the short term. The relationships between provincial-level expenditure and infant mortality rate and primary gross school enrolment turned out to be positive but not statistically significant. When provincial-level revenues increase, primary gross school enrolment decreases and infant mortality rate and human capital development increase in the short term. However, none of these relationships are statistically significant. In Sri Lanka, the school education, health, and human resource development indicators had been well above that of many other developing countries even before the establishment of Provincial Councils in 1987. However, the results reveal that the present level of fiscal decentralization has not been able to contribute to human development, health, and education in the short and long terms.

Uva Province was the subject of the case study in Chapter Four of the thesis with both primary and secondary data being used for this analysis. Uva Province was selected for the field survey of this chapter. Two types of respondents participated in this research, the principals of national schools run by the central government and principals of provincial schools run by the provincial government of the Uva Province. The data collected were analyzed using descriptive techniques. A comparison was then made between the 1AB type national schools and provincial schools in the Uva Province to determine the effect of decentralization of education services in this province. This analysis provides details of the human resources, physical resources, academic performance, and institutional culture pertaining to the two categories of schools. This study focuses on identifying the differences between physical and human resources in '1AB' type national and provincial schools in the Uva Province of Sri Lanka to determine the impact of available resources on the education performance of students in these schools. However, even 30 years after the decentralization of education, the performance of students in the Uva Province as measured by the Grade 5 Scholarship, GCE O/L and A/L examination results has not gone up significantly. The findings of the study revealed that 1AB type national schools administered by

the central government have significantly better GCE O/L and A/L examination results when compared to the 1AB provincial schools administered by the Provincial Councils. The study could not find any significant differences between most of the physical resources and educational support facilities provided to both categories of school. Similarly, there was no major difference between the human resources, except for a significantly higher percentage of trained teachers serving in the national schools. These empirical findings prove that decentralization has not contributed to greater human and physical resources and a corresponding efficiency in the delivery of education services in the Uva Province of Sri Lanka.

Chapter five lays emphasis on the satisfaction felt by the service recipients based on their perception of the service quality and performance of Provincial Councils in Sri Lanka. The study was conducted in two of Sri Lanka's nine provinces, the Uva Province and the Western Province. Uva and Western Provinces show considerable variation in students educational performances, while the latter show significantly better performance. The research question was whether this performance gap is due to the services offered by the respective Provincial Councils. The effectiveness of the public serves was measured by analyzing the satisfaction of the service recipients i.e. School principals. A mixed research method was used to collect the data for this chapter. In this study, primary data were gathered through questionnaires, interviews, and observations. Furthermore, secondary data were also used in this analysis, but primary data were prioritized. A sample of 30 principals of '1AB' type schools from each of the two provinces was picked to collect primary data using the SERVQUAL questionnaire. The results of this study were summarized using simple descriptive statistics, following which the mean score and Mann-Whitney U value were calculated for each SERVQUAL dimension. Accordingly, the study analyzed the opinions of the principals of provincial '1AB' type government schools regarding the quality of the services provided by the Uva and Western Provincial Councils in Sri Lanka. In general, the collective opinion of the principals of 1AB schools in the two provinces revealed that they were overall dissatisfied with the services delivered by the provincial school education system. Thus, it can be concluded that the effectiveness of the services offered by the two Provincial Councils were not up to the expectations of the service recipients. Provincial Councils are merely political organizations that are not close to the people, and therefore fail to gain any recognition for providing quality educational services to the provinces. Upon examining their effectiveness at providing services for the development of education in the Uva and Western

provincial schools, it was confirmed that both Provincial Councils were perceived as being ineffective. It was also acknowledged that there were no significant differences between the perceived effectiveness and quality of the services provided in the two provinces. Thus, it can be concluded that dissatisfaction prevails among the principals regarding the provision of educational services by the two Provincial Councils despite the differences between the socioeconomic conditions of the regions.

All in all, the people's representatives and provincial administrative officials have not performed adequately in making decisions about the use of public funds in the Provincial Councils. Also, it can be acknowledged that the Provincial Councils are not able to function effectively under the current administrative and political culture. As a result, the services provided by the Provincial Councils are adversely affected. In comparison to other developed and developing countries where decentralization has been implemented, Sri Lanka has a rather inadequate level of decentralization.

It is also important to tell the decentralization was not a self-interest of the people of Sri Lanka but rather forced by India and political events happened. It was not a model developed by people of Sri Lanka.

## **6.2. Recommendations**

The findings of this study can be used to make some valuable recommendations. These recommendations could play a critical role in validating the implementation of the decentralization policy. Therefore, good fiscal management and more efficient utilization of human and physical resources could provide a better climate for improving human capital development in the provinces. At the same time, these recommendations point to the need for short-term and long-run reforms to address dissatisfaction with the services rendered by the Provincial Councils. Accordingly, the following recommendations are made.

Currently, there are two parallel service distributional mechanisms in Sri Lanka. One is the Provincial Council system, and the other one is the central government administrative institutions. As such, two parallel sections are not conducive to effective service delivery. Also,

functions and responsibilities related to the services such as health and education are not fully decentralized in Sri Lanka. As the second tier of governance, the Provincial Councils supposed to play a vital role in providing social infrastructure. In particular, education and health services are the main services expected. Therefore, the following recommendations can be introduced to bring about human capital development, health and education in line with decentralization. They include restructuring the expenditure and revenue structure of the Provincial Councils to enhance the delivery of provincial services, introducing new revenue sources, and limiting non-priority spending in the provinces. Increasing funding for health and education at the provincial level and introducing reforms to increase their productivity are important. Establishment of transparency in the financial affairs of the provinces and creating a formal mechanism to prevent bribery and corruption are important. The setting of standards and performance indicators should be adopted by Provincial Councils in their planning and budgeting to strengthen service delivery. Formulating provincial-level economic policies are needed to increase fixed costs (e.g., classrooms, laboratories, etc. ) as well as recurrent costs (e.g., salaries for teachers, internet and communication, etc.) for education. . The central government and Provincial Councils should be committed to have a better coordination in implementing decentralized activities.

It is essential to strengthen the existing mechanisms for managing the human and physical resources and mobilize them for providing efficient educational services at the provincial level. An in-depth investigation should be carried out to identify the structural problems in the Provincial Council system and then make the necessary reforms for educational services. In particular, provisions should be made to identify and develop essential utility facilities and learning aids (such as toilets, water, sports infrastructure, laboratories, libraries, internet facilities, computers, etc.) in provincial schools in the short-term on priority basis.

It is imperative to increase the number of trained teachers in provincial schools and to introduce an incentive program to encourage the retention of qualified teachers in provincial schools. Moreover, provincial schools still have a shortage of qualified teachers for certain subjects which has a negative impact on the academic performance of the students in those schools. Therefore, it is important to give priority to reducing the shortage of qualified teachers for O/L and A/L subjects in provincial schools especially in the areas of Science, Technology, Engineering, and Mathematics - STEM education and English language. Also, the effective implementation of

subject feedback programs for selected subjects for provincial school students should be made more efficient and streamlined.

Reforms should be made at the school level to prepare the foundations for human capital development at the provincial level. For that, it is necessary to improve educational standards. Regarding the subjects related to STEM education, the number of students in the provincial schools is decreasing and there are also problems with the facilities in the provincial schools. Therefore, it is essential to launch long-term programs to created should aim to increase the number of students studying STEM subjects.

Due to the decentralization of education services, the administrative role of the management of provincial schools has increased. Therefore, teachers should be empowered to improve the academic performance of students rather than being involved in school administration activities. At the same time, the administrative officers of the education divisions and zones should pay attention to the less developed schools in the province and take immediate action to develop the provincial schools.

Monitoring and evaluation of student academic performance and school administrative activities at the school level alone should not be sufficient. Therefore, monitoring and evaluation at the education zonal and divisional levels will also enhance the academic performance of provincial schools and build up the commitment of the administrative sector. In particular, the provincial authorities should identify provincial schools with fewer facilities and give priority to providing them with more resources. It is also important to provide good financial assistance to these provincial schools, to appoint principals with administrative skilful, and talented teachers. Human resources are a key determining factor in schools. Therefore, the Provincial Ministry of Education should formulate an attractive program to get the services of talented teachers in the provincial schools as in the national schools and to retain them in the provincial schools.

As recommendations to improve the quality of service in provincial councils, the Provincial Councils should be determined to closely monitor and provide solutions to the efficiency and effectiveness of providing educational services. Because there are severe problems in the provincial schools, the Provincial Councils should take the initiative to provide required human and physical resources as soon as possible. In addition to developing a long-term strategy to alleviate the teacher shortage in provincial schools in outlying areas, Provincial Councils must

take action to prohibit the transfer of teachers based on political affiliations. Moreover, additional incentives should be offered to attract and keep teachers in these schools. It must be non-financial and instead focus on programs that promote and support teachers' professional development through academic advancement and teaching skills incentives. Work plans must be created to properly implement the provincial education ministry's circulars regarding school management. It is also necessary to pay attention to get feedback about it. The provincial education authorities should carefully obtain ideas and information from school teachers, parents, the school's alumni association, local business and religious leaders, and school principals. The theoretical and short-term training that is being provided for school teachers and principals is in poor condition. Therefore, it is essential to create an efficient teacher training plan and enlist the aid of experts in child psychology, administration, and education to verify the calibre of provincial school education. The PCs should implement engaging initiatives to quickly improve students' reading skills. The Provincial Councils should provide schools with permanent library facilities and the necessary financial, human, and physical resources to transform libraries into appealing Learning Resource Centres (LRC) in schools.

It is necessary to take quick action to increase the facilities of the administrative institutions of the Provincial Councils. The provincial administrations should provide sanitary facilities, places for service recipients to rest, and convenient places to park vehicles. Administrative staff should always work responsibly to avoid mistakes in administrative work, and by filtering the related tasks through the team, it is possible to correct the errors in the records. Improve the service orientation of administrative staff in provincial institutions, based on the staff's practical needs, it should be made more accessible to start training programs on administrative management concepts. The Provincial Councils should ensure the existence of staff members that always respects the administrative ethics and rules and establish mutual agreements in the provincial administrative institutions. Furthermore, in addition to printed materials, provincial administrative institutions must manage IT and data-based system with essential computer applications in order to provide services more swiftly and effectively.

