

JOURNAL OF DEVELOPMENT ADMINISTRATION

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Editorial

Capacity Utilization in Ten Public Sector Industries in Sri Lanka

Local Government and Development in Sri Lanka

✓ Problems of Planning and Implementation at the District Level in Sri Lanka

Administrative Capability for Integrated Rural Development



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The opinions expressed in this Journal are those of the individual authors and not necessarily those of the Sri Lanka Academy of Administrative Studies or the Institutions for which they work

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EDITORIAL

IN the present issue of the Journal we have attempted to include articles covering a wide range of information pertaining to topical issues which have constantly drawn the attention of our readers.

Shelton Wanasinghe in his very thought-provoking and informative article argues that Integrated Rural Development is pursued in Developing countries both as a goal in itself and as an important component of overall national development ; but there is a wide gap between the declared aims and objectives and achieved results due to incorrect evaluation of the aspirations of the intended beneficiaries of the I.R.D. Wanasinghe's suggestions as to the ways and means of effectively bridging the gap require serious consideration.

The paper on Local Government, by Dr. Leitan of the Sri Lanka University, is essentially a critique of the present local government system of Sri Lanka, wherein an attempt had been made to focus attention on marginalised status of the existing local bodies which play only a peripheral and ineffective role in the development process of the country. The writer analyses the main causes for the weakened position of the local bodies which would be an eye-opener to those who are responsible in introducing changes in the functioning of local bodies of Sri Lanka.

Sivananthan's article attempts to discuss in detail the existing organizational and management apparatus in the District Level in Sri Lanka and its strengths and weaknesses in fulfilling the new demands and expectations towards the District Level development. He analyses the various Institutions that had been evolved on planning and implementation over the years in the district level and their potential drawbacks in functioning as effective units to usher in the much needed change at the District Level. His analysis of the problem at the District Level and of possible solutions for them would certainly warrant serious consideration by our planners.

Edirisooriya in his study on under-utilization of capacity in Public Corporations attempts to enlighten the reader on the extent, reasons, consequences and problems of under-utilization. The writer after explaining various methods of computing the degree of under-utilization of capacity adopts Wharton School Method in connection with the ten Corporations he has studied. The conclusions drawn by the writer on the reasons and possible consequences of under-utilization would not only enlighten the readers but also would guide those who are responsible in the management of day-to-day affairs of Public Corporations of Sri Lanka.

November 1977.

V. C. B. UNANTENNE

EDITORIAL

The present issue of the Journal is devoted to the study of the history of the Indian people in the United States. It is a special issue, and it is hoped that it will be of interest to all who are concerned with the history of the Indian people.

The first article in this issue is by Dr. H. H. Henshaw, and it is entitled "The Indian People in the United States." It is a general survey of the history of the Indian people in the United States, and it is written in a clear and concise manner. It is a valuable contribution to the study of the history of the Indian people, and it is one of the best articles in this issue.

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W. O. H. Henshaw

W. O. H. Henshaw

Capacity Utilization in Ten Public Sector Industries in Sri Lanka*

G. EDIRISOORIYA

INTRODUCTION

THE main purpose of this paper is to examine the results of our empirical study on the problem of under-utilization of capacity in a number of public sector industries in Sri Lanka. This may enable us to :

- (i) Understand the extent of under-utilization of capacity in these industries ;
- (ii) Find out the reasons for such phenomena ;
- (iii) Analyse the economic consequences of under-utilization of capacity ;
- (iv) Find various solutions to the problem of capacity under-utilization.

We have selected ten public corporations for our study. In selecting these, we gave preference first to those corporations which are engaged in production (as commonly defined) and second to the availability and the presentability of the data.

The public corporations (with the time periods selected for each one) under study are as follows :—

1. Ceylon Tyre Corporation	1967 ¹ —1974 ⁴
2. Ceylon Hardware Corporation	1965 ³ —1974 ⁴
3. Ceylon Mineral Sands Corporation	1964 ¹ —1974 ⁴
4. Ceylon Oil & Fats Corporation	1964 ¹ —1974 ⁴
5. Ceylon Leather Products Corporation	1964 ¹ —1974 ⁴
6. Ceylon Paranthan Chemicals Corporation	1964 ¹ —1974 ⁴
7. Ceylon Textiles Corporation	1964 ¹ —1974 ⁴
8. Ceylon Cement Corporation	1955 ¹ —1974 ⁴
9. Ceylon Ceramics Corporation	1964 ¹ —1974 ⁴
10. Ceylon Steel Corporation	1967 ¹ —1974 ⁴

Unfortunately, we have not been able to establish a uniform time period for our investigation. The main reason for this is that the history of industrialisation in Sri Lanka is comparatively recent, and considering the necessity of a fairly lengthy time period for a meaningful investigation, the data are simply not available.

In a macro sense, we can treat these corporations as the respective industries since almost all of them are the sole producers of the products concerned.

* The author wishes to extend his thanks to Dr. Norman G. Clark of the University of Glasgow, for kindly reading and commenting upon an earlier draft of this paper. Responsibility for any remaining errors resides with the author.

METHODOLOGY

There are various ways of estimating capacity utilization in an economy. Estimating capacity utilization in Sri Lanka has so far been done on the basis of the engineering concept of capacity¹. This method is often criticized since the estimation is more technical than economic.

Accordingly we have tried here to use the Wharton School Method² for computing capacity utilization. A question may arise as to why the Wharton School Method was chosen among many others. There are only three distinctive measures available for computing capacity utilization series. Out of these, A. M. Okun's unemployment approach³ can be applied only at a highly aggregate level (i.e. economy as a whole). And it cannot be applied either at the firm level or at industry level simply because of the non-availability of unemployment data. Since our aim is to investigate the extent of under-utilization of capacity in a number of public corporations in Sri Lanka, Okun's approach would not be suitable for our purposes.

Then, we have the Klein-Preston production function approach⁴. The application of this method involves the estimation of potential output through the production function. This means that we should have to compute production functions for each industry under study; and undoubtedly this would have been an enormous task and would have clearly been beyond the scope of our study. At the same time, we were faced with the non-availability of suitable data for such an attempt.

Hence, the obvious choice was the Wharton School Method which possesses both simplicity in calculation and methodological superiority over other methods. Furthermore, this method of capacity utilization has been widely acknowledged and has been widely used by many researchers.

Utilization rate are estimated by the "trend-through-peaks" method, using industry indices of physical output. For all the ten industries the physical output series are computed from the industrial production data obtained from the relevant public corporations in Sri Lanka; in each of these ten industries, monthly physical output series are averaged into quarterly figures, after making adjustments for seasonal variations.

Following the "trend-through-peaks" method it was assumed that a relative peak in an industry's time series of actual output, in fact, represents the potential output that the industry could produce at the time of that peak⁵. However, if there has been chronic under-utilization in an industry historically, then, even the "peak-output" may underestimate the "potential output". This problem arises and attention should be paid especially at the initial stages of an industry's lifespan. It is likely, that because of the "infant industry" nature of a young industry, this bias becomes less important in the course of an industry's development.

In attempting to avoid this problem the general rules adopted in selecting peak points are as follows :—

- (i) In the case of the initial stages of an industry's lifespan—

Decide the initial period of an industry by locating the point where first new investment is introduced. From the commencement of production to the point selected above, choose only one peak which is the highest point during that period⁶.

- (ii) In the latter stages of an industry's lifespan—

Select the points which are "relatively" high, as peaks⁷. As a matter of fact these peaks may coincide (in a certain way) with additional investment points.

We would not have to worry about the rule (i) if we were studying the capacity utilization of a grown industry.

There are two more points to make clear. One is the possibility of using some other "prior information" in selecting peak points. For instance, if there is sufficient reason to believe that peak levels do coincide with the behaviour of some other appropriate variable, then certainly these could be used for a check. In our case, we used the investment variable. We found that nearly all the peaks selected in all the industries were related to additional investment. In general we found that an additional investment in time period 't' is related to an increase in output in time period $t+2$ in the case of the Ceylon Cement Corporation, the Ceylon Textiles Corporation and the Ceylon Ceramics Corporation. For the rest of the Corporations, it was found that an additional investment in time period t is related to an increase in output in time period $t+5$.

This is only a subjective judgment made by inspection of output and investment data. A hypothesis of this sort could have been tested statistically, if we had had the quarterly data on investment but only the annual data on investment in each corporation was available. Carrying out a hypothesis test of this sort based on annual figures will make no sense in the case where 'Peaks' are selected from quarterly data.

The other point concerns the connection of the trend line from the first peak point to the vertical axis. According to the Wharton Method this is done on a rather flexible basis⁸. The general rule followed in this study is as follows :

- (i) In the case where the time period under study of an industry stretches to the very beginning of the Industry—

Connect the trend line from the first peak point to the vertical axis by a straight line drawn parallel to the horizontal axis.

- (ii) In the case where the time period under study of an industry covers an industry's mature period—

Connect the trend line from the first peak point to the vertical axis by a straight line with a slope which is equivalent to the slope of the trend line connecting between the first peak and the second peak.

This is the general rule which we propose and have adopted in our study, but there could be variations if additional information pointed strongly in a contrary direction. Now let us discuss the results of our empirical work in detail taking each corporation separately.

ANALYSIS OF EMPIRICAL WORK

(i) Ceylon Tyre Corporation

The average rate of capacity utilization for the period was 55.11 per cent based on the Wharton school method. This rate of capacity utilization is similar to the one calculated using the engineering concept, which was 48.41 per cent.

Now let us examine the reasons for the existence of heavy capacity under-utilization in this corporation. Low profitability of the corporation indicates (to a certain extent) that average costs are high. Micro economic analysis shows us that a price reduction could bring a higher rate of capacity

utilization as a result of market expansion, provided that the price elasticity of demand is appropriately high. However, even if the management is prepared to face the "uncertainty and risk", the time lag involved in such a procedure (i.e. the reduction of price→expansion of market→increase in production→lowering average unit costs) may discourage the corporation from implementing such a policy in the presence of low profitability. Unless the government commits itself to support such a policy, individual corporations may not take an initiative in such a direction.

A second possible reason for the existence of heavy capacity under-utilization is that the import content of raw materials is high and the corporation may have been faced with the problem of being unable to import raw materials in sufficient quantities in the light of the country's acute foreign exchange shortage. This has been aggravated by roaring prices of raw materials in recent years.

The corporation itself has given three reasons for the low rate of capacity utilization⁹ ; shortages of moulds for the manufacture of tyres, breakdown of machinery and shortages of imported raw materials for the production of tyres and tubes. Here again, the installation of additional moulds also depends mainly on the possibility for importing them. Thus, the fulfilment of this requirement has also apparently been held up due to lack of foreign exchange allocations. Hence, in general, apart from the breakdown of the machinery, the major reason for the inability to utilize potential capacity has been the inability to import.

Though the corporation had been deprived of its necessary import requirements, the country has imported tyres¹⁰ to meet local demand. For instance in the year 1972—

"The low utilization of capacity, contributed to an acute shortage of tyres in the market. This was especially felt by the corporation's main customer namely the Ceylon Transport Board which had to import to meet its requirements."¹¹

It is rather ironical to see the presence of under-utilization of capacity at the same time as the importation of the product concerned which could be produced locally with existing capacity. What is more striking is that the main reason for under-utilization of capacity has been the inability to fulfil the import requirements. If it is the lack of foreign exchange which has led to restricted imports of raw materials for tyre manufacture, then how has it been possible to import tyres ? It seems to us that this shows evidence of lack of co-ordination between various levels of planning. In order to overcome this problem, a dialogue between various ministries such as Finance & Planning, Industries, Trade etc. should take place. Finally, expanded tyre production would hopefully lead to average cost reductions as capacity becomes more fully utilized.

(ii) Ceylon State Hardware Corporation

We calculate that the average rate of capacity utilization of the Ceylon State Hardware Corporation is 44.63 per cent and this estimate is not distinctively different from the rate based on the engineering concept which amounted to 42.48 per cent.

Unprofitability, and the low rate of capacity utilization suggest that the Corporation's planning management and marketing strategies are a failure. Apparently the corporation is unable to market its products. It may well be that prices are high due to high average production costs as a result of low rate of utilization of capacity, and there are indications to support this view.

"This relatively poor performance is due to difficulties in marketing more cast iron products in the domestic and foreign markets." ¹²

Furthermore, the corporation has estimated the local demand for some products to be well over the installed capacity, for instance :

"The local demand for mammoties (Hoes) at present is in the region of 700,000 per annum and the corporation has the capacity to manufacture only 480,000 mammoties (Hoes)." ¹³

However wrong this estimation may be, it appears to show that a certain level of demand exists in the economy. Now if we examine this estimation closely it raises two questions, namely :

1. Whether the calculation of the estimated demand was based on requirements in the island with no reference to price ; and

2. the rationale of the corporation's pricing policy. If the estimate was made in relation to the prevailing price, then the corporation should have been able to utilize its potential capacity to the full. On the other hand if such a high level of demand really exists the reason for the inability to expand production may be the high price of hoes.

