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FINANCIAL GRANT SYSTEM TO PROVINCIAL COUNCILS

A.P.L.D.D.N.Fernando
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Department of Economics
University of Kelaniya,
Kelaniya,
Sri Lanka

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ABSTRACT

Historically, the administrative systems the world over consist of various types with their own features and characteristics. These characteristics are governed by the differences relating to ethnicity, language, geography and other diverse factors that constitute the nature of the different countries.

Sri Lanka too has historically been characterized by the existence of different administrative systems from early times. The centralized system which was a feature of the colonial administration failed to satisfy adequately the needs and aspirations of the people and hence a system of decentralization and devolution was introduced particularly in the context of the ethnic problems that arose after independence. The provincial council system introduced by the Thirteenth amended to the Constitution in 1987 as a solution to these problems however failed to sufficiently address the problems relating to decentralization or devolution due to various inherent weaknesses and deficiencies.

One of the key features of the provincial council system that was introduced and prevails since 1987 is the establishment of the Finance Commission whose main function is the recommendation of the financial grants that are allocated to the various provinces to meet the fiscal requirements both recurrent and capital. This dissertation analyses the current system of grants, their rationale, methodology and implementation as well as the weaknesses and deficiencies that characterize the grants system as presently prevalent.

In the process it also examines certain relevant features such as provincial revenue and expenditure that characterize the present system of financial devolution as well as the benefits and weaknesses inherent in the system.