Due to the failure of the current administrative, political, and fiscal decentralization in Sri Lanka, attention should be paid to other options for human capital development in the provinces. One of the best recommendations for that in the literature is that a policy on the deregulation system

implemented in the process related to the provision of Provincial Council services. Accordingly,, the private sector, which is believed to be one of the main engines of economic development, can be used to implement the development goals of the provinces by using the public and private partnership approach. After a thorough analysis in the Sri Lankan context, and if proved effective and efficient, the private sector should be introduced under a central government deregulation to provide education and health services in the provinces.

### **6.3. Limitation of the Research**

At this stage, it is important to caution the readers about the limitations of this research. To achieve the first specific objective, secondary data were used to analyze and draw conclusions about decentralization and service delivery in Sri Lanka. But it soon became apparent that there is no updated database on the administrative, political, and especially the fiscal transactions pertaining to the nine Provincial Councils in Sri Lanka. Therefore, the researcher had no option but to rely on a panel dataset covering the service delivery details in the nine provinces. To compensate for this, an annual time series data analysis covering all nine Provincial Councils was carried out. However, an opportunity will arise to obtain secondary data relating to the nine provinces in the future. When that happens, future researchers can investigate this field from different perspectives.

Other limitation of this study is that only two out of the nine provinces were considered, namely the Uva and Western provinces, due to constraints like the time and expense required to conduct a field survey across a much larger study area. Another complication was that due to the spread of the COVID-19 pandemic, primary data collection could only be conducted in the two provinces. The researcher had to face numerous issues such as lock down, temporary road closures, administrative offices that did not function systematically, and restrictions on face-to-face interactions.

Next limitation is that the study's sample size was drastically reduced due to the challenges/problems encountered during the data collection process. Accordingly, only 1AB type government schools were chosen although there are four categories of provincial and national schools. Due to similar reasons, only the principals of '1AB' type schools served as the sample.

Several significant limitations apply to the data used in this research. The first approach involved the use of annual time series data as secondary data. It was the best possible approach for determining the short- and long-term impact of fiscal decentralization on service delivery. Also, in this research the ARDL approach was used with secondary data to investigate the impact of decentralization on human development. Primary data collection through only questionnaires considered the impact of decentralization on provincial education service delivery and recipient satisfaction. Furthermore, the structured questionnaire method and the SERVQUAL questionnaire method were chosen for the collection of primary data for this research. Accordingly, the selection of a SERVQUAL questionnaire imposes a limitation on this research as it is more appropriate for determining satisfaction with the service quality as per the literature.

Another limitation is that this research focuses on human capital development. This study focused on education service in the primary data analysis. The impact of decentralization on health services delivered through the provincial council system in Sri Lanka is open to further research. According to theoretical arguments, there is a positive relationship between decentralization and public service delivery. Therefore, the effect of increasing human capital development at the provincial level was intended to assess the ability of the Provincial Councils compared to the central government. A further limitation of the research is that its analysis of the performance of Provincial Councils was based only in terms of the education and health services. Although the Provincial Councils provided various services, this research paid attention only to the education and health services as these were considered more relevant in terms of human capital development.

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Annex 1.

Table: Poverty Indicators by Province

Province	Poverty Head Count Index (%)			Poor Household (%)			Poverty Gap Index (%)		
	2013	2016	2019	2013	2016	2019	2003	2013	2016
Western	2.0	1.7	5.7	1.5	1.2	4.4	0.4	0.3	1.1
Central	6.6	5.4	18.7	5.1	4.1	15.7	1.0	0.9	3.9
Southern	7.7	3.0	12.6	6.3	2.3	10.7	1.4	0.4	2.3
Northern	10.9	7.7	23.8	8.8	6.3	19.9	2.3	1.1	5.6
Eastern	11.0	11.0	18.6	8.0	5.3	15.1	2.1	1.2	3.4
North Western	6.0	2.7	11.8	4.5	2.1	9.9	1.1	0.4	2.0
North Central	7.3	3.3	11.0	6.1	2.4	9.2	1.0	0.5	2.0
Uva	15.14	6.5	28.3	13.5	5.4	24.5	2.6	0.7	5.7
Sabaragamuwa	8.8	6.7	23.1	6.6	5.1	19.6	1.5	1.1	4.9

Source (Central Bank of Sri Lanka, 2022: 73)

## Annex 2.

### Service Provision Responsibilities of Provincial Councils

<b>Subjects</b>	<b>Responsibilities</b>
1. Public Order	Policing and Maintenance of Public Order
2. Provincial Administration	Provincial Public Service, Local Government
3. Public Planning	Planning and Implementation of Provincial Economic Plan, Progress Control, Monitoring and Evaluation, Data and Information.
4. Provincial Finance	Taxes as set out, Free in respect of assigned subjects, Borrowing to the extent permitted by Parliament, Provincial Debt.
5. Economic Services	Agriculture and Agrarian Services, Animal Husbandry, Fisheries (within territorial waters), Land development, Irrigation other than inter-provincial Irrigation, Provincial roads, Electricity other than hydro to feed the national grid, Industries, Mines, and mineral development to the extent permitted, Provincial enterprises, Provincial Tourism, Trade and commerce, Food supply within the province, Consumer protection and price control, Cooperatives, Markets and funds, Rural development.
6. Human Resources Development	Education and Educational development to the extent specified, Health including health development plan and annual health plan of the province, Public hospitals, Ministry, home and dispensaries, public health services, Health education, Nutrition, Maternity and childcare, Food sanitation and Environmental health, Indigenous Medicine, Employment, Employment planning and manpower planning.
7. Social Protection	Social Services and rehabilitation, Rehabilitation of the destitute, Rehabilitation and welfare of the physically, mentally, and socially handicapped, probation and childcare, Relief for the disabled and unemployed.
8. Prisons	Reformatory borstal institutions
9. Urban Development, Housing, and Community Amenities	Provincial housing, Rest houses and bungalows, Burial and burial grounds, Cremation and cremation grounds, Renaming of towns and villages.
10. Environment	Protection of Environment to the extent permitted, Social Forestry.
11. Recreation, Culture, and Religion	Sports, Theater, and Drama, Ancient and Historical Monuments and Archaeological sites other than those declared to be of national importance, Libraries and Museums.
12. Regulation of Provincial activities	Regulation of corporations and Un-incorporated Activities.

Source: (Gunawardena, 2019: 224-226).

### Annex 3. Concurrent List

<b>No.</b>	<b>Responsibilities</b>
1.	Planning
2 & 3	Education and Educational Services. – Education, except to the extent specified in items 3 & 4 of List I.
4	Higher Education
5 & 6	National Housing and Construction, and Acquisition and requisitioning of Property
7	Social Services and Rehabilitation
8	Agricultural and Agrarian Services
9 & 10	Health, and Registration of births, marriages, and deaths.
11	Renaming of Towns and Villages.
12 & 13	Private lotteries within the province, and Festivals and Exhibitions.
14	Rationing of food and maintenance of food stocks.
15 & 16	Co-operatives – Co-operative Banks & Surveys – For the purpose of any of the matter enumerated in the Provincial or Concurrent List.
17 & 18	Irrigation. and Social Forestry and protection of wild animals and birds
19 & 20	Fisheries - Other than fishing beyond territorial waters, and Animal Husbandry
21 & 22	Employment and Tourism.
23	Trade and commerce in, and the production, supply and distribution
24	Newspapers, books and periodicals and printing presses.
25	Offences against statutes with respect to any matters specified in this List.
26	Fees in respect of any of the matters in this List, excluding fees taken in any Court
27	Charities and charitable institutions, charitable and religious endowments and religious institutions.
28 & 29	Price control & Inquiries and statistics for the purpose of any of the matters in this List or in the Provincial Council List.
30 & 31	Adulteration of foodstuffs and other goods, and Drugs and Poisons.
32	Extension of electrification within the Province and the promotion and regulation of the use of electricity within the Province.
33	Protection of the environment.
34	Archaeological sites and remains, other than those declared by or under any law made by Parliament to be of national importance
35	Prevention of the extension from one Province to another of infectious or contagious diseases or pests affecting human beings, animals or plants.
36	Pilgrimages

Source: (1978 Constitution of Sri Lanka: Thirteenth Amendment- 1987).

Annex 4. Availability of Selected Services, By Level of Care in Sri Lanka

Service/Device/Test	Tertiary Hospital	Base Hospital	Divisional Hospital	PMCU	MOH
Diagnostic					
Full Blood Count	98%	93%	11%		
X- ray	95%	79%			
Ultrasound	95%	90%			
HbA1c	24%				
Glucometer	78%	81%	75%	61%	75%
Surgical services					
Suturing	97%	93%			
Abscess incision	100%	90%			
Dilation & Curettage	79%	67%			
Hernia repair (elective)	87%	73%			
Closed repair of fracture	85%	60%			
Reproductive, Maternal, Newborn, Child, and Adolescent Health					
FP-IUD insertion	100%	87%	52%	18%	97%
Antenatal Care	100%	89%	90%	65%	100%
Delivery Care	100%	100%	82%		
Corticosteroids in pre-term	100%	85%	26%		
BEmONC	100%	67%			
CEmONC	100%	62%			
Routine Immunization	72%	68%	66%	46%	100%
Sick Child	100%	100%	89%	83%	100%
Malnutrition Diag & Mngt	100%	97%	79%	76%	100%
Adolescent health service	58%	62%	38%	35%	82%
Communicable diseases					
TB diagnostic (microscope)	91%	92%	25%	1%	
Dengue lab diag (FBC)	91%	70%	12%		
Non-Communicable Diseases					
Diabetes screening	100%	100%	91%	91%	
Screening retinopathy	94%	80%	41%	16%	
Cardiovascular Risk Assessmant	56%	60%	63%	68%	
CVD management	100%	99%	56%		
COPD diagnostic & mangt	100%	99%	90%	80%	