For the reasons mentioned earlier, it may be necessary for the corporation to lower price in order to sell more. Perhaps the government could intervene by giving a subsidy at least as a short-run measure. At the same time the Corporation should make an effort to reduce their costs wherever possible. There was no evidence to suggest that raw materials or other shortages were a problem in this industry.

(iii) Ceylon Mineral Sands Corporation

The Mineral Sands Corporation was found to be among the highest in terms of capacity utilization rates in our study. The average rate of capacity utilization was 71.69 per cent as against a rate of 78.34 per cent based on the engineering concept.

Since the industry is 100 per cent export-oriented, the level of capacity utilization is mainly determined by exogenous factors such as the level of foreign demand, international market prices of the products concerned and the level of competition from other producing countries. The level of profit was also to some extent, subject to those conditions. There is evidence to support the contention that the low levels of production were caused by lack of foreign demand at times. For instance,

"The production of Ilmenite was curtailed due to accumulation of stocks consequent to the cut backs in the import of Ilmenite by Japan." ¹⁴

Hence, maintaining a fairly high level of capacity utilization largely depends upon securing a fairly stable foreign market for the Corporation's products.

Furthermore, the Mineral Sands Corporation has revealed ¹⁵ that the level of production was adversely affected by unfavourable weather conditions (i.e. it has been impossible to collect crude sands from the beach and also to transport crude sands to the refinery specially during high tides.).

(iv) Ceylon Oils and Fats Corporation

Our estimate of capacity utilization of this corporation shows a rate of 67.48 per cent on average based on the Wharton School Method and according to the engineering concept it shows a rate of 68.53 per cent on average.

Though the Corporation was making a profit some time in the past, in recent years it has recorded losses. This has been attributed to increasing cost consequent on price increases of raw materials.¹⁶ In addition, the Corporation may be surviving in business because of a government subsidy. This subsidy is justified in the following way :

“Since the corporation is required to maintain the selling price of provender below the open market price to encourage the local poultry industry, it has been in receipt of a grant since 1967.”¹⁷

As we can see this corporation is in a precarious situation. The government wishes to keep the selling price of provender below the open market price in order to encourage the local poultry industry. And the corporation finds it difficult to keep the cost of production down because of roaring prices of raw materials. It looks as if the survival of this corporation rests on the government's continuing goodwill. If this is the case then, the government should be prepared to support this corporation indefinitely. Then the question is, would such a policy be viable and proper ? Obviously this sort of policy may not encourage the corporation in achieving efficiency and a high rate of capacity utilization in the long-run.

At the same time a substantial increase in the price of provender may not be a practical solution due to the following reasons : one is that, since the poultry industry in Sri Lanka is basically organized as a cottage (small-scale) industry, an increase in the price of provender may jeopardize the industry, since at least some units might be unable to meet the increased raw materials costs. The second reason is that the size of the market for poultry products is heavily dependent upon the size of the demand from the lower middle class income earners . If a price increase is effected then the demand for poultry products may go down substantially, resulting in further difficulties to the poultry industry. Therefore it is likely that the corporation would be badly affected if the price of provender were increased. So as an alternative it would seem us that the corporation should make a genuine effort to reduce its costs to and also that it should carry out experiments on the possibility of using some other kinds of cheap raw materials as well as on the possibility of introducing some new by-products.

(v) Ceylon Leather Products Corporation

The Wharton method estimate shows an average of 64.04 per cent. rate of capacity utilization as against engineering estimate of 64.05 per cent for the period under study.

In recent years the output has declined. Corporation sources¹⁸ reveal that the decline in production was mainly due to non-expansion of the local market for its products and its accumulated stocks.

Hence the main reason for under-utilization of capacity has been lack of demand and it would appear that the corporation should draw up plans with a view of expanding markets. Reduction of price does not seem to be practical¹⁹ since the Corporation is running at a loss. A sales drive may help to a certain extent provided that the costs involved are reasonably small. Since pattern, style

and designs are influential in determining demand for shoes the corporation should think in these terms. Perhaps the Corporation ought to be able to produce inferior quality shoes at a fairly low price and in this way attract consumers. In other words we suggest that the Corporation should think in terms of producing more for the lower middle-class and the working class consumers at a price which can be afforded by them.

(vi) Ceylon Paranthan Chemicals Corporation

Paranthan Chemicals shows a relatively high rate of capacity utilization compared to other industries examined. The Wharton School Method gives an average rate of capacity utilization of 72.85 per cent. against the engineering estimate of 84.59 per cent.

Though the Corporation is working at a loss, it exhibits the highest rate of capacity utilization of the industries examined. One of the main reasons for this phenomenon is that there exists a persistent demand for chlorine and D. D. T. from government departments (especially health) and from local councils. In fact the Corporation is under an obligation to supply these items to government departments and other institutions regularly. At the same time these principal buyers (government bodies and local councils) do not allow the Corporation to increase prices. Also, the dependence on these customers may contribute to a certain extent to the under utilization of capacity²⁰ Another reason behind the shortfall lies in the Corporation's inability to market its by-products. For example :

“ The product of chlorine continued to be a constraint on the activities of the Corporation. It was not possible to increase caustic soda production to meet the country's demand because in the process, the Corporation will be left with a large quantity of unsaleable chlorine a by-product ”.²¹

With a view to overcoming this problem the Corporation should, in our opinion explore the opportunities for selling these by-products in overseas markets, thereby enabling it to utilize its capacity in full.

(vii) Ceylon Textiles Corporation

The average rate of capacity utilization for the period under study amounted to 69.27 per cent. according to the Wharton School Method while the engineering estimate gives a figure of 60.01 per cent.

According to Corporation sources, one of the main reasons for the low rate of capacity utilization is the shortage of trained personnel.

There are insufficient trained skills²² available in the country for the operation of these machines at full capacity. Capital goods embodied with foreign technology have often been injected into the economy from outside, and such technology is often not appropriate to local resource endowments.²³ In this case, it has led to low levels of operation.²⁴ And apart from that, it seems²⁵ that even the available skilled manpower has been trained by the donor country. The obvious solution here would be to embark upon an immediate programme to train the intermediate and high level technicians necessary for the industry's operation.

Apart from this, managerial skills will also have to be fostered in this case. Given the fact that there is a big labour force (around 8,000) and that the concern happens to be one of the biggest (so it is claimed) textiles mills in Asia, administration and labour relations will be important factors in deciding the rate of utilization of capacity. For these reasons it would seem that a programme should be launched for training managerial skills.

In addition to the reason given by the Corporation for its low rate of capacity utilization, we need to look at other aspects as well. The low profitability of the Corporation implies that the average costs of production are high in relative terms. A price reduction may expand the market but given the high average costs this may not be possible.²⁶ On the other hand the Corporation should explore other possibilities for expanding markets. For an item like textiles, the level of demand very much depends on matters like quality, design and fashion. Improvements in these areas might expand markets, and as a result prices may be reduced, giving further incentives to market expansions.

Though the Corporation is heavily dependent upon imported raw materials, this has not been cited as a possible cause for the low level of utilization of capacity. But as a long-term measure we feel that the government (Planning Ministry) should take action in setting up and implementing a cotton growing project. The need for such a project would seem to be overwhelmingly justified when one considers the gravity of the foreign exchange situation in Sri Lanka, and the sheer size of the textiles mills in question.

(viii) Ceylon Cement Corporation

According to the Wharton School Method the average rate of capacity utilization during this period was 61.66 per cent, while engineering estimate shows a rate of 64.60 per cent. In general the cement industry is regarded as the oldest and one of the most efficient enterprises in the public sector as Injac reports in his study of the profitability of cement industry :

“Ceylon's cement industry is considered one of the most efficient industries in the public sector.”²⁷

When commercial profitability is used as a yardstick in measuring efficiency, if the enterprise shows a continuous and positive net return on capital invested it is said to be working efficiently. However, commercial profitability is a poor indicator of economic efficiency where monopoly prices can be charged as seems to be the case with the cement industry. Injac points out that,

“Profitability of cement industry is partly due to its relative efficiency and partly due to high local prices of cement.”²⁸

Comparing with the Indian cement industry he affirms that though costs of production are the same the price of Ceylon cement is much higher. In his words :

“The production cost of cement industry can, for instance, match with the cost of the Indian Cement plants. However, the net sales price (after deducting B. T. T.) is considerably higher than that of Indian cement. It is also higher in respect of the market price For instance the ratio between local price of cement and the c. i. f. import price is about 2.03.”²⁹

So the high price of cement has been the main reason for high profitability. Being a monopoly the Corporation has been able to fix the price as it wished. One result of this policy may have been the emergence of under-utilization of capacity. In addition, the Corporation may have decided not to make any attempt to reduce its cost because of the high profit margin. Injac in his report emphasizes this aspect as follows :—

“It is understandable that the government wants to have profitable public Corporations. But this profitability should not be achieved through high prices. This, especially, in such a

basic industry which influences prices of instrument costs and of housing especially. The second bad consequence of the high prices is that they give a big margin of profit which can weaken the efforts of the Corporation to reduce the product costs."³⁰

Although we have not been able to collect systematic data on this point there is a likelihood that similar conditions may apply to other sectors in the economy.

In the case of the Cement Corporation it can not be argued that demand is a contributory factor to the existence of under-utilization of capacity.

TABLE I
Cement : Local Production and Import

<i>Year</i>		<i>Production</i>		<i>Imports</i>		<i>Consumption</i>
1964	..	75,657	..	190,573	..	266,230
1965	..	86,574	..	244,500	..	331,076
1966	..	75,100	..	252,037	..	357,132
1967	..	151,193	..	222,305	..	373,498
1968	..	219,000	..	197,000	..	414,000
1969	..	279,000	..	187,000	..	423,000
1970	..	321,000	..	132,000	..	430,000
1971	..	378,200	..	98,400	..	480,000
1972	..	376,800	..	139,700	..	520,000

Source : "Profitability of Cement Industry in Ceylon"
by B. Injac, p. 2.

In 1972 nearly 1/3 of the country's demand for cement was met by imports. The table I shows that the country has imported cement continuously in order to meet local demand in accordance with changing levels of local output. Thus, we are witnessing a rather strange co-existence of high rates of profit, importation of the product and under-utilization of capacity in local plants. As the pressure of demand exists³¹ the only possible reason for under-utilization of capacity would be the inability to maintain a regular supply of raw materials at the required level. It may be the case when the supply of local raw materials is badly affected due to rough weather³² that the available imported raw materials at one time may not be sufficient to bridge the gap. What is involved here is a managerial (stock control) problem and steps must be taken to remedy this situation.

(ix) Ceylon Ceramics Corporation

The average rate of capacity utilization according to our estimate was about 50.6 per cent. as against 66.82 per cent. on the engineering estimate. The high rate of profits (due to high prices) along with the high rate of under-utilization of capacity would again appear to show a degree of monopolistic power, encouraged by the fact that the Ceramics Corporation is working under protection provided by high tariffs imposed on imports of ceramics ware.³³

Hence a revision of pricing policy may be necessary for increasing the rate of capacity utilization. It is interesting to see that the Corporation assumes both that sufficient demand is available in the market and that the market will expand. Thus Corporation sources state that :

"The Corporation is studying the feasibility of establishing another ceramics plant for the manufacture of cups and saucers which are in great demand."³⁴

However if the Corporation is interested in increasing potential capacity and wishes to increase the rate of utilization in the installed plants as well, then a downward revision of prices may have to be carried out, sacrificing its profitability to a certain extent.

(x) Ceylon Steel Corporation

The Corporation is still working far below its potential capacity. According to our estimates based on the Wharton School Method, the average rate of capacity utilization is about 52.73 per cent. as against 30.12 per cent. based on the engineering concept.

This discrepancy is due mainly to the fact that the time period available for our examination belongs to the infancy of the industry. This is a general problem which arises in the application of the Wharton School Method in the case where the time period for the study belongs to an industry's infancy.³⁵

Clearly, one of the reasons for heavy under-utilization of capacity is the fact that the industry is still young.

The low rate of profit and the low rate of capacity utilization imply that the average costs of the Corporation are high, due to high overhead costs and as a result, product prices are high and this may inhibit market expansion. It would seem therefore, that if the level of production can be raised then average costs and prices may come down. But, to raise the level of production, the size of the market itself will need to be expanded. The two problems are mutually interdependent. To solve this the Corporation will have to make a major breakthrough and Corporation sources seem to indicate that this is the nature of the problem to a certain extent.