Clinical oral examination	97%	92%	69%	43%	
Clinical Breast exam	100%	87%	63%	62%	53%
Cervical Cancer screening	97%	63%		23%	96%
Mental Health (OPD)	97%	95%	70%		100%
Physiotherapy	100%	74%			

Source: (Ministry of Health, Nutrition and Indigenous Medicine Sri Lanka, 2019: 9)

### Annex 5. Divisional Secretariat Divisions in Sri Lanka

No.	Province	District	Number of Divisional Secretariat Divisions
01	Central	Kandy	20
		Matale	11
		Nuwara-eliya	05
02	Eastern	Ampara	20
		Batticaloa	14
		Trincomalee	12
03	North Central	Anuradhapura	22
		Polonnaruwa	07
04	Northern	Jaffna	15
		Kilinochchi	04
		Mannar	05
		Mullaitivu	06
		Vavuniya	04
05	North Western	Kurunegala	30
		Puttalam	16
06	Sabaragamuwa	Kegalle	11
		Rathnapura	18
07	Southern	Galle	19
		Hambantota	12
		Matara	16
08	Uva	Badulla	15
		Monaragala	11
09	Western	Colombo	13
		Gampaha	13
		Kalutara	14
Total			333

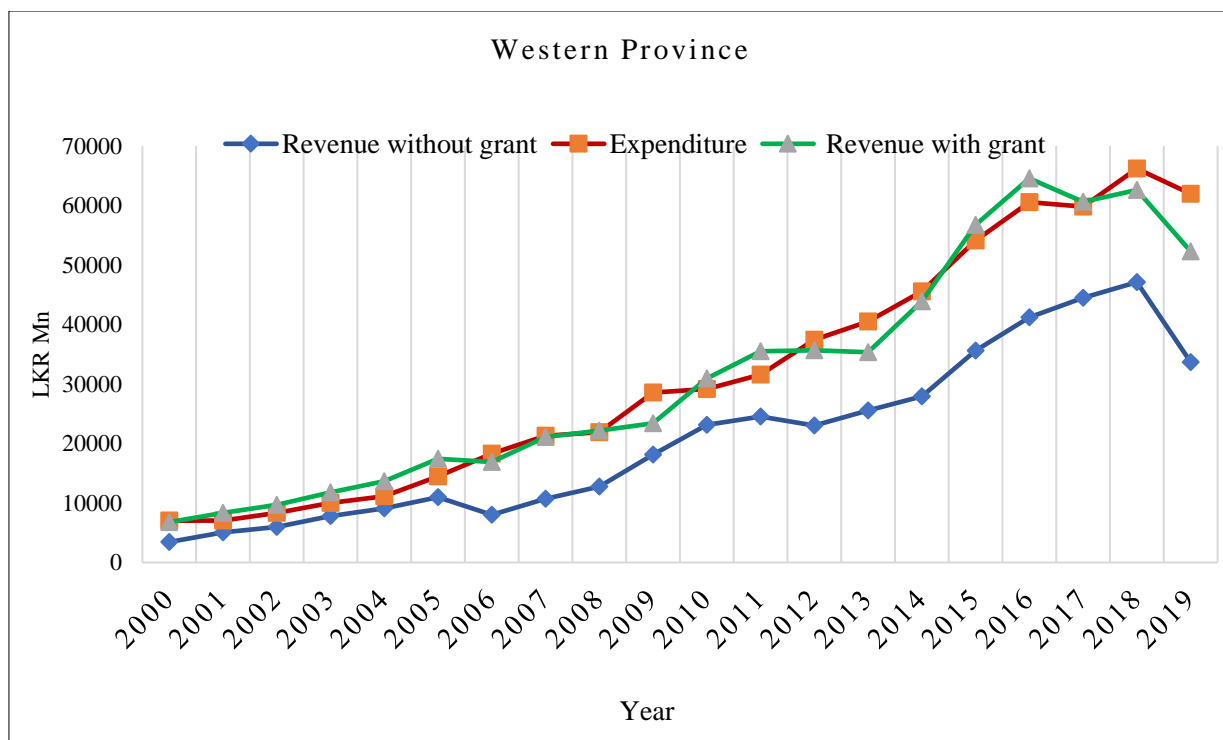
Source: State Ministry of Internal Security, Home Affairs and Disaster Management, 2021.

## Annex 6. Revenue Assignment of Provincial Councils

Type of Tax	Provincial Revenue
1. Tax	<p>(36.1) Turnover taxes on wholesale and retail sales.</p> <p>(36.2) Betting taxes.</p> <p>(36.5) Dealership license taxes on drugs and other chemicals.</p> <p>(36.17) Taxes on lands and buildings, including the property of the state to the extent permitted by law.</p> <p>(36.18) Taxes on mineral rights within limits and exemptions as prescribed by law;</p> <p>(36.20) Other taxations within the province to raise revenue for provincial purposes to the extent permitted by law.</p>
2. Duties	(36.6) Stamp duties
3. Fees and Charges	<p>(36.3) Toddy tapping license fees and liquor license fees.</p> <p>(36.4) Motor vehicle license fees within such limits and subject to such exemptions as may be prescribed by law.</p> <p>(36.8) Fines imposed by courts.</p> <p>(36.9) Fees charged under the Medical Ordinance.</p> <p>(36.10) Fees charged under the Motor Traffic Act.</p> <p>(36.11) Departmental fees in respect to any of the matters specified in List I</p> <p>(36.12); Fees under the Fauna and Flora Protection Ordinance.</p> <p>(36.13) Fees on lands alienated under Land Development Ordinance and Crown Lands Ordinance.</p> <p>(36.14) Court fees, including stamp fees on documents produced in court.</p> <p>(36.15) Regulatory charges under the Weights and measures Ordinance.</p> <p>(36.16) Land revenue, including the assessment and collection of revenues and survey and maintenance of land records for revenue purposes.</p> <p>(36.19) License fees on possession, transport, purchase, and sale of intoxicating liquors.</p>
4. Rents (Non-Tax)	(36.3) Arrack and toddy rents

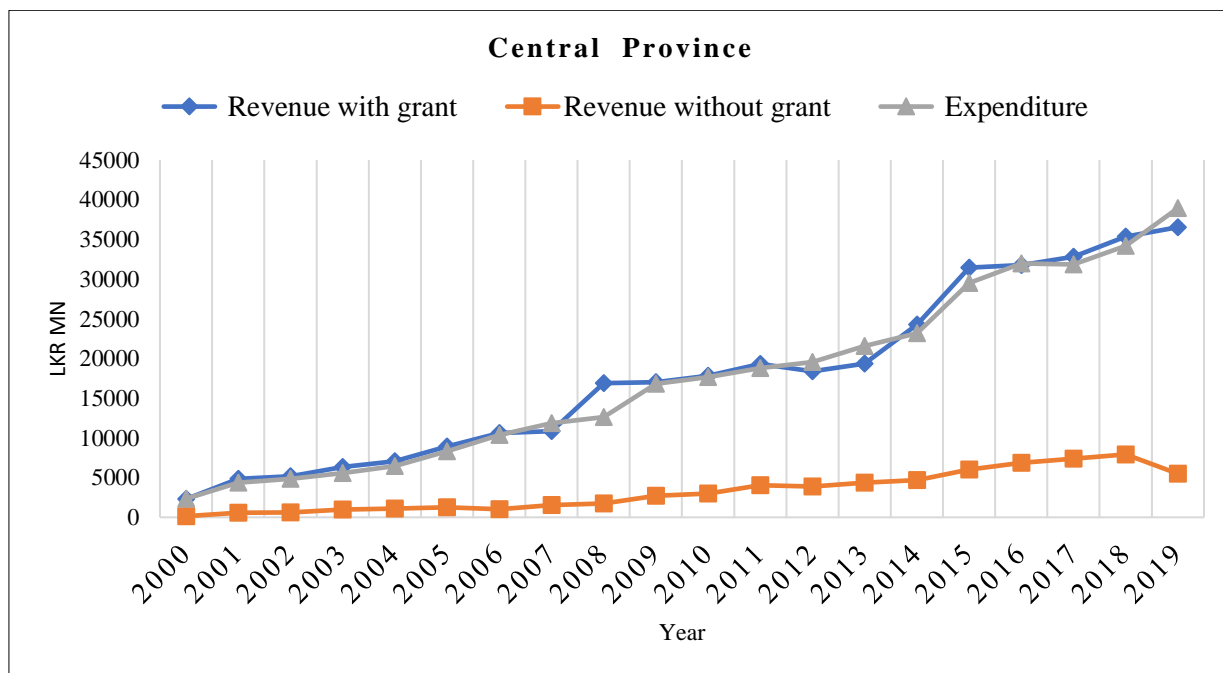
Source: (Gunawardena, 2019:227-228).

## Annex 7. Revenue and Expenditure Gap: Western Province



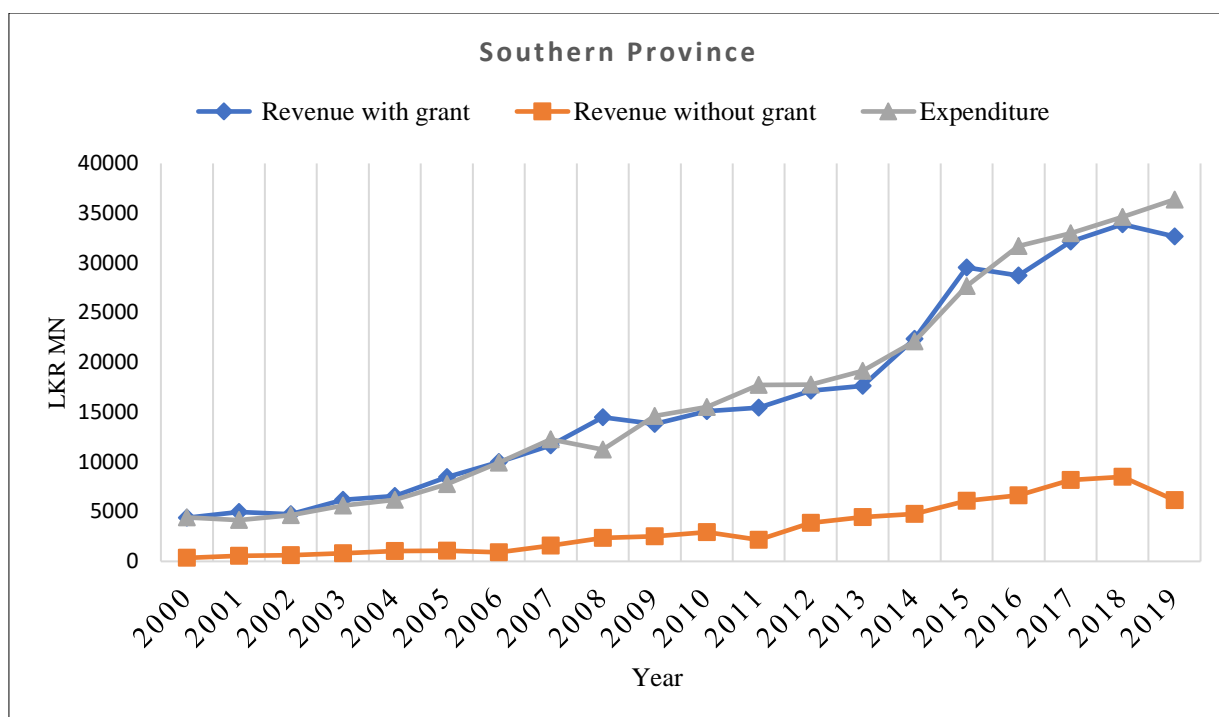
Source: (Finance Commission of Sri Lanka Reports, 1988-2019).

## Annex 8. Revenue and Expenditure Gap: Central Province



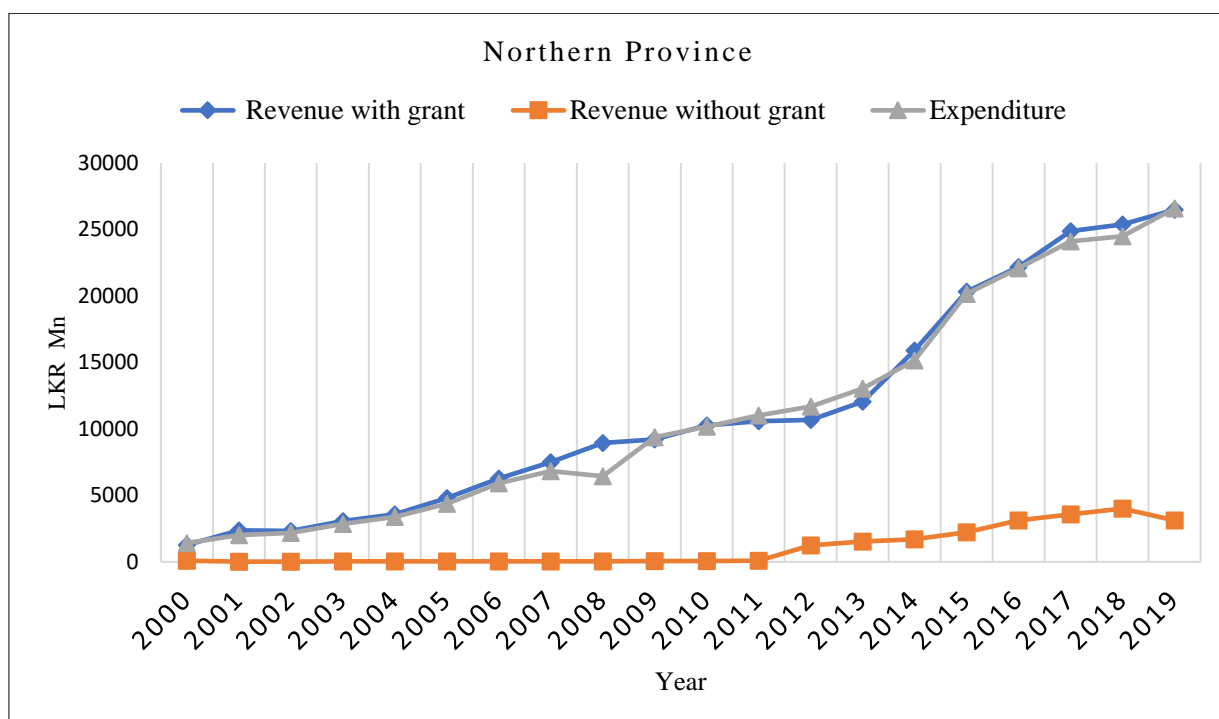
Source: (Finance Commission of Sri Lanka Reports, 1988-2019).

## Annex 9. Revenue and Expenditure Gap: Southern Province



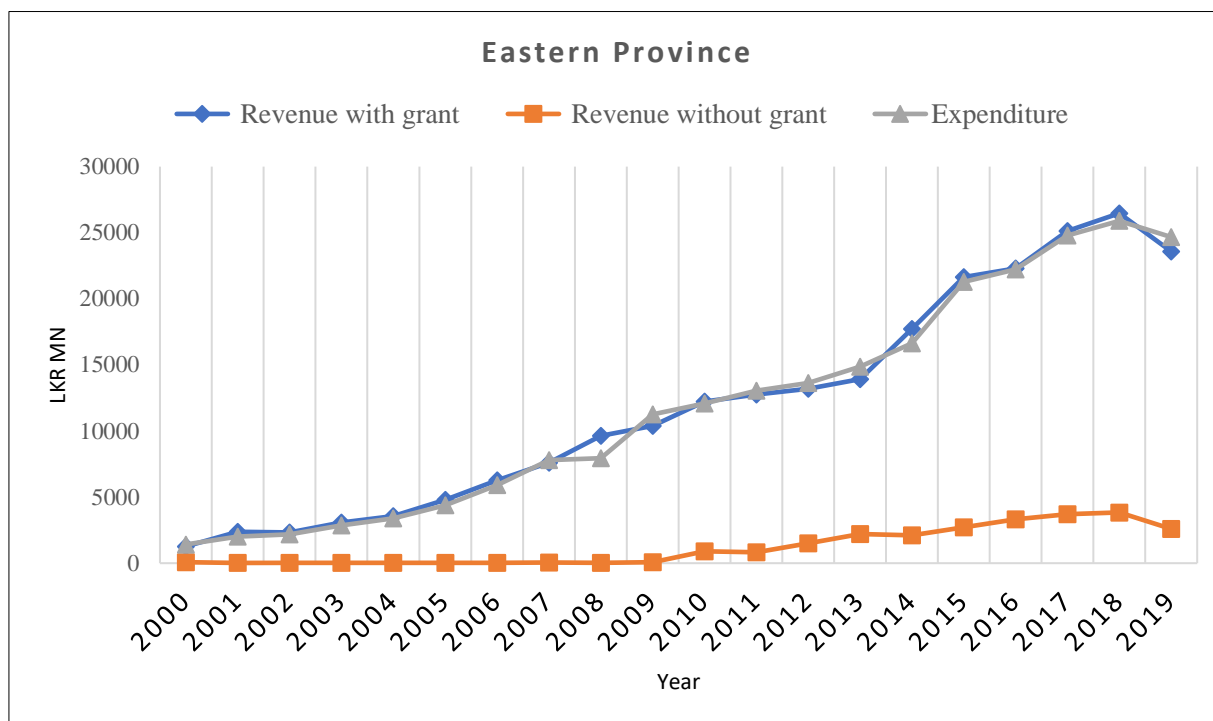
Source: (Finance Commission of Sri Lanka Reports, 1988-2019).

## Annex 10. Revenue and Expenditure Gap: Northern Province



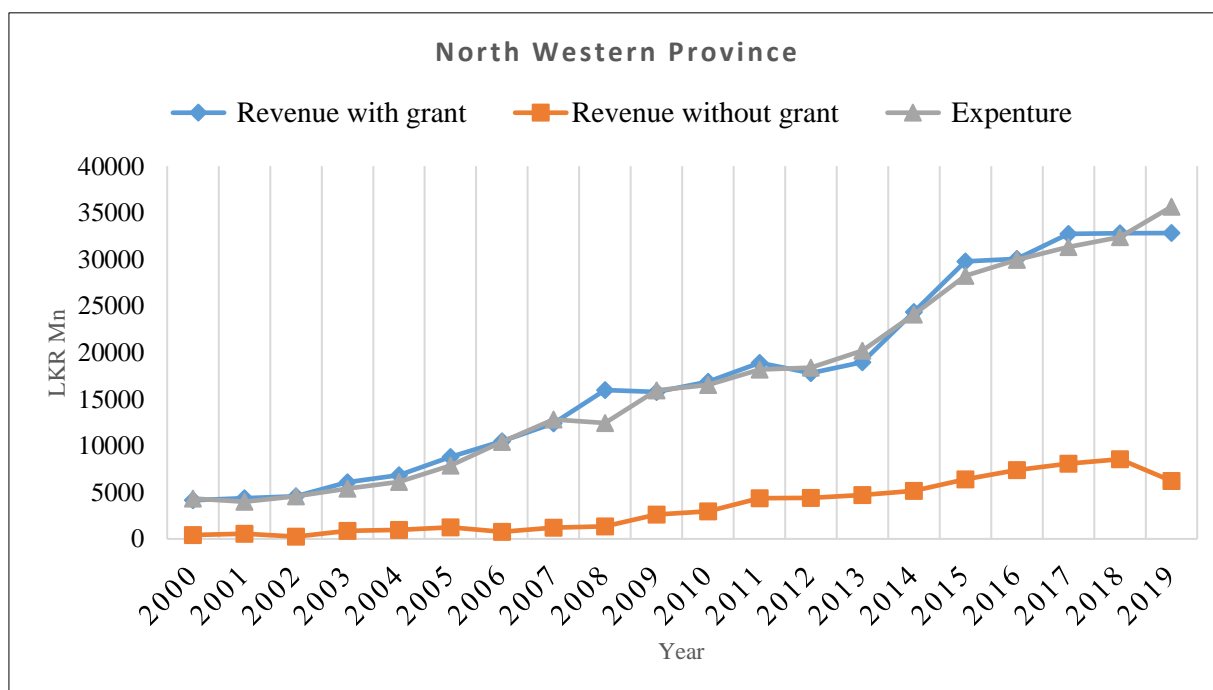
Source: (Finance Commission of Sri Lanka Reports, 1988-2019).