"Capacity utilization was far below the installed capacity. The main reasons for this are non-availability of raw materials in sufficient quantities, lack of demand and inability to export due to high costs."³⁶

They have cited the non-availability of raw materials too as one of the reasons for under-utilization of capacity. This could be true since the Corporation is mainly dependent on imported raw materials.³⁷ To solve this problem there seems no other way out except to request the government to allocate more foreign exchange.

TABLE II
World Steel Production

Country				('000 metric tons)	
				1973	1974
Bangladesh	..	..	..	68	73
China	..	..	..	25,000	27,000
India	..	..	..	6,872	6,704
Korean Democratic People's Republic	..	..	..	2,630	2,900
Rep. of	..	..	..	1,157	1,935
Japan	..	..	..	119,322	117,131
Australia	..	..	..	6,843	7,707
Total Production of Steel of the Far Eastern Countries				161,892	163,450
World Production				690,900	704,800

Source : U. N. Statistical Year Book 1975, Department of Economics and Social Affairs, Statistical Office, New York, 1976, p. 326.

TABLE III
Steel and Steel Products Exports to the Far Eastern Countries by
('000 metric tons)

<i>Country</i>	<i>1973</i>	<i>Country</i>	<i>1973</i>
Japan	9,629.0	German Federal Rep. ..	992.8
U.S.A.	585.6	Australia	568.0
U.K.	412.5	U.S.S.R.	167.3
Belgium	162.0	France	147.7
Poland	81.5	Czechoslovakia	73.1
The Netherlands	61.0	Italy	60.6
Sweden	49.2	Hungary	49.1
India	46.1	Yugoslavia	28.0
Bulgaria	18.3	Spain	14.3
Austria	14.0	South Africa	11.1
Denmark	3.7	Norway	3.2
Finland	1.3	Switzerland	0.3

Source : Compiled from "Statistics of World Trade in Steel 1973" Economic Commission for Europe, U. N., New York, 1974.

The growth of this industry may not happen automatically, as we mentioned earlier; the Corporation must make an attempt for a major breakthrough. An expansion of the local market for steel obviously depends on the growth of other industries, based upon steel and the government might be advised to make a genuine attempt to create a better economic environment to provide facilities for such industries.³⁸

With regard to entering into foreign markets, the chances are very bleak due to a number of reasons. The best region as an international market for Sri Lanka would be the Far East because of its location. But the Far Eastern countries produce more than $\frac{1}{4}$ of world steel output, in comparison to which steel production in Sri Lanka is negligible. Countries like Japan, China, Australia and India are predominant in steel production in this region. This is shown in Table II. In addition to this, the Far Eastern market for steel products is dominated by developed countries like the German Federal Republic, U. S. A., U. K., U. S. S. R. and France as shown in table III and quite clearly, the competition is likely to be very high. On the other hand the demand for steel and steel products depends to a great extent on the quality of products. In this regard too, the country is at a disadvantage.

However, there is one other possibility. That is that the Steel Corporation could offer its products at below average cost to its regional market in the hope of establishing a foothold³⁹. Here again however, where the product is made out of imported raw materials it is open to question whether such a policy be worthwhile. Perhaps the best strategy for the Corporation would be to find ways and means of expanding the local market first for furthering the rate of capacity utilization.

CONSEQUENCES OF UNDER-UTILIZATION OF CAPACITY

Our study reveals a number of reasons for the existence of capacity under-utilization. They are namely, (I) Lack of demand or low rates of growth of demand (Steel Corporation, Hardware Corporation, Leather Products Corporation, Mineral Sands Corporation) (II) High prices created by monopolistic structures and high average costs (Ceramics Corporation, Steel Corporation, Cement Corporation) (III) Lack of other factor inputs such as raw materials and technical and managerial

skills (Textiles Corporation, Tyre Corporation, Steel corporation) (IV) Climatic and other reason (Paranthan Chemicals Corporation, Cement Corporation, Mineral Sands Corporation) and (V) Lack of industrial planning (Steel Corporation, Cement Corporation, Hardware Corporation and Tyre Corporation.)

In general most of these reasons appear to bear out the basic hypothesis, that is the process of capital accumulation and technical progress in Sri Lanka creates numerous problems which in turn eventually leads to capacity under-utilization.⁴⁰

The consequences of under-utilization to an economy like Sri Lanka are numerous, namely : high opportunity costs leading to squandering of resources and hindrance to growth.

Naturally, since resources are limited, any kind of waste will create numerous problems. Due to under-utilization of capacity a number of machine hours will be lost and as a result the labour force attached to ventures will be under-employed. In a macro sense, the expected spill-over effect of the ventures concerned, on other sectors as well as the economy as a whole, will be reduced. When these features tie up with other structural bottlenecks in the system the economy ends up in a form of "vicious circle". When one sector of the economy is under-utilized other sectors will not grow as fast as they could and since the inputs required from other sectors may not supply adequately the sector which is under-utilized, it may continue to operate at a very low rate of utilization for many years.

A particularly important type of cost is that the country has to bear the high running and maintenance costs of the ventures concerned. Whether the machines are put to use fully or not they have to be maintained throughout their lives. Up to a certain level of production this maintenance cost tends to remain constant which means that under-utilization carries a high proportionate maintenance cost.

Turning to fixed costs, when capacity is under-utilized, fixed costs per unit of output will be higher than they would be if capacity is fully utilized. Under monopolistic conditions, this will induce firms to raise the price of the product. In actual fact, this is what most of the corporations (e.g. Cement, Leather Product, Steel and Textiles) have been doing. What we are interested in here is to see whether the converse is true ; that is whether the producers will reduce price as a result of a decline in average cost consequent on an increase in the rate of utilization of capacity. Since most of the public corporations in Sri Lanka are the sole producers of the respective products, these corporations may not take any initiative to reduce prices unless the government intervenes.

This sort of monopolistic power not only creates inefficiency but may also lead to stagnation at a particular level of activity as in the case with the Ceylon Cement Corporation.

SUMMARY

Apart from the reasons we discussed above there are some structural bottlenecks in the economy which are contributive factors towards under-utilization of productive capacity. The structure of the economy, attitude of the people towards innovations and advanced new technology, inefficiencies in channelling resources, operational time lags, bureaucratic red tape, political and other sociological barriers in the economy and the lack of mass participation are all relevant factors to be looked into.

Under-utilization of capacity implies under-utilization (employment) of factor inputs which in turn implies a low level of economic activity. A low level of economic activities means a low level of income as well as a low level of savings, and a low level of savings implies a low level of investment activity. Hence overall economic growth will gradually be slowed down. Solutions must be found to remedy this situation.

TABLE IV
Average Rate of Capacity Utilization

				<i>Wharton School Estimate</i>		<i>Engineering Estimate</i>
Ceylon Tyre Corporation	..	..	..	55.11	..	48.41
Ceylon Hardware Corporation	..	..	..	44.63	..	42.48
Ceylon Mineral Sands Corporation	..	..	..	71.69	..	78.34
Ceylon Oils & Fats Corporation	..	..	..	67.48	..	68.53
Ceylon Leather Products Corporation	..	..	..	64.04	..	64.05
Ceylon Paranthan Chemicals Corporation	..	..	..	72.85	..	84.59
Ceylon Textiles Corporation	..	..	..	69.27	..	60.01
Ceylon Cement Corporation	..	..	..	61.66	..	64.60
Ceylon Ceramics Corporation	..	..	..	50.06	..	66.82
Ceylon Steel Corporation	..	..	..	52.73	..	30.12

NOTES AND REFERENCES

1. See for example, U. N. D. P. Special Fund—Report—A. R. Abdul Meguid and L. R. Jayawardena, "Economic Planning and Programming Projects", Vol. 3, page 3.
"No studies to enlist the data for estimating capacity has been undertaken in Ceylon consequently it was decided to use some rough notion of capacity from the engineering side."
2. L. R. Klein and R. Summers—"The Wharton School Index of Capacity Utilization", Economic Research Unit, Wharton School, University of Pennsylvania, 1966.
3. A. M. Okun—"Potential G. N. P., its Measurement and Significance", Proceedings of the Business and Economic Section of the American Statistical Association, 1962.
4. L. R. Klein and R. S. Preston—"Some new results in the measurement capacity utilization", American Economic Review, Vol. 57, 1967, pages 34-58.
5. See for example, L. R. Klein and R. Summers—op cit.
6. By doing this we can minimize the possible bias which seems to appear during such period.
7. See for example Klein and Summers — op cit., page 4 "The General Procedure to follow here is to select points in such a way that each successive peak should be higher than its predecessor, assuming that industry in expanding over time, unless there is strong evidence to the contrary".
8. See for example, *ibid*, page 5.
9. See for example, Annual Report of the Central Bank of Ceylon, 1973, page 90.
10. The value of imported tyres and tubes into the country was Rs. 10 million during the year 1972. See for example, Annual Report of the Central Bank of Ceylon, 1973, page 249.

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11. —ibid., page 91.
 12. —Annual Report of the Central Bank of Ceylon, 1974, page 96
 13. —ibid., page 96.
 14. Annual Report of the Central Bank of Ceylon, 1975, page 76.
 15. See for example, Annual Report of the Ceylon Mineral Sands Corporation, 1973, page 7.
 16. Annual Report of the Central Bank of Ceylon, 1974, page 60.
 17. Annual Report of the Central Bank of Ceylon, 1965, page 69.
 18. See for example, Review of Activities of Public Corporations of Sri Lanka, 1972, page 43.
 19. See our discussion under 3.1.
 20. Because of the fact that, in certain instances, this may lead to market limitations which in turn leads to under-utilization of capacity.
 21. Annual Report of the Central Bank of Ceylon, 1973, page 71.
 22. See for further details, G. Edirisooriya's "Capital Accumulation, Technical Progress and Capacity Utilization with special reference to Sri Lanka" (forthcoming), in "The Ceylon Journal of Historical and Social Studies".
 23. See for example—Norman Clark—"The Multinational Corporation: The Transfer of Technology and Development" in "Development and Change", Vol. 6, No. I, 1975, page 15.
 24. See for further details, G. Edirisooriya: "Capacity Utilization and Economic Development with special reference to the Parastate Sector in Sri Lanka", 1977, unpublished. M. Litt. thesis, University of Glasgow, Chapter 2.
 25. See for example—Annual Report of the Central Bank of Ceylon, 1973, page 71.
 26. See our discussion under 3.1.
 27. Injac, B.—"Profitability of the Cement Industry in Ceylon, 1971", page 2.
 28. Ibid., page 22.
 29. Ibid., page 23.
 30. Ibid., page 16.
 31. See quotation (29) above.
- By imposing a tariff the Government has made the price of imported cement be equal to the price of locally produced cement.
32. See for example, Annual Report of the Central Bank of Ceylon, 1973, page 73.
 33. See for example, Annual Report of the Central Bank of Ceylon, 1972, page 84.
 34. See for example, Annual Report of the Central Bank of Ceylon, 1972, page 79.
 35. See our discussion under section 2.
 36. See for example, Annual Report of the Central Bank of Ceylon, 1973, page 81.
 37. See for example, Annual Review of Activities of the Public Corporations in Ceylon, 1972, page 12.
 38. The present economic environment is appropriate to a great extent in this regard.
 39. Here it would be of immense help if the Ceylon Steel Industry studies the experiences of Japan and Hong-Kong in depth.
 40. See for example our reference No. 24.

Local Government and Development in Sri Lanka

DR. G. R. T. LEITAN

INTRODUCTION

THE impetus necessary for bringing an under-developed country to the point of "take-off" must necessarily come from the Government. This is specially true of countries which have for centuries been under foreign rule with their economics geared to that of the "mother country". Inevitably, therefore, in a country like Sri Lanka, the State interests itself and participates directly in programmes of economic and social development. Its activities in the agricultural sphere include the provision of various benefits to the farmer—for instance grants, subsidies and loans, marketing facilities, guaranteed prices for agricultural produce, extension services, fertilizers and seedlings, etc. It also undertakes directly large-scale agricultural, irrigation and multi-purpose projects. In the industrial field, besides engaging directly in industrial production, the state also gives special encouragement to small scale industry and cottage and handicraft industries.

But in all this vast programme of state development activity the unfortunate but indisputable fact which emerges is that local authorities are by-passed almost completely. There is no association of local government in the machinery of central planning and no conception of utilising local authorities as administrative agencies in the process of plan-implementation. What is evident is that local government does not tie in with the development process in any special way.

Mrs. Ursula Hicks, on a visit to Sri Lanka commented as far back as 1957 that Sri Lanka's "failure to develop a robust system of local government" implied that the country was "not making the fullest use of her resources for economic and social development" and that "many of the quick maturing improvements which are so important in the early stages of implementing a development plan can best be carried out at the local level".¹

The Maud Committee on the Management of Local Government in England states :

"The local administration of public services is essential ; that the local organs of administration should be democratically elected bodies is not. Nevertheless, our view is that although certain services may be provided locally by outposts of the Central Government, or by ad hoc bodies appointed by it, democratic local self-government is an essential institution and that, where functions, present or future can be performed by local authorities, they should be performed by them".²

¹ Hicks, Ursula K, Local Government and Finance in Ceylon in *Papers by Visiting Economists* (National Planning Council 1959).

² The Report of the Committee on the Management of Local Government in England. Vol. I (H.M.S.O. 1968) p. 68.

Patterns of decentralisation however will vary, the pattern adopted by each country being the result of a number of factors. Among them are the accidents of historical evolution, the political maturity of its people, the attitudes of politicians and administrators to the question and the conscious efforts of governments to change their administrative structures in response to changing needs and demands of the people. However, like most other developing countries, Sri Lanka is faced today with the need for adopting these administrative structures to the new needs of development.

Development of administrative structures

In common with other countries emerging from a long period of colonial rule³, Sri Lanka's system of local government and local administration is the result, in large degree, of historical forces and circumstances.

During the colonial era, the emphasis was placed not on democratic decentralisation in the form of local government institutions, but on administrative decentralisation or deconcentration. Thus governmental functions came to be performed by outposts of the central administration. Of special significance in this connection was the development of the hierarchically arranged provincial administration which became the backbone of the entire centralised administrative structure. Initially, the country was divided into provinces under Government Agents, and the provinces into districts under Assistant Government Agents. Subsequently, each district (of which there are 22 at present) was placed under the Government Agent. Technically the Government Agents were revenue officers; with the increase of governmental functions however, they became Governments' general agents in the field. This was the District Administration or "Kachcheri System" which exists till today.

This pattern is not different from that which was adopted for purposes of consolidation and control in other colonial territories of Britain—similar to the French Prefectoral system in which the Government Agent (or "Collector" or "District Officer") is both the representative of his district as well as the embodiment of central authority.

There also started to emerge during colonial times, decentralised government departments. The result of the vast increase of governmental activity (especially after Independence in 1948) has been a proliferation of vertically structured departmental field organisations functioning in each district parallel to each other, in addition to the district administration. The Government Agent is assigned a "general responsibility" as well as the role of co-ordinating all governmental work in the district. A supporting structure of ad hoc bodies—co-operative societies, rural development societies, cultivation committees, etc.—functioning as agencies of government departments at village level form the contact points between them and the general public in the implementation of departmental policy.

Within this vast bureaucratic structure, local authorities, emaciated and financially weak, are considered as unequal to the task of handling departmental programmes as in a Comprehensive Local Government System. Development functions are thus assigned to the bureaucratic administrative system and to the large number of public corporations established after independence.

³ The Portuguese took over the maritime provinces of Sri Lanka in 1505. These were acquired by the Dutch in 1638 and the British in 1796. From 1815 the entire country was under the British until Independence in 1948.

Local authority functions

Although the beginnings of modern local government can be traced to the mid 19th century, the structural base of the present system was the result mainly of the reforms under the Donoughmore Constitution (1931-46). Today local government continues as it was in the Donoughmore era and no appreciable changes have taken place.

Structurally there are 4 types of local authorities—the Municipal Councils, Urban Councils, Town Councils and Village Councils. There is however, an absence of a multi-tiered system, so that one type of authority is not subordinate to another. The Municipal, Urban, Town and Village Councils—functioning within their respective Ordinances,⁴ are responsible to the Department of Local Government. Their functions, specified as duties and permissive powers, are broadly the same, viz. maintenance and lighting of streets and thoroughfares, public health and sanitation, and public utility services which may be necessary for the area.

In many of the western countries, education, police, and personal social services are some of the most important services provided by local authorities ; and in some of the developing countries, an attempt is being made (as in India under “ Panchayati Raj ”) to associate local bodies in the development process. But significantly, these functions are denied to local authorities in Sri Lanka, and they are expected to play a very restricted role.

Local Government structure—absence of machinery for co-ordination

Before the Donoughmore reforms, local bodies were under the control and tutelage of the Government Agent, and officials of the district administration acted as mayors/chairman (as in the integrated protectoral model). Today, all local authorities consist entirely of elected members, and they are independent of the G. A's control.

A factor of significance, however, is that while the co-ordinating influence of the Government Agent was withdrawn the machinery for horizontal co-ordination envisaged by the Donoughmore Commission (and which would have facilitated transfer of development activity to local government) has not been established.

The Donoughmore Commission was alive to the advantages of a system of Provincial Council and suggested that the matter should be taken up for consideration by the Department of Local Government which was to be created. In keeping with these suggestions, the intention of the Minister of Local Government as announced in the legislature was that local bodies should be supplemented by a system of provincial councils which would be the co-ordinating upper tier. Democratic decentralisation on such a pattern, he felt, could eventually provide the agencies through which most departments would operate.⁵

⁴ Municipal Councils Ordinance (Chapter 252), Urban Councils Ordinance (Chap. 255), Town Councils Ordinance (Chap. 256) and the Village Councils Ordinance (Chap. 257). Functions are also derived from a number of other ordinances e.g. Housing and Town Improvement Ordinance (Chap. 263), Town and Country Planning Ordinance (Chap. 269), Resthouses Ordinance, (Chap. 275) etc.

⁵ Hansard 7.5.1937 pp. 1064-1067.

The most important recommendation of the Choksy Commission of 1955⁶ was the establishment of Regional Committees as consultative and executive bodies, performing a co-ordinative role in relation to development schemes of the area.

In 1957 and 1968 although attempts were made to introduce a system of regional or district councils,⁷ in a country faced with ethnic problems, these measures had to be abrogated as a result of communal dissension and disharmony.

Thus an upper tier of district or regional councils has never been established. Today each local authority functions as an entity in accordance with the provisions of the relevant ordinance, subject to the control of the Department of Local Government.

Other Agencies

Another factor which to a certain extent has retarded the development of local government has been the establishment of other agencies for the implementation of development policy.

In this connection, the very limited functions assigned to local authorities in Community Development is specially noteworthy. The participation of local government in community development is confined to the Community Centre Movement⁸ where the emphasis is on cultural and recreational work like construction and maintenance of libraries and reading rooms, maintenance of playgrounds and sports activity, organising dancing and drama, etc. The main responsibility for Community development rests, however, with the Department of Rural Development.⁹

Similar to the Community Development Movements in developing countries like India, Pakistan and UAR which gained impetus in the 1950s, the Rural Development Movement was inaugurated in Sri Lanka in 1948. Rural Development societies, established at village level, were to be the foci of all rural development activity in spheres like infra-structure development, agriculture, health and sanitation, etc.. A special government department, the Department of Rural Development, within the Ministry of Home Affairs¹⁰ was created for their organisation and control. A network of departmental field units throughout the country was entrusted with their functioning with the Government Agent (with a senior official of the Department of Rural Development to assist him) being responsible for the movement at district level.

⁶ Report of the Commission on Local Government. S.P. 33 of 1955.

⁷ The Draft Regional Councils Bill 1957 ; Proposals for the establishment of District Councils under the direction and control of the central government. 3rd June 1968.

⁸ The establishment and management of community centres is a permissive function of local bodies under Sections 46 (f) of the M.C. Ordinance, 35 (f) of the U.C. Ordinance, 156 (a) of the T.C. Ordinance and 36 (v) and (w) of the V.C. Ordinance. Community centres (corresponding roughly to the electoral wards of a local authority) are voluntary non-statutory bodies, which are however under the supervision and control of local authorities.

⁹ In more recent times, bodies like Divisional Development Councils (DDCs) and Agricultural Productivity Committees (APCs) were entrusted with certain aspects of development.

¹⁰ It is now within the Rural Development, Ministry of Public Administration and Home Affairs.

Relationship with Local Government

It has been stated that evolution towards local government sometimes takes the form of a detour known as Community Development¹¹. It is this same idea which finds expression when the U. N. Study Team says that "Community Development programmes establish the necessary pre-conditions for the evolution of local government authorities" and that community development "should logically lead to the establishment and strengthening of local government"¹².

In Sri Lanka, unfortunately, relations between local authorities and rural development societies leave much to be desired. Mutual distrust and hostility characterized the rural development societies and local authorities from the outset. The fact that the former too were to act in more or less than same spheres as local government led, not unnaturally, to a feeling within the legally constituted democratic institution in the village viz., the village council—that it was "being supplanted and atrophied and losing its appointed place in the village"¹³.

The Choksy Commission, as far back as 1955 drew attention to the rivalry and jealousy between these societies and local bodies. On the basis of extensive investigation their conclusion was that local government had lost its prestige as the authority of the area for voicing village opinion; and that, if the funds which were so readily made available to these societies (by the government and by foreign organisations) were given to local authorities, they would no doubt be in a better position to undertake these functions themselves¹⁴.

Lack of legal provision in the Ordinances

It is also relevant to note here, the birth and demise of the community development activities undertaken by the Colombo Municipal Council. The Administration Report of the Mayor and Commissioner of the Colombo Municipal Council for 1974 drew attention to the escalation of council expenditure on poor relief and the need to devise effective methods to rehabilitate the families applying annually for relief. In 1975, therefore, the Colombo Municipal Council empowered the Charity Commissioner¹⁵ to commence a programme of community development. It was impressed on him however that legally there was no provision for the council to use any part of its funds for this purpose and that these activities therefore had to be financed exclusively from funds donated by voluntary organisationer. Accordingly, a number of projects—a sewing project, a basket weaving and rattaning project, a book-binding project and a canteen—were started under this programme.

As a result of certain technical irregularities however, audit queries arose and the Charity Commissioner was required to refund a sum of Rs. 35, 275.50 cts. to the Council and the programme came to an abrupt end¹⁶.

¹¹ Wickwar, W. H. *Political Theory of Local Government* (University of South Carolina Press 1970) p. 84.

¹² U. N. *Community Development and National Development* 1973. pp. 14, 70.

¹³ *Report of the Commission on Local Government*, S. P. 33 of 1955. p. 425.

¹⁴ *Ibid.* pp. 68-74.

¹⁵ The Charity Commissioner is an official of the Council who is in charge of the administration of poor relief, community centres and playgrounds etc.

¹⁶ See Interim Report to His Excellency the President of Sri Lanka by the Commission appointed under Sec. 2 of the Commission of Inquiry Act (Chapter 393) to inquire into Malpractices in Local Bodies (Municipalities) SP 5 of 1977. pp. 87-96.

The point to note here is that the law does not strictly permit municipal councils to utilise funds or property belonging to the council for community development. Also worthy of note, however, is the comment made by the *Commission to inquire into malpractices in local bodies (Municipalities)* :—

“ This initial failure will not however detract from the tremendous possibilities of a reorganised comprehensive plan of development in this direction ”.

It was also suggested by the Commission that amendments to the existing law to enable municipal councils to engage in these functions should be considered¹⁷.

Shortcomings of local authorities

While in certain fields lack of power is a factor responsible for the limited range of local government functions, what is evident is that even where legal sanctions do exist, the record of achievement leaves much to be desired. A general power is given, for instance, to municipal, urban and town councils to provide amenities and public utility services¹⁸ even village councils are equipped (as permissive powers) with almost the same powers as the other units¹⁹. Yet it is only the Colombo Municipal Council (by reason of its special position and finances as the capital city) which undertakes a wide range of services especially in the field of public health. In relation to the others, to quote the Administration Report of the Commissioner of Local Government (1960-61) “hardly any local authority has a proper surface draining scheme to serve the entire area of the council ; very few village roads are paved and tarred or metalled ; only a few have satisfactory conservancy and scavenging services, an adequate number of markets, maternity and child welfare centres, community centres, ayurvedic dispensaries, parks, playgrounds, reading rooms, libraries..... ”.

The comment of the Committee of Inquiry into Local Government (1972) that “the inability of local authorities to provide essential services accounts for the regrettable circumstance that in the entire country only the City of Colombo is served by a sewerage scheme..... ”²⁰ is itself a sufficient indication of the limited range of local authority operations and needs no elaboration.

Inadequate finances

One of the chief factors responsible for the shortcomings of local authorities is the inadequacy of their financial resources. As the following table illustrates, the income of many local bodies is very limited that of 138 village councils for instance, being less than Rs. 20,000 per annum.

¹⁷ Ibid p. 95.

¹⁸ M. C. Ordinance Sect. 40 (i) (u) ; U. C. Ordinance Sect. 129 ; T. C. Ordinance Sect. 128.

¹⁹ V. C. Ordinance Sect. 47A.

²⁰ Report of the Committee of Inquiry into Local Government. S.P. 7 of 1972. p. 23.

(Rupees thousands)

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of local authority functions seems to be reflected in the reluctance (despite the recommendations of a number of commissions) to introduce any major changes which would associate local authorities as base-units in the development process. A combination of these attitudes (stemming at least partially from the inefficiency, corruption and indifference of local authorities themselves) has resulted not only in their being by-passed, but also in a steady erosion of their functions.