## Annex 11. Revenue and Expenditure Gap: Eastern Province



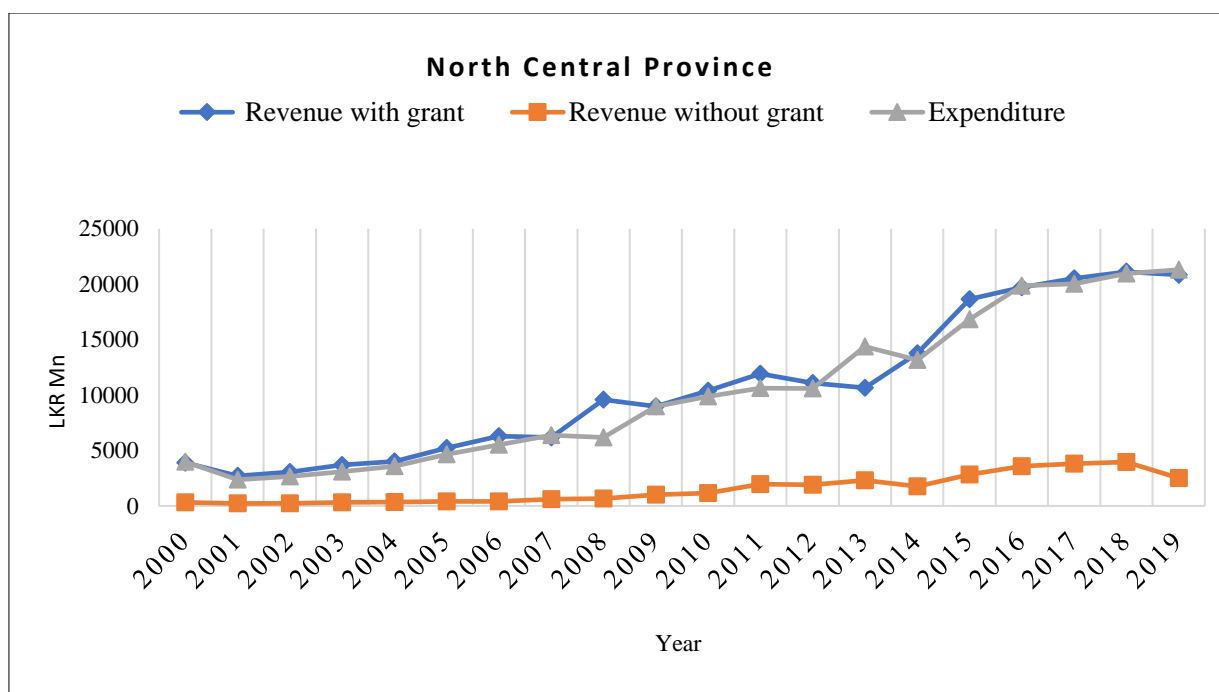
Source: (Finance Commission of Sri Lanka Reports, 1988-2019).

## Annex 12. Revenue and Expenditure Gap: Northern Province



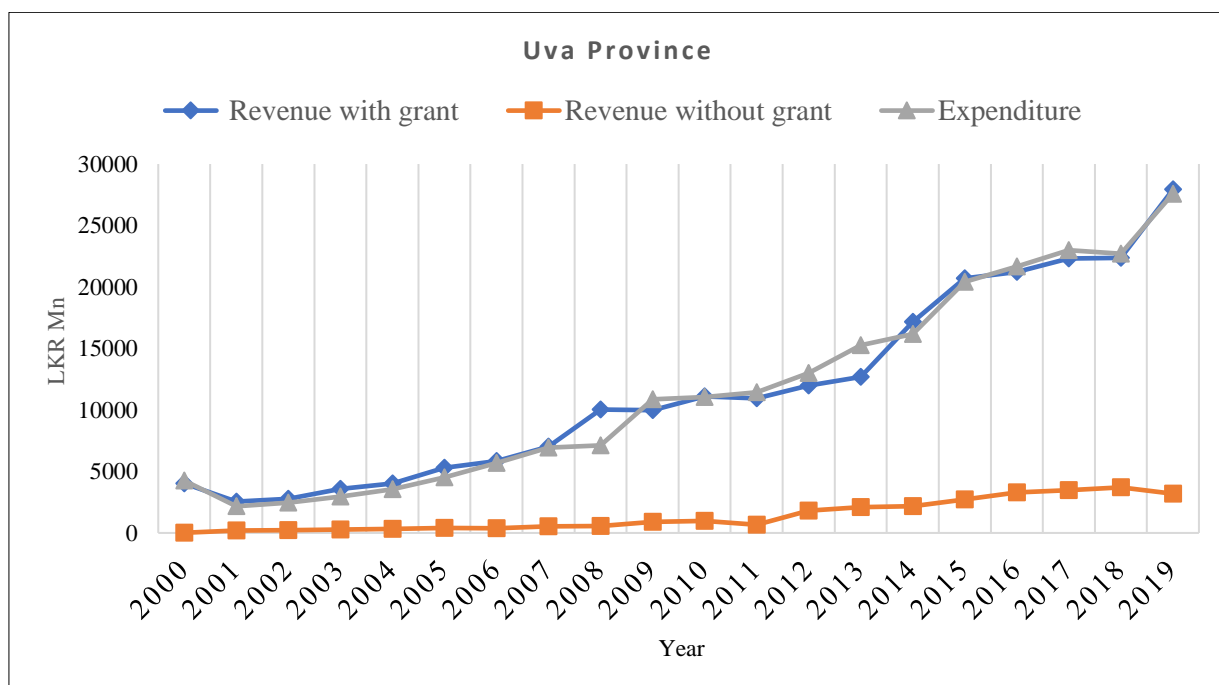
Source: (Finance Commission of Sri Lanka Reports, 1988-2019).

### Annex 13. Revenue and Expenditure Gap: North Central Province



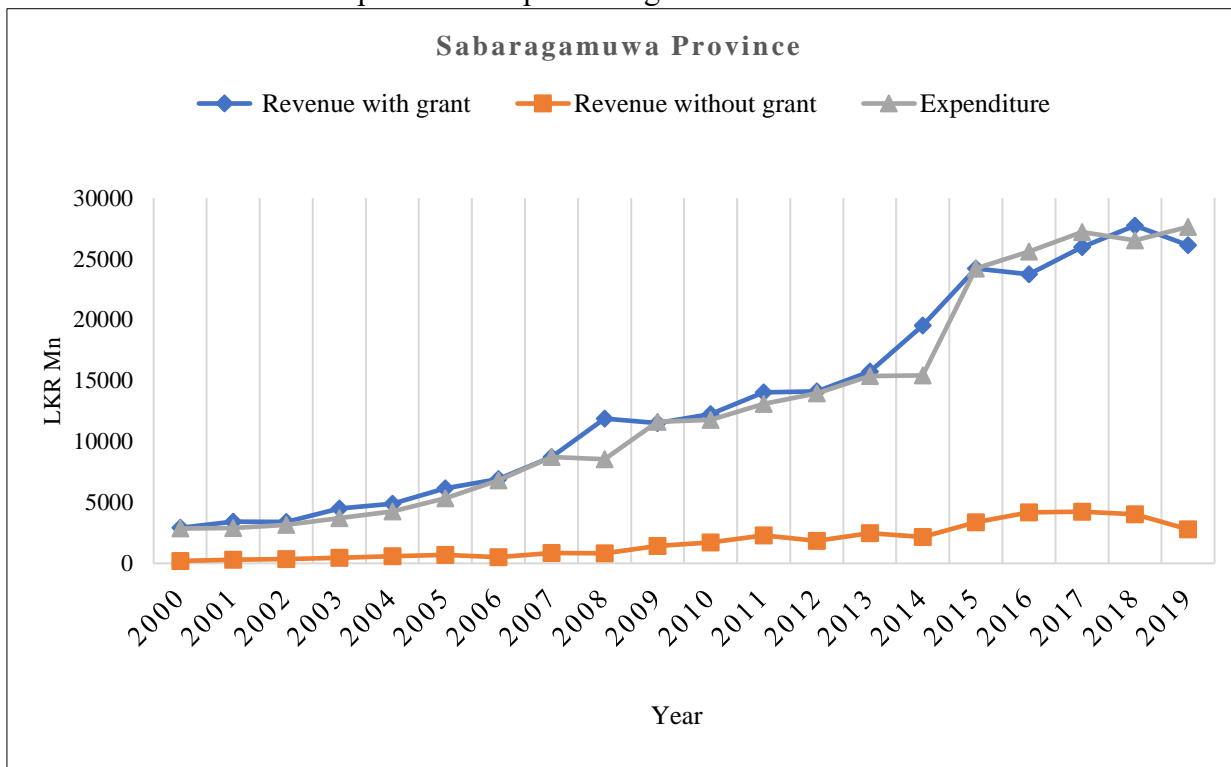
Source: (Finance Commission of Sri Lanka Reports, 1988-2019).

### Annex 14. Revenue and Expenditure Gap: Uva Province



Source: (Finance Commission of Sri Lanka Reports, 1988-2019).

### Annex 15. Revenue and Expenditure Gap: Sabaragamuwa Province



Source: (Finance Commission of Sri Lanka Reports, 1988-2019).

## **Annex 16**

To whom it may concern

Dear Sir/ Madam

### **A Survey on Decentralization and Education Service Delivery: The Case Analysis of Uva**

My name is Piyantha W. Mudalige and I am a Senior Lecturer in the Department of Political Science, University of Kelaniya, Sri Lanka. Currently, I am a PhD student at the School of Science and Engineering at Saga University, Japan. This research is a key part of my PhD studies. The responses and data you provide for this questionnaire will be used for my research degree purposes only at Saga University and this information and data will not be fully or partially attributed to any person or organization without prior written permission. The responses and data you provide for this questionnaire will be used only for my PhD degree at Saga University, Japan. This data will not be fully or partially attributed to any person or organization without prior written permission.

Local Address Senior Lecturer,

Department of Political Science,  
Faculty of Social Sciences, University of Kelaniya, Sri Lanka  
Mobile Phone: +94 77 560 1977  
Email. [mudalige@kln.ac.lk](mailto:mudalige@kln.ac.lk)

Japan Address: PhD Candidate,

Graduate School of Science and Engineering,  
Saga University, Saga, Japan  
Email. [mudalige@kln.ac.lk](mailto:mudalige@kln.ac.lk)

Thank you.

Yours Sincerely

Priyantha W. Mudalige

No.
-----

## Questionnaire

Please answer all the questions by writing and or placing a correct tick relevant space ("√")

**A.1. Background Information:** (Please put the correct number in the relevant box)

1.1. District		1.1.1. Educational Zone	
1.1.2. Educational Division		1.1.5. Type of school ①=National ②= Provincial	
1.1.4. Gender ①= Male, ②=Female, ③=Mixed			

**2. Demographic Information: Principal** (Please put the correct answer in the relevant box)

2.1.1. Gender: ① Male ② Female		2.1.2. Age (years)	
--------------------------------	--	--------------------	--

## B. Institutional Capacity

**3. Human Resources** (Please put the correct answer in the relevant box)

3.1. Number of teachers in the school

3.1.1. Highest educational qualification	Number of teachers	
	Male	Female
1. Graduate teachers		
2. Trained teachers		
3. Untrained teachers		
4. Trainee teachers		
5.Trained teachers or instructors for sports		

3.2. Information about required and actual number of academic, excess and on-academic staff members

3.2.1. Teachers in the school	Actual number	Required number	Excess teachers
1. Primary and junior secondary (grades 1-5)			
2. Senior secondary (grades 6 to 11)			
3. Senior (grades 12-13)			
3.2.2. Non-academic staff members (Clerks, Library and laboratory assistant, Labor, etc.)			

#### 4. Physical Resources

4.1. Education Services and Sports Facilities (Please write the correct number/answer in the relevant box)

4.1.1 Type of Physical Resources	Available resources (quantity)	Required resources (quantity)
1. Student Chairs		
2. Student Desks		
3. Computers for Students		
4. Computers for office		
5. Projectors		
6. Photocopy Machines		
7. Duplo Machines		

4.1.2 Service Facilities	① Yes ② No	4.1.3 Sports Facilities	① Yes ② No
1. Electricity		1. Playground	
2. Science Lab		2. Gym	
3. Computer lab		3. Indoor games	
4. Library		4. Outdoor games	
5. Internet		5. Swimming pool	
6. Canteen		6. Adequate sports equipment	

4.2. Water and Sanitation Facilities (Please put the correct answer in the relevant box)

4.2.1. Drinking Water Sources	① Yes, ② No		① Good, ② Bad	4.2.2. Hygiene / Toilet Facilities	① Yes, ② No	① Good ② Bad
1. Pipeline water				1. Water sealed toilet		
2. Well water						
3. Tube-well water				2. No water sealed toilet		
4. Other sources (specify)						
4.2.3. Indicate the number of toilet facilities currently available at the school.						
1. Number of toilets	Teachers (Male)	Teachers (Female)	Teachers (Common)	Students (Male)	Students (Female)	Students (Common)

## 5. Financial Resources

5.1. The amount and sources of money received annually for the school's general expenses in 2020.  
(Please put the correct answer in the relevant box)

5.1.1. Source of funds in school	Amount (LKR)
1. From the Provincial Council	
2. From the central government	
3. From the school development committee	
4. Rental source money	
5. Funding from NGOs	
6. Other donations	

5.2. What are the main categories of school expenditure? (Please put the correct answer in the relevant box) in 2020

5.2.1 Areas of use of school funds	① Yes ② No
<b>5.2.1 Recurrent Expenditure</b>	
1. Curriculum implementation	
2. Advisory Services	
3. Welfare Services	
4. Staff Services	
5. Maintenance and repair services	
6. Cleaning services	
<b>5.2.2. Capital Expenditure</b>	
7. Basic facilities (e.g., water supply)	
8. Capital for curriculum implementation	
9. Purchasing library books	
10. Construction and improvement of school buildings	
11. Purchasing of equipment (e.g., office equipment)	
12. Additional projects	

### C. Service Delivery Mechanisms and Outcome

6.Total Number of Students in the School up to GCE O/L (Please put the number / write the correct answer in the relevant box) in 2020.

6.1. School Grades	6.1.2 Gender		6.1.3. Medium of instruction			
	Male	Female	Sinhala	Tamil	Bilingual (Sinhala and English)	Bilingual (Tamil and English)
1. Primary: grades 1 to 5						
2. Junior secondary: grades 6 to 9						
3. Senior secondary: grades 10 to 11						
6.2. Number of students passed the exam (2020)	Grade 5 Scholarship	O/L Frist Time-2019	Sinhala	Tamil	Bilingual (Sinhala and English)	Bilingual (Tamil and English)
6.2.1. Number of students sat the exam						
6.2.2. Number of students passed the exam						

7.A. Number of students sitting for the GCE Advanced Level Examination and streams of subjects in 2020 (Grade 12) (Please put the correct answer or number in the relevant box)

7.1 Subjects Streams	7.1.1 ① Yes ② No	7.1.2 Number of students (Grade 12)		7.1.3. Medium of instruction			
				Sinhala	Tamil	Bilingual (Sinhala and English)	Bilingual (Tamil and English)
		Male	Female				
1. Bio. Science							
2. Phy. Sc. (Maths)							
3. Commerce							
4. Technology							
5. Arts							

7.B. Number of students sitting for the GCE Advanced Level Examination and streams of subjects in 2020 (Grade 13) (Please put the correct answer or number in the relevant box)

7.2 Subjects Streams	7.2.1 Number of students (Grade 13)		7.2.2. Medium of instruction				7.2.3 Number of students selected to universities-2019
	Male	Female	Sinhala	Tamil	Bilingual (Sinhala and English)	Bilingual (Tamil and English)	
1. Bio. Science							
2. Phy. Sc. (Maths)							
3. Commerce							
4. Technology							
5. Arts							

7.C. Number of students in one class in parallel grades-2020 (Please put the correct answer or number in the relevant box)

7.3.1 Primary	Number of students in a class	7.3.2 Secondary	Number of students in a class	7.3.3 Senior Secondary			
		Grade-6		Grade-12	Number of students in a class	Grade-13	Number of students in a class
Grade-1		Grade-7		1. Bio. Science		1. Bio. Science	
Grade-2		Grade-8		2. Phy. Sc. (Maths)		2. Phy. Sc. (Maths)	
Grade-3		Grade-9		3. Commerce		3. Commerce	
Grade-4		Grade-10		4. Technology		4. Technology	
Grade-5		Grade-11		5. Arts		5. Arts	

8. What are the student welfare services implemented in the school? (Please put the correct answer or number in the relevant box)

8.1. School Student Welfare	① Yes, ② No
1. Banking service	
2. School Co-operative Service	
3. Dental Health Service	
4. Implementing nutrition programs	
5. Providing equipment for children of low-income families	
6. Career guidance service	
7. Psychological counseling service	

9. Which of the following strategies have been used in teaching students during the "COVID 19" pandemic in the school? (Please put the correct answer or number in the relevant box)

9.1. Strategies	①=Uses, ②= Not used
1. Meeting software like Zoom technology/Teams/	
2. Software like WhatsApp / Viber	
3. Use of google forms	
4. Telephone	
5. SMS	
6. Distribution of printed documents	
7. Using the radio programmes	
8. Distribution of CDs and videotapes	
9. Checking homework exercises through parents	
10. Uploading lessons and related information to the school website	

10. What were the challenges faced in providing services to school students during the COVID-19 pandemic period?

10.1 Challenges	① Yes	② No
<b>10.1.1. Pedagogical factors</b>		
1. Psychological problems		
2. Lack of teachers' digital skills		
3. Problems with practical activities		
<b>10.1.2 Administrative factors</b>		
4. Institutional arrangement issues		
5. Occurrence of high-risk school attendance		
6. Difficulty in enforcing health guidance in academic activities for students in school		
<b>10.1.3. Infrastructural issues</b>		
6. Lack of hygiene/sanitation facilities		
7. Power failure when teaching online (electricity)		
8. Network facility issues		
9. Transportation Issues		

#### D. Institutional Culture: Teachers' Attitude

11.1. In your experience, what is your perception of school teachers concerning the following service quality dimensions? Mark the scale 1-5 (Please put the relevant number in the box).

1= Poor, 2= Fair, 3= Good, 4= Very Good, 5= Excellent

11.1.1. Attitudes of teachers (service quality)	Answer
1. The willingness of academic staff members to help students	
2. Teachers' understanding of students' needs	
3. Prevalence of a culture of sharing and collaboration among teachers	
4. The behavior of teachers instilling confidence in students	
5. Teachers appearing to have students' best interest at heart	
6. Implementation of the new evaluation system teacher service commitment and satisfaction	
7. Special support for students' education during COVID-19	

12. The support you get from the Provincial Council and Central Government and their level of satisfaction.

Satisfaction: 1= Poor, 2= Fair, 3= Good, 4= Very Good, 5= Excellent

12.1. Satisfaction: Support/Service	Provincial Council		Central Government	
	①Yes/②No	Level of satisfaction	①Yes/②No	Level of satisfaction
1.Funds allocation-recurrent and capital expenditure				
2.Human resources management – recruitment, training and development, transfers and promotions				
3.Physical recourses – equipment, buildings				
4.Administration/ management support – new rules and regulations, circulars				

E. Researcher's Observations

13. Physical Resource within Institutional Culture. (Please put the correct number in the relevant box)

Very Bad

Very Good

1	2	3	4	5	6	7	8	9	10
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Item	Answer
<b>13. Maintenance of school premises and map</b>	
1. Maintaining the school garden well	
2. Implementing the 5S concept	
3. Using resources judiciously	
4. Properly maintaining furniture and learning aids	
5. Maintaining and repairing all learning equipment	
6. Disposing and recycling garbage	
7. Maintaining the canteen in good condition	
8. Checking physical environment to ensure safety	
9. Checking temperature for all at school entrance	
10. Hand washing facilities at the school entrance	

14. Observations of the researcher notes.

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*Thank You,*

*END*

## **Annex 17**

To whom it may concern

Dear Sir/ Madam

### **A Survey on Comparative Analysis of Satisfaction with Service Quality: Experience of School Principals in the Uva & Western Provinces**

My name is Piyantha W. Mudalige and I am a Senior Lecturer in the Department of Political Science, University of Kelaniya, Sri Lanka. Currently, I am a PhD student at the School of Science and Engineering at Saga University, Japan. This research is a key part of my PhD studies. The responses and data you provide for this questionnaire will be used for my research degree purposes only at Saga University and this information and data will not be fully or partially attributed to any person or organization without prior written permission. The responses and data you provide for this questionnaire will be used only for my PhD degree at Saga University, Japan. This data will not be fully or partially attributed to any person or organization without prior written permission.