Attempts of government departments

It should also be pointed out on the other hand, that attempts to associate local authorities in development activity, for instance, by the Department of Agrarian Services, did not prove to be very successful. Execution of minor irrigation projects was generally given over by this Department to Government Agents ; but in 1956, it tried the experiment of entrusting Local Authorities with this function. This was described as the " first attempt ever of a Village Council undertaking any Irrigation works or of the Department utilising another agency for spending their money " ²².

Had they displayed sufficient interest in this instance and proved themselves, local authorities could have, in the future, claimed an increasing share in village development work. But although the Department was willing to assign a sum of money to Village Councils for this work, only a fraction of this sum was utilised in 1957 and 1958 ²³; and according to the Commissioner of Agrarian Services, despite special arrangements made by the Department to expedite Local Authority estimates, most local bodies " did not show any interest in obtaining an allocation from this Department for minor irrigation works " ²⁴.

A possible explanation for this seeming indifference could have been a lack of technical staff and other resources for attempting irrigation projects, even minor ones. Such inadequacies can be removed only by extensive reform measures by which local authorities can be equipped to participate in development work.

Conclusion

What emerges then, is that local government occupies a minor place in the administrative system. Independence and the imperatives of planned development have had no effect on it and its functions have-not increased appreciately in modern times ; and due to a combination of reasons it is by-passed in the development process.

" If the business of government " stated the Choksy Commission of 1955 is always to continue to remain in the hands of officials controlled from the Centre, then the gap that has existed in the past between those who are governing and the governed will remain as wide as it has been " ²⁵. The pattern which has developed over the decades is likely to continue however, unless a radical overhauling of the entire administrative system associates democratic local government more closely and more vitally with the overall programme of action which has come to be denoted by the word " Development ".

²² Administration Report of the Commissioner of Agrarian Services, 1957. p. KK5.

²³ Administration Report, Commissioner of Agrarian Services, 1959.

²⁴ Administration Report, Commissioner of Agrarian Services, 1957 p. KK5.

²⁵ Report of the Commission on Local Government—SP 33, 1955, p. 401.

Problems of Planning and Implementation at the District Level in Sri Lanka

S. SIVANANTHAN*

INTRODUCTION

REFORM of the administration at the district level is a subject that has received considerable attention from a number of sources including politicians, practising administrators, and students of administrative reform, during the course of the last two decades or so in Sri Lanka. For instance, the election manifesto of the United Left Front that came into power in the year 1970 referred to 'the abolition of Kachcheri administration and taking administration to the people through decentralisation of administration'. At the time of the campaign of the General Elections during the course of last year the same topic came into sharp focus once again when the United National Party, which later emerged victorious, in its campaigns and manifesto, announced the intention to appoint 'District Ministers' to every administrative district.

Similarly, practising administrators have voiced their interest in the subject and aired their views from time to time through contributions to journals and by way of memoranda to committees of inquiry into administrative reform suggesting changes in the administration at the district level in Sri Lanka.

If one surveys the spectrum of changes introduced in the sphere of district administration, particularly during the sixties and seventies, one will feel convinced that the interest evoked was more than justified.

Though the interest of the writer is to evaluate the machinery for planning and implementation at the district level for its efficiency and effectiveness as an instrument of development it was felt useful to refer to these developments in order to bring out the importance attached to this sector of the administration. Further, the body of information contained in this paper also concerns itself with the broader subject of administrative reform even while concentrating on the planning and implementation aspects of the administration at the district level. Hence this short excursion into its historical past.

The tasks of planning and implementation have an important role to play in national development in a country like Sri Lanka. At the national level, planning is more concerned with laying down broad policies and guide lines for the development of the economy and usually outlines only the strategies for achieving them. At the micro-level, however, the plans are concretised in a meaningful manner through the careful identification, formulation and implementation of sound development projects.

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Sri Lanka has a record of having prepared a number of development plans. The main weakness appears to be its inability to translate them into action successfully. One of the important reasons for this state of affairs is the lack of administrative capability. The machinery for planning and implementation of development at the district level which is the vital sector is weak due to a number of reasons and hence is unable to cope with the task. The main concern of this study is, therefore, the analysis of the organisational and management constraints prevailing at the district level which stand in the way of the effective planning and implementation of development projects.

Before proceeding with the analysis proper, it is helpful to establish some agreement over the understanding of the terms 'planning' and 'implementation' respectively. To begin with, it must be pointed out that the two terms 'do not connote separate jobs but are parts of the same job'. For purposes of distinguishing them from one another, however, it may be said that 'planning concerns itself with what is to be done rather than with getting it done' whereas implementation 'involves the execution of planned activities'. 'Planning a development project requires a conceptualisation of the commitment of resources in the most economical sequence to achieve socially desirable outcomes.¹ In implementation on the stress is on management and behavioural skills.

THE MACHINERY OF ADMINISTRATION AT THE DISTRICT LEVEL IN SRI LANKA

Some salient aspects of the trends at reform of District Administration

In order to have a clear understanding of the observations made in this study it is considered useful to describe briefly the main trends in the 'behaviour' of the machinery of administration existing at the district level in Sri Lanka, and the trends in effecting changes in that machinery during recent times.

The nature of the District administration has been characterised 'as having moved away from an integrated to an unintegrated prefectural form'.² The same source further goes on to mention that 'though it falls within an unintegrated type, it also partakes of characteristics of a functional type of system. Functional departments have been stimulated towards specialisation of activities ensuring national uniformity in the application of central policies with a view to enhancing efficiency and national integration. This picture of the District administrative machinery as described in the early seventies may be said not to have altered substantially, though, since the middle of the decade and in particular, after the latter part of 1973, a reverse process appears to have been set in motion, especially after the creation of the now defunct system of District Political Authority and the consequent shift of attention to the strengthening of the district administrative structure. Further recent announcements to appoint District ministers and the attempt to integrate the forces at the district level seem to favour this conclusion. There appears to be an attempt being made to build up the machinery at the district level while recognising the functional character of activities already existing within it.

At the centre of the district scene is the post of the Government Agent with its headquarters, namely the Kachcheri which have been the target of criticism by many, during recent times. The

Kachcheri, both in terms of its nomenclature and role has portrayed itself as a relic of colonial rule while the office of the Government Agent has been partially salvaged and presented in the form of a 'Development Agent' during recent times.

Creation of institutions such as the District Co-ordinating Committee, during the fifties and the District Political Authority in 1973, with the Government Agent as its chief executive and the recognition given to the office of Government Agent by his appointment as Deputy of the functional departments of Agrarian Services, Co-operatives, Agriculture and Fisheries at the district level seem to confirm this view. The role of the Government Agent (as an agent of development) has been transformed from direct area co-ordination through a weak organisational framework to indirect forms of area co-ordination through the process of co-ordinating and integrating the planning and implementation process within the region'.³ Whatever the forms that this trend in strengthening may take, the general consensus seems to be that the administration at the periphery has attracted attention and is continuing to attract attention resulting in changes.

The Organisation of District Administration

The nucleus of governmental administration at the district level as mentioned elsewhere, is the office of the Government Agent with its headquarters at the Kachcheri. In addition are the number of functional departments operating vertically as separate entities of their own. In towns where all the departments of the central government are housed together in the same building it is referred to as the secretariat. The Government Agent is the representative of the central government at the periphery and by virtue of his position as administrative head of the district is also the Co-ordinator of all development activities of the various government departments within the district. Recognition has been given to this role administratively thus: 'The Government Agent shall function as Co-ordinating Officer in all governmental activities sponsored by all ministries in the district'.⁴

In order to have a clear understanding of the implications of this role it is necessary to have an idea of the relationship of the Government Agent vis-a-vis the other departments in the district. for the purpose of describing this relationship the government departments may be classified into three categories:

Category 1. The departments on the activities of which the Government Agent has direct control either as a result of statutory or administrative authority being conferred on him. These include the District administration, Land Commissioners Department, Small Industries, Rural Development, Regional Development, and Fisheries which are development oriented and a number of other departments involved in regulatory and welfare functions.

Category 2. The departments on the activities of which the Government Agent has been entrusted increasing authority as a result of the policy to increase food production. These include: co-operatives, agrarian services, agriculture and marketing departments. The position of the Government Agent has been strengthened over these departments by his appointment as the Deputy head for the district.

Category 3. The departments on the activities of which the Government Agent has no formal control but has authority to co-ordinate. These functions include irrigation, territorial civil engineering organization, survey, forest, buildings, health, education, post and telecommunications, local government and a number of government corporations.

The Strengths and Weaknesses of the District Administration

The co-ordinative capacity of the Government Agent in the context of the contemporary administrative scene at the district level may be said to be conditioned by a number of factors which are both favourable and unfavourable to his role as co-ordinator. The relative seniority of the incumbent of the post of Government Agent vis-a-vis the local heads of other government departments in the district is, indeed, a vital factor that affects his performance as co-ordinator. The acceptance of his position and consequently his stature makes for a situation in which he can successfully exploit his seniority over his colleagues at the district level to his advantage. However, the district scene has become rather more complicated during recent times due to the deconcentration of activities of the functional departments such as that of health and of education, and more particularly also through the creation of an organization for the engineering departments parallel to the district administration, namely the territorial Civil Engineering Organization. This process has tilted the scale to the disadvantage of the co-ordinative role of the office of the Government Agent and has in fact introduced contenders to this role in the local scene. Very often, the heads of the aforesaid departments were relatively senior in service within their own ranks and in relation to the incumbent to the post of Government Agent who was a comparatively less senior officer in the administrative service. In fact if one would survey the position in the districts during recent times one could hardly name a district where the Government Agent is senior to *all* his colleagues within the district. In the circumstances, it is correct to say that the co-ordinative role of the Government Agent was at best accepted by only a limited number of district functionaries, of whom his junior colleagues belonging to the administrative service being the predominant category.

The co-ordinative role is also very often hampered by the attitudes of the functional departments in the capital towards the district and the manner in which the lines of communication flowed from the centre to the periphery. The tendency to establish direct links by the heads of departments with their functionaries at the district level may be classified as strong in the case of the ones where Communication facilities between the center and the periphery were good, physically. The further one moved away from the capital and the weaker the communication links, the greater the tendency for the district forces to integrate and rally round the government agent.

Besides, one has also to recognise some of the defects inherent in the system itself. One can understand the tendency for a district functionary to weigh his loyalties in favour of his superiors at the center, especially in times of conflict of functional interests with that of the district as, it is there that his future career prospects are determined and various fringe benefits conferred. It is therefore, not surprising to find their loyalties to the district being weak. In fact it is not an exaggeration to point out that some even exploited these conflicts to their advantage.

In such a situation it was left to the holder of the post of Government Agent to exploit other extra-official traits and resort to human relations "techniques" and the like to establish his position as co-ordinator. The usefulness of these "techniques" cannot be overemphasised as even where other things are equal, one has indeed enhanced his acceptance by making use of these techniques. Still another strategy that is adopted successfully is to advance the district interest by acting as the champion of the "district cause". Yet another strategy is to build up an image as the confidante of the government in power by establishing links with the powers that be both at the centre and periphery which is indeed a deplorable one.

It has to be recognised that the basic issue underlying these conflicts is the "missquestion" of the "specialist vs. generalist"⁵ which brings another dimension to this problem. Though this issue is not openly discussed it has been accepted in a number of writings⁶.

Some Dysfunctional Aspects of Functionalisation

An attempt was made in the foregoing paragraphs to portray the functional-district background in which development planning and implementation takes place in Sri Lanka in the 'field'. The growth of functional departments may be said to have imposed a challenge to the district as an entity for integrated development planning. This phenomenon has in turn created the necessity to recognise the need for increased co-ordination at the district level through institutions such as the District Co-ordinating Committee and the District Political Authority.

The functional nature of departments and the manner in which it has affected development may now be analysed. For the purpose of this analysis it is useful to examine the manner in which planning and implementation took place in the agricultural sector. Though agriculture is a sector by itself, having a number of sub-disciplines, in the final analysis the burden of carrying out the programmes rested with one individual, namely the farmer, who required a unified approach to his problems. Due to the functional manner in which governmental activity is organised through various departments the inputs for agriculture are scattered amongst a number of departments. For example, extension services and provision of seeds is the responsibility of the agricultural department; agricultural credit and marketing that of the co-operative department; tenurial problems the responsibility of the department of agrarian services; crop insurance that of the crop insurance board; water issues that of the irrigation department; and finally the purchase of his produce that of the paddy marketing board or the department of marketing. Needless to say that heavy strains were imposed on the instruments of planning and implementation — as a result of this bureaucratic specialisation which is, indeed dysfunctional to the greater cause of agriculture the promotion of which is its objective.