Local Address: Senior Lecturer,

Department of Political Science,  
Faculty of Social Sciences, University of Kelaniya, Sri Lanka  
Mobile Phone: +94 77 560 1977  
Email. [mudalige@kln.ac.lk](mailto:mudalige@kln.ac.lk)

Japan Address: PhD Candidate,

Graduate School of Science and Engineering,  
Saga University, Saga, Japan  
Email. [mudalige@kln.ac.lk](mailto:mudalige@kln.ac.lk)

Thank you.

Yours Sincerely

Priyantha W Mudalige

No.
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## Questionnaire

Please answer all the questions by writing and or placing a correct tick relevant space ("√")

### 1. Background Information

1.1. District	
1.2. Educational Zone	
1.3. Educational Division	

### 2. Respondent's General Information (Put the correct number in the relevant box)

2.1. Age: (Years)		2.2. Gender ① Male, ② Female	
2.4. Religion: ①Buddhist, ②Hindu, ③ Islam, ④Christian		2.5. Ethnicity ①Sinhala, ②Tamil, ③Muslim	

### 3. Respondent's Qualifications (Write the correct number or answer ("√" mark) in the relevant box)

No.	3.1. Service Qualification		Answer
1	Sri Lanka Education Administrative Service	Grade①, ②, ③	
2	Sri Lanka Principal Service	Class ①, ②, ③	
3	Sri Lanka Teachers Service (Specify the grade)		
4	Other (Specify)		

### 4. Approximately, how many times in the last three months have you participated in the Provincial Council or its branch physically and online to obtain services? (Put the answer in the relevant box)

No.	Method of Participation	Frequency
I.	Physically	
II.	Using communication technology	

5. What level are you satisfied with the following categories related to Provincial Councils? (Write the correct answer and/or put "√" mark in the relevant box).

No.	5.1. Opinion of the Service Recipients	Strongly disagree	disagree	Neutral	Agree	Strongly agree
I	Provincial Councilors are dedicated for the Development of the Province					
II	The relationship between Provincial Councilors and the people are cordial					
III	Provincial Councilors pay close attention to the problems of the people in the province					
IV	The participation of the Provincial Councilors has affected the quality of service provided to the people of the province.					
V	The Provincial Councilors are committed to ensuring reconciliation					

6. What kind of image comes to your mind when you enter an office in the Provincial Council? (Write the correct answer and put "√" mark in the relevant box)

No.	6.1. Image of the Provincial Council	Not at all	A little	To some extent	Quite a lot	Great extent
I	Relaxed					
II	Safe					
III	Happy					
IV	Calm and quite					
V	Peace of mind					
VI	Restless					

5. Relationship between the Provincial Councils and the Principal.

7.1. For what purpose/s you interact with the Provincial Councils (PCs)? According to your work experience, rank 1 (most frequent) to 7 (least frequent) in the following reasons. (Write the correct answer in the relevant box).

No.	7.1. Item	Answer
I	To participate in training programs organized by PCs	
II	To attend conferences and seminars organized by PCs	
III	To participate in Principals' Skills Framework Development Programs	
IV	To participate in transfers and disciplinary matters	
V	To obtain physical and human resources from the Zonal Director	
VI	Provincial Council administrative officers visit the school to supervise the activities of the school.	
VII	To provide teaching performance reports during the COVID-19 period and the new normal situation period	

8. Most Important Task. Provincial Councils are involved in providing various services for the development of education. In your opinion, how successful is the Provincial Council in providing the following services? (Put the correct answer as a "√" mark in the relevant box).

No.	8.1. Providing Services for the Development of Education	Extremely ineffective	Ineffective	Neutral	Effective	Extremely effective
I	Development of infrastructure facilities in the school					
II	Recruitment of teachers according to the requirement					
III	Awarding scholarships to students					
IV	Issuing circulars related to the delivery of educational services					
V	Supervision of activities of the Department of Education					
VI	Development of teachers and principals through training					
VII	Providing reading material for school students					

9. Expectations and Perceptions: This section deals with your satisfaction with the service provided by the Provincial Councils. (Put the correct answer as a "√" mark in the relevant box).

#### 9.1. Dimension of Tangibility

No.	Service Indicators	Strongly disagree	disagree	Neutral	Agree	Strongly agree
<b>Expectations View</b>						
TA1	Services are provided using modern equipment					
TA2	Physical facilities are visually appealing (spacious, customer service counters, computers, pleasant environment)					
TA3	Employees have a smart and professional look (dress code, officer name, and position recognition)					
TA4	Existence of visual materials to fulfill needs					
<b>Perceptions View</b>						
TA1	Services are provided using modern equipment					
TA2	Physical facilities are visually appealing (spacious, customer service counters, computers, pleasant environment)					
TA3	Employees have a smart and professional look (dress code, officer name, and position recognition)					
TA4	Existence of visual materials to fulfill needs					

#### 9.2. Dimension of Reliability

No.	Service Indicators	Strongly disagree	disagree	Neutral	Agree	Strongly agree
<b>Expectations View</b>						
RE1	Commitment to problem-solving					
RE2	Providing service that meets the need					
RE3	Promised service to perfection without fail					
RE4	Proper service first					
RE5	Error-free records are maintained					

	<b>Perceptions View</b>				
RE1	Commitment to problem-solving				
RE2	Providing service that meets the need				
RE3	Promised service to perfection without fail				
RE4	Proper service first				
RE5	Error-free records are maintained				

### 9.3. Dimension of Responsiveness

No.	Service Indicators	Strongly disagree	disagree	Neutral	Agree	Strongly agree
	Expectations View					
RN1	Notifying when services are performed					
RN2	Always being ready to respond					
RN3	Providing adequate service even when busy with other work					
RN4	Building trust and responding quickly to requests					
	Perceptions View					
RN1	Notifying when services are performed					
RN2	Always being ready to respond					
RN3	Providing adequate service even when busy with other work					
RN4	Building trust and responding quickly to requests					

#### 9.4. Dimension of Assurance

No.	Service Indicators	Strongly disagree	disagree	Neutral	Agree	Strongly agree
<b>Expectations View</b>						
AS1	Building trust with service recipients					
AS2	The service recipient feels safe					
AS3	Officers are polite every time					
AS4	Employees with the knowledge to answer service recipient questions					
<b>Perceptions View</b>						
AS1	Building trust with service recipients					
AS2	The service recipient feels safe					
AS3	Officers are polite every time					
AS4	Employees with the knowledge to answer service recipient questions					

#### 9.5. Dimension of Empathy

No.	Service Indicators	Strongly disagree	disagree	Neutral	Agree	Strongly agree
<b>Expectations View</b>						
EM1	Staff pays individual attention to service recipients					
EM2	Staff provides good service to service recipients					
EM3	Providing services that are most interested in the heart					
EM4	They understand the specific needs of the service recipient					
EM5	Operating hours of the Provincial Councils staff are convenient for the service recipients					
<b>Perceptions View</b>						

EM1	Staff pays individual attention to service recipients					
EM2	Staff provides good service to service recipients					
EM3	Providing services that are most interested in the heart					
EM4	They understand the specific needs of the service recipient					
EM5	Operating hours of the Provincial Councils staff are convenient for the service recipients					

10. Satisfaction with COVID-19 Pandemic prevention. Please indicate your level of satisfaction with the provision of services related to the control of the COVID-19 pandemic by the Provincial Council in the school system. (Put the correct answer as a "√" mark in the relevant box)

No.	10.1. Prevention of the COVID-19 pandemic	Highly dissatisfied	Dissatisfied	Neutral	Satisfied	Highly Satisfied
I	Monitoring of the guidance provided by the Ministry of Health to control the spread of COVID-19 pandemic					
II	Allowing the Principal to make quick decisions about emergencies that arise at school					
III	Funds provided to develop sanitary facilities to control COVID-19 pandemic					
IV	Provide good guidance regarding the administration activities of the school during COVID 19 pandemic					
V	Support provided by the high-level provincial administration during the COVID-19 pandemic					

11. Indicate your overall satisfaction with the services provided by the Provincial Councils for school education. (Put the correct answer as a "√" mark in the relevant box).

Highly dissatisfied	Dissatisfied	Neutral	Satisfied	Highly satisfied

12. Assessment of Objectives of the Provincial Councils. Provincial Councils in Sri Lanka were established based on several main objectives. What is your assessment of Provincial Councils meeting these objectives in Sri Lanka?

No.	12.1. Objective	Yes/No
I	Provincial Councils are an excellent strategy for resolving the ethnic issues.	
II	The Provincial Council system allows the people to elect a responsible people's representative	
III	The Provincial Councils are able to increase the political participation of the people	
IV	Provincial Councils are an excellent strategy used to the economic development of the country at the provincial level	
V	The Provincial Council system has become an important strategy for providing quality education service	

13. How important is the service of the Uva/Western Provincial Council in your life as a public institution? (Put the correct answer as a "√" mark in the relevant box)

Extremely unimportant	Unimportant	Neutral	Important	Extremely important
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14. Do you have any remarks for the service you have received from the Provincial Council.....