Identifying the extents to be cultivated, assessing the requirements of inputs, procuring and programming their flow and regulating them successfully involves synchronisation of the activities of a number of departments and calls for meticulous planning. This task devolves largely on the administration in a country such as Sri Lanka as the people's organisations created for them are still in an infant state.

INSTITUTIONS FOR PLANNING AND IMPLEMENTATION AT THE DISTRICT LEVEL IN SRI LANKA

The District Co-ordinating Committee

It was pointed out elsewhere in this paper that the proliferation of functional departments with representatives at the district level created the need for inter-agency co-ordination. At the initial stages this task was attempted through committees, the earliest of which is the District Co-ordinating Committee. A perusal of the administrative regulation governing its activities, would indicate that this institution was expected to play a more vigorous role than mere co-ordination of development activities. This would be evident from the description of its functions given below.

"The functions of the Committee shall be to co-ordinate all governmental activities in the Administrative District and to facilitate the carrying out of Government's programme in the District For this purpose it shall—

- (a) meet as early as possible in October of each financial year and consider the programme of work according to the financial provision made in the Estimates ; each departmental representative shall explain the programme of work envisaged, how he expects to carry it out and what assistance he required from other departments ;
- (b) formulate proposals representing a co-ordinated programme for the development of the Administrative District in the next succeeding financial year ;
- (c) transmit such proposals as affect the subjects and functions assigned to Ministries (other than the Ministry of Home Affairs) through the representatives of the departments of the Ministries concerned to their respective Headquarters ;
- (d) endeavour to eliminate delays and difficulties in the execution of the programme of the departments ; and
- (e) review from time to time the progress of Government activities in the Administrative District ”.

That this institution did in fact have the necessary potential to function as an effective instrument for promoting planning and implementation at the district level was demonstrated by its operation in one of the districts in Sri Lanka during the period 1965-70.⁸ The experience gathered in its operation in most districts is, however, disappointing, as it does not appear to have fulfilled its objectives generally. Contrary to expectations, it had deteriorated into a forum for deliberation of such trivial matters as transfers of personnel, etc. to the exclusion of planning development. The failure to utilise this institution effectively as an instrument of development was due to a number of reasons. Firstly, the status given to the co-ordinator and the weaknesses arising out of it in the course of operating the system which have been referred to earlier is one of the prime reasons. Secondly, the failure on the part of functional departments at the centre to consider seriously the proposals made by this institution created a sense of frustration amongst its members resulting in the lack of confidence in the system. The functional departments had their own priorities in allocating resources for development projects which had the whole nation as its perspective. Thirdly, arising out of this centralised nature of decision making and the failure to relate the budgetary process to the planning process, allocation of resources was carried out depending on the bargaining power of politicians. Consequently, members of the government party very often utilised their lobbying power with ministers in preference to participating in a exercise of "planning" at the district level which yielded no profitable results. In the circumstances it is no surprise that the institution of the District Co-ordinating Committee lost its glamour as an instrument of planning and implementation. The creation of the District Political Authority system in 1973 dealt a severe blow to this already declining institution which, with the passage of time, went into temporary abeyance in most districts until the new government that came into power in 1977 did away with the Political Authority system and revived it. The District Political Authority, being a body with authority for decisionmaking and empowered to allocate resources proved more effective in planning and implementation than the District Co-ordinating Committee which had no authority to support its plans.

The District Planning Unit and Divisional Development Councils

At this juncture, a further innovation made in the machinery of administration at the district level prior to the introduction of the system of District Political Authorities deserves mention. The Five Year plan of development introduced in 1972 relied heavily on the machinery of administration at the district level for its successful implementation. Referring to the need for the "diverse activities of the government to be actively co-ordinated at the district level" it declared: "the responsibility for the co-ordinating function at the district level will be vested in a District Development Committee and the Government Agent will be the principal officer for plan implementation and progress control in the district. In implementing the regional component of the national plan the Government Agent will be responsible both to the relevant ministries and to the Ministry of Planning and Employment. To facilitate this work, Planning offices will be set up in each district".⁹

In addition it was also decided to decentralise the function of plan formulation through the District Development Committee and the Divisional development Council. The latter body which was created in every local authority area, would undertake the formulation of development projects and the preparation of a development programme for its area of authority. Though the District Development Committee did not come into existence, it may be said that another institution, namely the District Planning and Plan Implementation Council, popularly called the District Political Authority System, came into existence.

The Divisional Development Council, however, confined itself to the identification of employment oriented projects, using local raw materials. Though a Planning Unit was also created, inability to staff it adequately, hampered its performance initially. Further, being an arm of another functional department, namely the Department of Regional Development which serviced the Divisional Development Councils, it was engrossed in servicing the projects of the councils in preference to the task of plan formulation and co-ordination of all aspects of development for the district as a whole. Further, failure to delegate decision making to the district reduced the importance of this body as an instrument for effective planning of development at the district level. Project reports had to be very often appraised and approved through a highly centralised form of administration based at the capital as a result of which the planning unit was reduced to the position of an intermediary between the district and the centre. With the creation of the District Political Authority system, however, the usefulness of the planning unit was increasingly recognised and it was able to play a more important role.

The District Political Authority System

The District Political Authority system that was introduced in 1973 contained a number of novel features which require detailed description. Under this system a senior parliamentarian from the district was appointed as the District Political Authority. He would function as the chief policy making authority for development matters within the district in consultation with his colleagues and the local heads of government departments in the district who were constituted into a new institution called the District Planning and Plan Implementation Council. He would convene regular meetings of this body which was serviced through the Government Agent who was the chief executive and Accounting Officer for financial matters.

In order to give meaning to its intentions this body was provided with funds in block form by the Ministry of Planning from the allocations made available to it under the "scheme for decentralising

the allocation of funds for capital works of a local nature intended to generate increased production and employment in the rural sector by enlisting the participation of development projects at the local level".¹⁰ The planning of development by the district political authority would of course be within the broad national priorities set by the ministry of planning. Development could be undertaken on activities according to local priorities bearing in mind the national interest. An added feature of this programme was that it permitted transfer of funds amongst projects within the district.

The main function of this body was the preparation of an annual plan of development for the district utilising the funds available to it. This included the identification of development bottlenecks and providing solutions to them through sound development projects and ensuring their successful implementation. It would also provide an opportunity for popular participation in development efforts.

Two aspects of this system deserve special mention. Firstly, this system introduced the much needed decentralisation of planning to the district level in a meaningful manner. Though this activity was limited to development projects of a local nature which, incidentally, were defined as projects costing less than Rs. 300,000, the evolution of an organisational form which provided for the integration of the functional departments in such a way that the spatial aspects of development gained prominence over functionalism, is noteworthy. Secondly, hitherto the representatives of the people were not actively involved in planning in a systematic manner for the development of the district. The new process incorporated them as active partners in the process of development and provided a forum for reflecting the needs and aspirations of the local people in planning development. Besides, their participation also operated as a motivating force to the public officials who would otherwise have carried out this task singlehanded, on the basis of their knowledge of development problems.

The manner in which the new system functioned may now be examined. Though, at the initial stages the indications were that this institution was full of promise, a detailed examination of its operation reveals that it had to face a number of setbacks which acted as constraints to its being put to optimum use. To begin with, it must be pointed out that the decentralisation of decision making authority to the periphery led to an erosion of power from the centre which it jealously guarded hitherto. This situation is indeed hard to bear. Initial reactions to this may be said to have taken a number of forms. Firstly, the support given to the programme from the centre which still controlled the supporting services such as manpower, equipment and other resources which were now increasingly required at the periphery was lukewarm. Besides being not very receptive to such requests, a tendency was also noticeable on the part of the centre to transfer even matters that were legitimately theirs to the periphery. The failure to provide the supporting administrative infrastructure to the district along with the decentralisation of the budget, resulted in having transferred responsibility without authority. It would have been advantageous had such an accompanying shift of manpower and equipment too had taken place towards the districts.

The introduction of the new system was without doubt, a challenge to the vertical organisation of ministries and departments as this created a shift in loyalties from the centre to the district, even of representatives of functional departments whose problems were now being transmitted to the centre by the political authority saving them embarrassment. The change in the character of the leadership from administrative to political which was increasingly having a say on transfers, etc. at the district level was a formidable factor to reckon with. From the point of the functional depart-

ments at the centre it must be pointed out that this loss in control over implementation deprived them of a feedback to their policies and programmes. Instead of adapting themselves to the new situation many of them were quick to point out initial shortcomings and made attempts to regain lost power. The first cracks in the system were visible when the votes for the Divisional Development Council and the one for Co-operative farms which came under the Prime Minister and the Minister of Agriculture respectively were withdrawn from the scheme, leaving only the planning of service and infrastructural projects under the Political Authority.

It was pointed out earlier that the scheme provided for popular participation in planning and implementation of development projects. The absence of a clear framework for containing this participation proved to be an obstacle to its efficient operation. Reconciling district interests with national interests is, indeed, a difficult task. One of the reasons for this was the absence of a long-term plan of development by sectors for the district. While the centre felt that this was being taken care of by the district authorities in keeping with district priorities, the departments at the district level expected the peoples' representatives to formulate priorities for development which was a sensitive matter and therefore refrained very often from evolving such plans. In the circumstances, there was a tendency for ad hoc plans to be evolved very often reflecting the felt needs of pressure groups which were able to prevail on the peoples' representatives. At times, there was even a tendency to lose sight of national priorities and to allocate resources for projects on parochial considerations. At the same time, there was also a tendency to overload the plan with more projects than the situation would warrant, with the intention of 'spreading the butter thin' on a number of them. As a result, available manpower resources were either fragmented on a number of projects or were frittered away through meaningless activities such as identifying and studying projects which had no possibility of adoption.

It must also be recognised that the institution of the District Political Authority is unique in character in a number of ways. The traditional basis on which governmental activities are organized are purpose, process, clientele and place. In Sri Lanka the ministries are organised on functional lines combining at times clientele. The problems of reconciling functions with place is an unenviable task. The failure to define the position of the institution of the Political authority vis a vis the functional ministries and in addition the relationships with the administrative organisations at the district level created a certain amount of ambiguity and thereby affected its ability to establish its authority on a firm footing in the district. This is evident from one of the Circulars sent by the, Ministry of Public Administration to the Districts quoted below.

"Every Government Agent,.....and other officers concerned should act in accordance with the decisions and instructions of the Political authorities in their district and should extend to them the maximum possible co-operation. Wherever there is a problem arising from the fact that such instructions may run counter to a ministry circular..... I expect such situations to be reported to the Prime ministers' Co-ordinating Secretariat for clarification and resolution of the problem"¹¹

The district functionaries it must be pointed out, were in an unenviable position as the new situation created conflicts in loyalties. Their role as members of the district organisation loyal to the Political Authority, it must be emphasised, was to be played in addition to the obligations cast on them by their normal commitments to their head offices which continued, unabated. The need

for issue of the instructions referred to earlier recognises the fact that there was room for conflicting situations to arise. This was an inherent defect which certainly acted as a constraint to its effectiveness from the very beginning.

In addition, the manner in which the planning process operated too, prevented optimum benefits from being obtained through this system. Some aspects of this problem will be gone into in the succeeding section.

THE PLANNING PROCESS

The Central Budget and the Decentralised Budget. A Comparison

An attempt will be made in this section to examine the planning process and the manner in which it operates and to identify problems in planning and implementation.

In order to concretise development plans and to give meaning to them, projects have to be identified and resources allocated to them. The budget is the primary instrument through which this process is achieved in Sri Lanka, as in any other country. Reference was made elsewhere in this paper to the existence of two types of budgeting in Sri Lanka, namely the Centralised and Decentralised system. It is considered useful to analyse the differences in procedures between the two systems, as the planning procedures associated with them are also different.

Firstly, there is the Central budget which is the traditional instrument for planning which is cast on the basis of Ministries and Departments. The allocations made available to the respective departments are meant for their respective activities. To promote a development project for financing under this system involves a laborious and time consuming process.

The process of planning development projects under the central budget may now be examined. In order to make this analysis more meaningful, it is useful to consider the various phases through which a development project usually passes from its conception to completion. As there is no universal way of defining the number of stages one is in a position to adopt the way that suits the study most. For the purpose of analysing the problems in our study it is advantageous to view the process from the angle of implementation rather than from the angle of project analysis. Viewed from this angle one could identify a number of stages, which begin with the identification of a project as a solution to a problem amongst many other alternative solutions and passing through a number of phases. If the project idea is approved for further study it moves into the next phase where it is more precisely formulated after pre-feasibility or full blown feasibility study. Thereafter it is designed ; appraised, selected and approved ; activated and organised ; implemented, supervised, monitored and controlled ; terminated ; diffused and transferred to normal administration. This is followed by evaluation and followup analysis and action.

Planning a project under the central budget usually commences with the identification of a project as a solution to a bottleneck to development. The problem may be identified either locally by a functional department or centrally at its headquarters and development projects proposed to solve it. Alternatively, there may be replication of existing projects provided the environmental conditions

are suitable. Another feature of this identification process is that due to the absence of institutional arrangements for a multi-disciplinary approach to identifying projects, this activity is usually carried out on a departmental basis. Feasibility study and formulation of the project is again carried out departmentally except in complex cases where foreign or local consultants are engaged. Approval too is carried out centrally and approval granted at the same central level. Monetary provision is thereafter made for expenditure in the votes of the department in the budget. The task of implementation too, is very often handled departmentally. Due to the stringent nature of the financial regulations, the allocation made available could only be utilised for the approved project as transfer of unspent funds is not permitted to projects of other departments. In limited circumstances, however, transfer is permitted to projects within the same department. Due to various problems in implementation it is usually not uncommon for the financial provision of a ministry or department to be underutilised and to lapse to revenue at the end of the year.

A conspicuous feature of the process of planning under this system of budgeting is the lack of popular participation. The long drawn-out procedure involved and the absence of institutional arrangement for popular participation precludes involvement of people in the process. It is not unusual in the circumstances for people to be taken by surprise if activity suddenly starts on a development project in their area without any prior information whatsoever.

Control of progress on implementation is also centralised with the departments reporting progress direct to their head offices. As a result, not much interest is evinced locally to associate with the implementation of these development projects.

In case of the projects falling under the Decentralised Budget, however, the procedure is comparatively different and simpler. Firstly, though for purposes of administrative convenience the task of identification is a departmental responsibility, the broad based nature of the machinery for planning consisting of people's representatives and members of all departments and their involvement in the various stages of the preparation of the District Plan results in the process of identification being made more meaningful. Secondly, as approval for projects is granted as a body by the District Planning and Plan Implementation council there is a fair degree of awareness amongst its members regarding the projects approved. Further, the District plan incorporating the projects approved, along with details such as quarterly phasing of expenditure is publicised both among the departments and popular institutions. This provides invaluable information and an opportunity for interested members of the public to participate in implementation and in following up a project which they may have associated with in identifying, till it is completed. As the approval too is granted locally, the time lag between identification, formulation, approval and commencement of implementation is very little, and the project is not therefore, lost sight of by its sponsors.

It is pertinent to note at this point that the financial procedures regarding execution of projects under the decentralised system of budget handled through the District Political authority have been relaxed simultaneously to permit greater flexibility of action. This is in addition to the authority to transfer allocations within the district amongst projects.

The manner in which the priorities were determined and the funds utilised under this system may now be gone into. Except for the statement of objectives in the preamble to the section containing the allocations in the budget and the circular instructions of the Director of National Planning setting

out the road priorities for investment, no detailed instructions were issued regarding the procedures to be adopted in preparing the District Plan. In the circumstances the manner in which priorities were determined varied from district to district. Though this state of affairs may be construed as a virtue in the system, it also contained the elements for reducing its efficiency as an effective instrument for development.

As mentioned earlier, this system had tremendous flexibility in that there was room for transferring funds amongst projects within a district. This meant that if a certain project was lagging behind in progress the funds of such project could be utilised for another project or even for one in another district without allowing it to lapse unutilised. This element of flexibility which was an asset not found even in the central budget was not exploited successfully in practice due to the manner in which the system operated in a number of districts.

Generally, it may be said that there were two courses of action open for accommodating competing district priorities into the District plan. One method is to strike a balance between sectors and electorates by concentrating on the development of certain sectors, bearing in mind the spatial distribution of activity according to electorates. The other method is to rationally apportion the district funds amongst the various electorates using criteria such as physical size, the population, the level of development of the area and potential for future development, etc. so that priorities could be determined sectorwise using the electorate as the base. The latter method was more tempting and popular one out of the two amongst people's representatives in most districts as it gave them absolute control over the allocation of resources within the electorate. This also absolved the District political authority of attending to the unpleasant task of arbitrating over disputes in which his colleagues were involved. This system, however, contained a severe pitfall, in that once a sum of money is allocated to an electorate it was no more possible to reallocate it elsewhere except with the consent of the member for the electorate which indeed was difficult, if not impossible. As a result, the same constraint that this system sought to remove was introduced in another form in most districts unwittingly. Whereas earlier, it was not possible to transfer allocations between departments, now it was not possible to transfer it between electorates. Due to this unforeseen development it was not possible to optimise on the resources allocated to a district. It is quite common to find a development project badly in need of finances to be delayed for want of funds in one electorate, while there were unspent funds within another electorate in the district jealously guarded by its representative for a project yet to be identified. The District Political Authority, too, very often fought shy of intervening and effecting an inter-electoral transfer as it was an unpopular activity. Even in some of the districts where the system functioned satisfactorily in other respects one could observe this regrettable phenomenon.

It is relevant at this stage to attempt an evaluation of the impact of the Decentralised System of budgeting towards the achievement of its objectives in terms of efficiency and effectiveness, by using some indicators. The main objectives of the programme as stated in the budget are to 'generate increased production and employment in the rural sector by enlisting the participation of the local people in the planning and implementation of development projects at the local level'. The main activities through which it was intended to achieve these objectives may be classified into the following:

- (i) Identification of agricultural projects such as co-operative farms and minor agricultural and industrial projects by the Divisional Development Councils, which directly contributed to increased production and reduction in unemployment ;

- (ii) Provision of rural infra-structure such as irrigation facilities roads to agricultural areas, and roads to regions with potential for future development and provision of hydro-electric power through rural electrification schemes ;

An additional feature of this programme is that it also absorbed a substantial number of unemployed as labour intensive techniques were utilised and in addition construction undertaken directly by state organisations.

- (iii) Provision of services for the agricultural sector. This included the construction of agricultural productivity centres which provided the necessary inputs such as improved seed, fertiliser, agricultural credit and agro-chemicals to the farmer. In addition, these centres also handled the marketing of produce for him.
- (iv) Social infrastructure projects such as schools, hospitals and postal facilities which provided employment in the construction sector in addition to providing basic needs.
- (v) Small rural infra-structure and industrial projects, e.g. village roads, needlework centres, etc. sponsored by community development organisations which provided opportunities for direct popular participation of people in development and increased production and helped reduction in unemployment. Under this scheme the members of the public donated their labour voluntarily for development projects (shramadana) as their contribution and the government subsidised the activity providing a portion of the finances required.

The efficiency of the system may be evaluated by the use of indicators such as, the number of projects that were identified and implemented ; the reduction in the time consumed for planning and implementation of development projects as a result of the new system ; the amount of money utilised out of the total allocation and the number of projects that were delayed in execution in spite of the new system and had overruns in cost. A comparison of the situation that existed before the introduction of the system with the one that obtained afterwards would help to assess the impact for its efficiency. Though in the absence of statistical information it is not possible to substantiate the conclusions one cannot altogether disregard the vast improvement that occurred in the district scene after the introduction of the new scheme. In general it may be concluded that the gestation period for development projects was in many cases reduced substantially. Similarly, the number of projects executed increased visibly while the percentage of failures were comparatively less. At the same time it may be said that the overall level of performance and the percentage of money utilised increased sharply. The degree of popular participation too was high as compared with the previous situation.

The effectiveness of the programme may be judged by the use of indicators such as the increase in the amount of production ; the number of persons who were provided with employment and the increase in the incomes in the rural sector. Here again, due to the non availability of statistics it is not possible to substantiate the conclusions with statistical evidence. The existence of a number of surrogate indicators such as increase in the demand for consumption items such as cigarettes, and bicycles, etc. leads one to conclude that there was an increase in rural incomes.

The responsive character of the programme catering for the felt needs of the rural people and the basic idea of bringing administration closer to the people and their creative impulses in planning and implementation of such development plans is a noteworthy feature of the programme.

Due to the paucity of trained personnel versed in up-to-date techniques in project formulation and implementation optimum benefits could not, however, be obtained from the system.

While it is accepted that a number of defects that existed in the earlier system have been removed the need for further improvements cannot be altogether overlooked.

CONCLUSIONS

Having assessed the nature of the problems, it is appropriate at this stage to examine some of the possible solutions. Several suggestions have been put forward as possible solutions to the problems existing at the District level in Sri Lanka by several parties.

A common trend that is discernable in most suggestions is that all of them are unanimous about the need for creating a stronger form of administration at the district level. For instance, commenting on the problems of co-ordinating agricultural development at the district level a writer observes that 'the vesting of final authority was an important pre-condition for the successful intervention of the Government Agent in the total field of operations. Bureaucracy and departmental red tape can often cause obstruction and the blank cheque of authority which the Deputy status implies makes it easy to get orders or advice' accepted whereas, without such authority the intervention would have been resented.¹² Still another writer in commenting on the changes makes a more radical recommendation when he suggests 'as an answer to these inconsistencies and anomalies, a positive strategy of closing down the ministries in Colombo and setting them up in the districts thereby absorbing the District Political Authorities into them'¹³

The need for changes, it must be pointed out, have been recognised and it is a matter of time for them to be introduced. The District Minister system as contemplated by the new government it is learnt, is receiving its final touches and will be a reality very soon. Our concern at this juncture, therefore is the nature of the changes that should accompany the system in the administrative machinery so that its potential could be tapped to the maximum for development at the district level.

In our opinion, some of the essential characteristics that the new system should embody are :

- (i) It should provide flexibility in the movement of personnel so that the organisational form could be modified to suit different tasks and not vice versa ;
- (ii) It should be able to reduce the element of functionalism that is dominating the district scene at present ;
- (iii) It should provide the administrative head with complete autonomy subject to the control of the Minister, to give effect to district policies and programmes. This would imply that besides bringing all governmental activity within the district under the umbrella of the District minister, empowering him to decide the manner in which governmental policies should be operationalised. It has to be recognised that to plan is to decide and to decide is to have money. Thus giving district the finances to decide is really to take power to where it should lie.

Evolving such a structure would certainly create greater harmony between the functional and district interests and also at the same time capable of promoting balanced development of the country. This would also enable better functional specialisation at the national level while improving the quality of implementation at the district level.

A closer look at the present scene would reveal that involving such a pattern of administration is not difficult as some elements are already present in the existing system. If one analyses the relationship between the centre and the districts far moved from having poor communication facilities one would discover that the centre has very little control over the manner in which plans are operationalised at the district level. Due to the functional manner in which departmental activity is organised at present, the centre is compelled to have a closer look at the operations at the periphery.

The creation of an integrated system of administration at the periphery would, while absolving the centre of the responsibility for implementation, place premium on its capacity for policy making. This is because there is a greater likelihood of the centres' policies being subjected to careful scrutiny by the districts for their implementability. It would be necessary for the centre to evolve more realistic policies having a high degree of implementability hereafter.

In order to give meaning to these efforts it is a pre-condition for the budget to be recast on the basis of districts. While the activities which are national in character will continue to be with the central ministries and departments, all activities that have a district flavour may have to be incorporated into the district budget. Experiments already conducted in this regard have demonstrated that such an arrangement is both feasible and desirable.

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Administrative Capability for Integrated Rural Development

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INTRODUCTION

INTEGRATED rural development, both as a goal and as an instrument of national development, is very much in the air in the Asian and Pacific region. Constant references to IRD are heard from various national and international for almost every week. The increasing commitment to IRD is often expounded and articulated by political elites.

Nevertheless, the immediate past as well as the current experience of the Asian and Pacific countries continues to show a recurrent gap between the announced goals and objectives of IRD and the achievements of the actual IRD programmes which are designed to operationalise the approach. Whilst this continuing lag is of the same character as the implementation lags experienced during the first two development decades, as one advances towards the third development decade one begins to realise more and more the immediacy of the threat of the dysfunctional tendencies that are likely to arise through the non-satisfaction of the aspirations of the beneficiaries. Thus it becomes imperative to re-examine ways and means of overcoming the implementation lag in our development efforts, and particularly in relation to IRD programmes. This article, therefore, seeks to raise several issues which relate to the generation of adequate levels of administrative capability to support the implementation of an IRD programme. It is hoped that such a discussion would help in the attempts being made by different governments to provide enhanced capability in their respective implementation systems to support IRD efforts.

THE PLANNING OF ADMINISTRATIVE DEVELOPMENT

For a clearer appreciation of these general issues they should be viewed in the context of a broader concept of an administrative system than is generally common. Such a broad concept would view an administrative system not merely as "a collection of government functionaries engaged in project implementation", but as an interlinked system of policy formulation and programme implementation institutions and institutional arrangements which the beneficiaries of such development efforts to such policy formulation and programme implementation institutions. Such an approach would broaden the concept of an administrative system to include a wide range of levels engaged in national policy formulation and would also stress the links which exist between such levels and the programme implementing organizations as well as the institutions which enable the effective participation of the people in the making and influencing of decisions which affect their development and in controlling the functionaries who implement such decisions.