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15. Observations of the researcher

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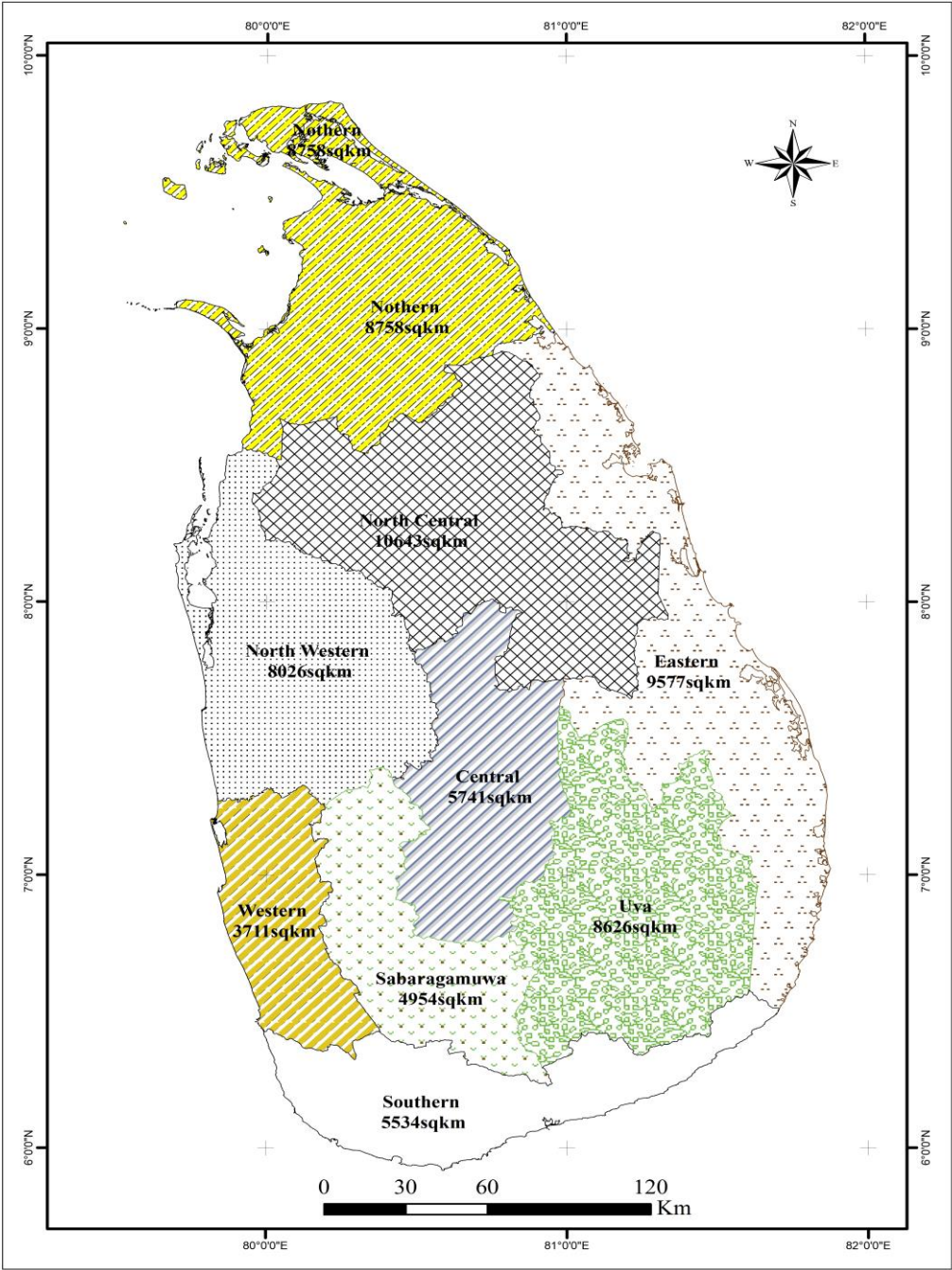
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*Thank You*

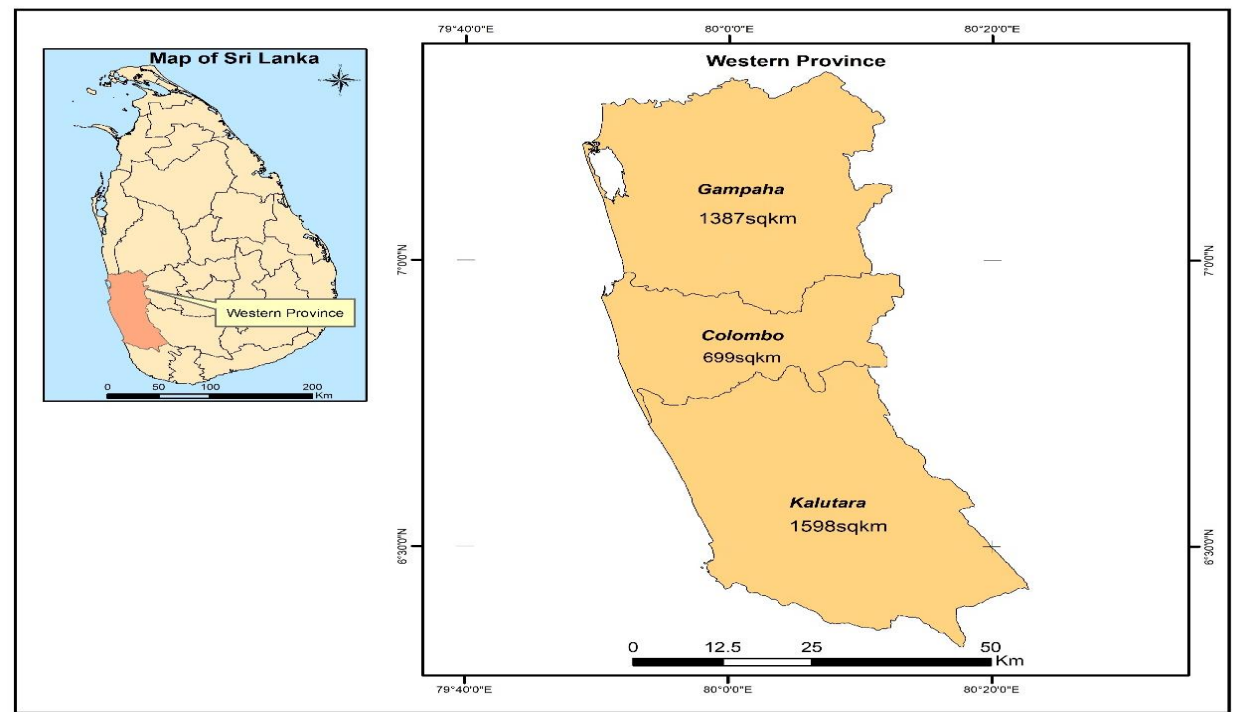
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Map 1. Provinces of Sri Lanka



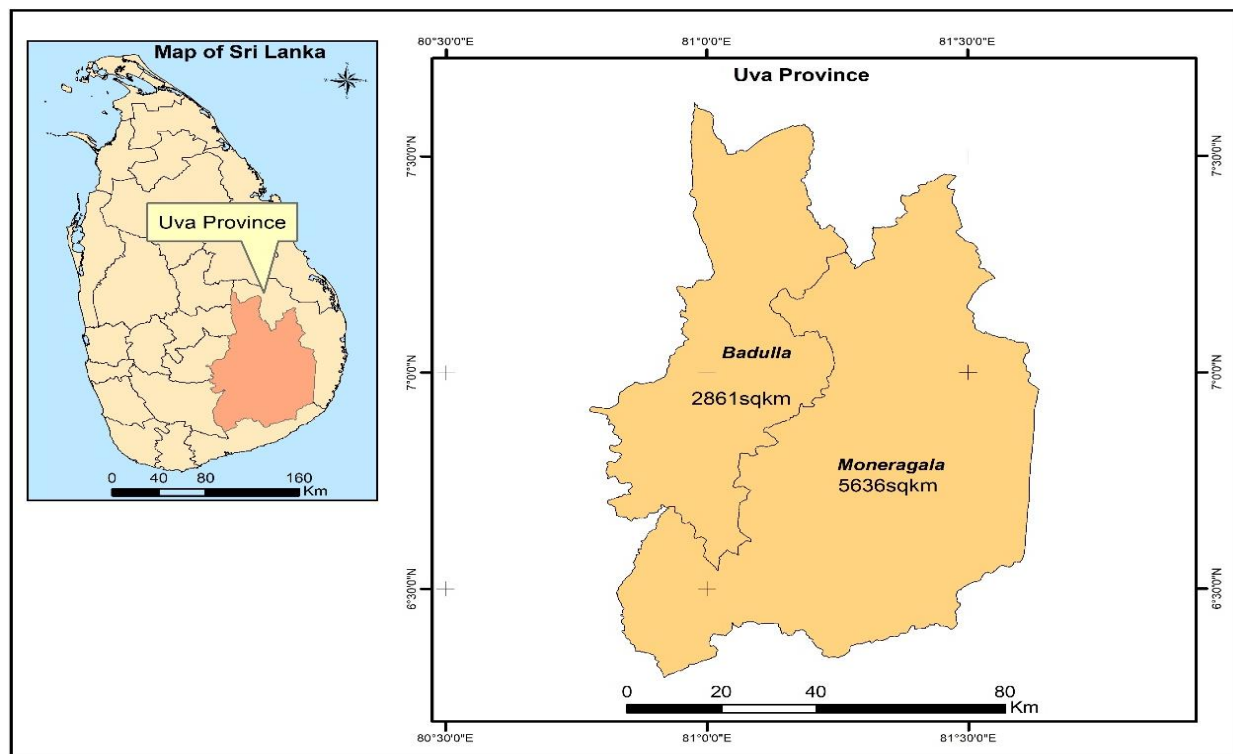
Source: (Created by the Researcher, 2021).

Map: 2. Western Province of Sri Lanka



Source: (Created by the Authors, 2021).

Map: 3. Uva Province of Sri Lanka



Source: (Created by the Authors, 2021).