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2. Experience shows that unless efforts at enhancement of administrative capability are based on such a broader concept of an administrative system, these efforts fail to generate intended results. Such efforts, therefore, must cover the total interlinked system, must be planned and implemented as an integrated activity and cannot be effectively carried out on an ad hoc basis. Such administrative development planning must also be undertaken as an integral part of the planning and policy formulation for the relevant socio-economic development programme itself.

3. These remarks have several implications for rural development programmes. For example, they demonstrate the need for a continuing, in-built process of administrative development planning as part of Integrated Rural Development Programme. Such a process includes—

- (i) the precise identification and definition of the sub-systems, institutions and organisations which constitute the interlinked administrative system related to the Integrated Rural Development Programme ;
- (ii) the projection of the types and levels of capability required in each such sub-system, etc., to meet Integrated Rural Development Programme goals ;
- (iii) the assessment of the types and levels of capability existing in each such sub-system, etc., as well as the intra-system and environmental factors which have contributed to the existing levels ;
- (iv) the formulation of action plans to bridge the gaps between existing and projected levels ;
- (v) the development of systems to monitor such action plans ; and
- (vi) the setting up of institutional arrangements to carry out these tasks.

Such an approach would be a major departure from the common practices one encounters in efforts at socio-economic development, wherein the availability of adequate levels of administrative capability is assumed as a constant in the formulation of development programmes.

THE NEED FOR A DEFINITION INTEGRATED RURAL DEVELOPMENT

4. An equally important issue is the need for precisely defining the concept of “integrated rural development” on which a specific IRD programme is based. It is not unusual to find different individuals participating in IRD programmes having different concepts of integrated rural development. Where, over a period of time, different programmes of rural development have been launched in a country, each of these influences the conceptualisation process of the different participants in an IRD programme. Such a confusion in conceptualisation becomes an impediment to effective development of administrative capability for two reasons. Firstly, the definition of “integrated rural development” which a particular programme accepts is basic to the designing of an administrative system which is to support the programme. In the absence of a precise definition, the resultant administrative system would tend to become “a lumping together of bits and pieces”. Secondly, differences in conceptualisation would affect the approach of individual participants in the programme to the performance of their roles. Such a confusion in role perception would inevitably result in the efforts of such participants being counter-productive.

5. A study of the definitions of integrated rural development seems to indicate that these many definitions tend to lie at different points on a continuum. At one end of the continuum one finds integrated rural development being viewed mainly as a mechanical delivery system of services, inputs, etc. to improve rural productivity and the quality of life of rural areas—whilst maintaining the rural power structure and its supporting institutional framework relatively intact. At the other end of the continuum, one meets with a much broader concept of rural development, as a process which leads to an integrated development of rural society, conceived of in terms of :—

- (i) the availability of equity of access to factors of production (such as land, irrigation water, industrial raw materials, agricultural machinery, fishing gear, marketing and processing facilities, etc.), and to factors which enhance the quality of life (such as education, health, recreation and cultural facilities, etc.) ;
- (ii) the progressive reduction of rural urban imbalances ;
- (iii) the increasing level of decision making power over their development goals and strategies acquired by the rural people, and their ability to have an increasing influence over national decision making.

Another sharp contrast between these two concepts is the preponderance of a bureaucratic orientation in the first approach and a 'people orientation' in the second. IRD programmes which restrict themselves to the first end of the continuum seem also to lose momentum, over a period of time and to cease to have relevance in the minds of the rural people, even though such programmes continue in their outward form.

6. One finds most IRD programmes at a point in between these two ends of the continuum. A danger, however, is that there is inadequate appreciation, in the minds of programme formulators, of the dynamism inherent in IRD programmes and a tendency to view such "in-between points" as being static. Failure to recognise this dynamism often leads to an inadequate positive response from programme formulators and others when, consequent on pressure generated from client groups, these IRD programmes attempt to move towards the latter end of the continuum. Sometimes, not only is there failure in positive response but there is also active resistance to such evolution.

7. A clear definition of the concept of integrated rural development on which a particular programme is based, thus becomes a sine qua non for effective administrative support to such a definition would necessarily need to accept the dynamism in the concept and would need, therefore, to clarify the pace at which the concept would move towards the latter end of the continuum. The definition of the concept is, by no means, an end in itself. What is equally important is that all participants in the IRD programme, at the different levels, have a clear comprehension of the definition on which the programme is based. This is, obviously, not something which could be achieved through the issuance of circulars, but has to be sought through a comprehensive process of intergroup and interlevel interaction and through training activities designed to generate attitudinal changes.

COMMITMENT TO IRD GOALS

8. A further factor which affects administrative capability is the level of commitment to IRD goals which obtains, at all levels, in the environment of the administrative system. Of all the factors in the environment which condition the behaviour of the administrative system in responding to the

demands of an integrated rural development programme, the level of commitment is one of the most critical. Several examples exist of rural development programmes which have failed to be effective due to the lack of such broad-based commitment and to the fact that any existing commitment has been confined to a few individuals or to a small group.

THE NEED FOR OPERATIONAL TARGETS

9. A further issue relevant to the development of administrative capability is the need to have precise operational targets for an IRD programme and to formulate effective policies for the achievement of such targets. In many IRD programmes one encounters broad objectives rather than specific time-phased operational targets. The failure to set such precise operational targets often creates a problem for IRD programmes in obtaining commitment to the programme from policy makers and in obtaining resources support for such programmes. The absence of operational targets also prevents any effective attempt at monitoring and evaluating the performance of IRD programmes. This, in turn, leads to a denial of resource support.

10. Thus, the setting of operational targets is critical to the planning of IRD programmes. It would, perhaps, be more realistic to set such operational targets for sub-programmes and projects (either in geographical or sectoral terms or both). Such operational targets would need to be set in terms of final outputs and not merely in terms of intermediate outputs which are only instruments for achieving final outputs. For example, it would be more relevant to measure the increase in productivity of an agricultural crop in a project area rather than to monitor the number of departmental functionaries posted to the project.

11. Linked to operational target-setting is the formulation of effective operational policies for their achievement. This, in turn, is dependent on the adequacy of capability for analysis of alternate operational policies—both in terms of available institutional arrangements and of trained manpower for policy analysis at different levels in the administrative system. This has proved to be an area which tends to be neglected in development administration in most countries. Hence, in administrative development planning supportive of IRD programmes, special emphasis would need to be laid on the development of capability for policy analysis and policy review at different levels in the administrative system.

PROGRAMME CONTINUITY

12. An equally important factor which affects administrative capability is that of programme continuity. A situation wherein there is hasty formulation of IRD programmes which have a short life, followed by an equally hasty formulation of new programmes to replace the discarded ones, does not contribute to obtaining a clear and adequate response from the relevant administrative system. The bewilderment caused by such lack of continuity and drastic changes, both in the cadres in the administrative system as well as in client groups, contributes to their withdrawal from such programmes. Whilst unchanging rigidity in IRD programmes would result in a lack of relevance, the frequent and drastic changing of programmes also contributes to a counter-productive situation. Hence programme formulators would need to be concerned in ensuring that both these extremes are avoided.

QUALITY OF MANPOWER

13. A further factor which affects administrative capability is the quality of manpower which is available to the programme, in terms of commitment, organisational and mobilisational ability and technical skills. Manpower, in this context, would include not only the staff of "rural development agencies" as such, but also the staff in all relevant organisations in the administrative system from the project to the national levels, as well as the cadres of people's organisations. It is not necessary to belabour the point that the quality of such manpower would be a key determinant in the success or otherwise of IRD programmes.

14. This situation implies the need for a massive programme of IRD-focused retraining and retooling of manpower throughout the broad administrative system. In the context of most developing countries, this, in turn, implies that the total training capability, which is available system-wide, would need to be harnessed for this task, on a priority basis.

15. This would involve taking training institutions away from their accustomed paths and tasks, to come together as a network to undertake this task of IRD-focused training. They would have to develop new training models, mount programmes for retraining of trainers, lay down training priorities as between client groups and implement the training programmes on a co-ordinated basis. This obviously is one of the most urgent tasks which policy formulators for integrated rural development have to set their minds to.

PEOPLES' ORGANISATIONS* AND LOCAL GOVERNMENT

16. An equally relevant issue is the effectiveness of people's organisations in rural areas, as active participants in the process of integrated rural development. It is not necessary to stress that, if the conceptual model on which an IRD programme is based is not one which is static at the first end of the continuum referred to earlier, the effectiveness of people's organisations is critical to the success of the programme.—

17. People's organisations fall into several groups, the chief of which are :—

- (i) organisations which are formed for support mobilisation, for agitation and for common action with the aim of achieving specific social, political and economic objectives;
- (ii) organisations which are formed for the performance of economic services for production, or are directly linked to the production activity itself.

18. These people's organisations play a multiplicity of roles vis-a-vis rural development. These roles include that of :

- (i) an identifier of rural development goals and strategies ;
- (ii) agitator for the achievement of identified goals ;
- (iii) formulator of action programmes ;
- (iv) resource mobiliser for action programmes ;
- (v) organiser of the implementation of the action programmes.

* For a fuller discussion, see Wanasinghe, Shelton : "Role of Rural Organisations in Rural Development" (Asian and Pacific Development Administration Centre—mimeo. 1975).

The effectiveness of the performance of these roles by people's organisations would appear to depend on several factors,. Amongst these factors, particular note should be made of :—

- (i) the extent of support which the people's organisation could command amongst the beneficiary groups ;
- (ii) the organisational capability which is available in the people's organisation ;
- (iii) the level of rapport which exists between a people's organisation and the politico-administrative decision making groups ;
- (iv) the level of inter-supportiveness (region-wide or country-wide) existing amongst such organisations.

These variables which impinge on the level of effectiveness of such organisations vis-a-vis their role performance are, in turn, influenced by several factors such as : the genesis of peasant organisations; the local power structure ; the level of peasant awareness ; and the policy environment.

19. In the context of administrative capability for IRD programme, it is interesting to note the impact of organisational genesis on role performance. Indications are that people's organisations which owed their origin to bureaucratic activity do not, in the long run, show adequate ability to mobilise the participation of the local community and to develop adequate levels of inter-supportiveness amongst themselves. These indications have an important bearing on the practice of using government functionaries as sole agents for organising such people's organisations. One is often faced with the contention that there is no alternative to such government functionaries. Hence, there is a need for a conscious effort to find a team approach which provides for mixing such functionaries with those drawn from beneficiary groups outside the bureaucracy, as well as for the specific training of such functionaries with the objective of minimising the development of "principal-client relationships" between the functionaries and people's organisations.

20. The enhancement of administrative capability in support of IRD programmes is assisted greatly by the availability of viable local government institutions which could participate in the formulation of such programmes and be responsible both for their implementation and for the mobilisation of the resources for them. The solution to most problems, such as bringing of the felt needs of the local population into the programming of rural development activities, implementation co-ordination and resource mobilisation, would become easier to the extent that IRD programmes are linked to a viable and effective system of local government. Experience seems to show that IRD programmes cannot be successfully carried out, over the long run, through centrally directed bureaucracies. The effectiveness of the local government system as an instrument of integrated rural development would, naturally, depend on the solution to these basic policy questions. The first relates to the provision of an adequate resource base to local government institutions. The second relates to the ultimate vesting of the responsibility for recruiting manpower for development work in local areas to local government institutions. The third relates to the need for the transformation of the local power structure, through appropriate interventions where necessary, in order to bring the local government institutions into alignment with the broader mass of the rural people, which adds a further critical dimension to the policy issues concerned with local government.

CONCLUSION

22. The question that often comes to one's mind is the role of the bureaucracy in such IRD programmes. It is clear that if such programmes are to evolve as "people-centred programmes", the role of the centrally directed bureaucracy is, at best, a transitory one. In what manner this transitory nature could be maintained as such, is one of the major challenges faced in development administration. In the rush for productivity-oriented short-term results, there is always the inclination to strengthen centrally directed hierarchical bureaucracies within the administrative system. This becomes inimical to the achievement of long-term goals. Hence, development administrators concerned with integrated rural development programmes would need to be continuously on the alert or keeping long-term needs continuously in perspective, in the planning of administrative development to support integrated rural development programmes.

CONCLUSION

32. The question that often comes to mind is the role of the bureaucracy in such IRD programmes. It is clear that if such programmes are to evolve as "people-oriented programmes", the role of the centrally directed bureaucracy is at best a temporary one. In what manner this temporary nature could be maintained as such, is one of the major challenges faced in development administration. In the rapidly productivity-oriented short-term results, there is always the inclination to marginalize centrally directed bureaucratic bureaucracies within the administrative system. This becomes inimical to the achievement of long-term goals. Hence, development administrators concerned with integrated rural development programmes would need to be continuously on the alert or having long-term needs continuously in perspective, in the planning of administrative development to support integrated rural development programmes.

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