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### A COMPARISON OF FISCAL FEDERALISM UNDER THE SUB NATIONAL GOVERNMENT SYSTEM IN SRI LANKA AND JAPAN: A SPECIAL REFERENCE OF REVENUE RAISING POWER DEVOLUTION

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## 研究ノート

### 共通価値創造により地域ブランド創出に取り組む コミュニティビジネス

－ 東京都足立区におけるNPO法人の活動を事例として－

河藤 佳彦

#### はじめに

コミュニティビジネスについて、地域経済や地域コミュニティの活性化における重要性が注目されるようになって久しい。コミュニティビジネスの役割が大きくなった理由は、多様化する地域課題を的確に解決する方策として行政が提供する公共サービスだけでは対応し切れなくなってきたこと、逆に多様化する地域課題の解決に取り組むことが新たなビジネスモデルとして有望であること、地域固有の原材料や特産品、歴史や文化、人材などの地域資源が、地域に密着して活動するコミュニティビジネスによって有効活用されることにより、地域経済活性化への貢献が期待されるようになってきたことなどが挙げられる。

地域経済の自立的で持続的な発展のためには、大きな付加価値や雇用を生み出す産業は重要である。しかし一方で、生み出す付加価値や雇用はそれほど大きくないが、社会的な地域課題を解決しながら地域経済を支え、さらに地域のブランドやアイデンティティを高めたりする産業も重要である。取り分け地域コミュニティの衰退傾向が顕著な大都市部においては、コミュニティビジネスの役割的重要性は高まると考えられる。

関東経済産業局は、コミュニティビジネスについて次のように説明している<sup>1)</sup>。定義は、「地域の課題を地域住民が主体的に、ビジネスの手法を用いて解決する取り組み」と捉える。また、ソーシャルビジネスの概念との関係について、ソーシャルビジネスが社会的課題全般の解決を目指すのに対し、コミュニティビジネスはそのうちの地域的な課題に特に着目しており、ソーシャルビジネスはコミュニティビジネスを包含する概念である。さらに、コミュニティビジネスの組織形態は、NPO法人が比較的多くを占めるが、個人、会社組織、組合組織等、様々な形態が存在するとする。また、活動分野としては、まちづくり、環境、介護・福祉、IT、観光、地域資源活用、農業、就業支援等、あらゆる分野に拡がっており、地域課題解決というミッションを第一義に活動していることが、コミュニティビジネスたる所以とする。さらに、コミュニティビジネスの効果については、地域課題解決のためのビジネスの場を形成することで、地域における創業機会・就業機会を拡大する効果が望まれること、地域住民自らが主導し実践する

ことによって、地域社会の自立・活性化、地域コミュニティの再生などの効果が期待されると同時に、活動主体たる地域住民にとっては、社会活動へ参画することで自己実現を図ったり生き甲斐を得る機会になるとする。

コミュニティビジネスの意義や社会的役割についての論点は多岐にわたるが、本稿では地域の特産品を活かした「食」の振興により、地域ブランドの創出に取り組むコミュニティビジネスに着目し、その可能性について考察する。コミュニティビジネスは、地域の特産品を活かした「食」の振興に取り組むことにより、地域ブランドという「社会的価値」を創出し、同時に自らのためにも事業収益という「経済的価値」を創出することができる。創出された地域ブランドは、地域の関係業種に共有されるだけでなく、関係業種以外の幅広い業種にも、市場からのイメージを向上させることを通して恩恵を与える。さらに、市民が地域ブランドへのプライドを共有することで市民アイデンティティの向上を促進することができ、コミュニティの活性化にも貢献する。

本稿は、コミュニティビジネスの意義や可能性について理論的な整理を行った上で、東京都足立区で積極的に地域の社会経済の活性化に取り組んでいるコミュニティビジネスである、「特定非営利活動法人（NPO法人）あだち菜うどん学会」（以下、「あだち菜うどん学会」とする）を探り上げ、その活動を可能性や課題といった側面から評価していきたい。

## 1. コミュニティビジネスの理論的位置づけ

コミュニティビジネスの存立基盤となる「コミュニティ」の意義について、馬奈木・中村・松永（2019）は、「一定の地域の共同生活で繰り広げられる生活空間における共同性や相互作用で生み出される価値意識」（p.213）であり、「地域住民が、生活者の視点で生活の場を見直し、共通の問題への関心のもと、共同の力で地域問題を解決していくための活動の場」（p.213）としている。そしてコミュニティビジネスを、「地域社会における社会貢献のための地域社会に根差した事業性・収益性のある活動」として捉えている（p.215）。

高寄（2002）はコミュニティビジネスを、第三セクターの中核的存在であり、変革の担い手として捉えている（pp.6-18）。なお、高寄は第三セクターについて、「いわゆる官民共同出資の株式会社である第三セクターではなく、行政・企業セクターでもない、市民活動団体、公益法人、生活協同組合などの非行政・企業セクターをすべて統合したセクターが、本来の第三セクター」（p.3）と捉えている。そして、コミュニティビジネスの要素について、必要条件として事業性（ボランティア団体、政策系NPO、自治会などと区別、一定以上の事業収入）と地域性（地域社会のニーズを対象とした事業展開）、十分条件として変革性（地域社会の課題解決の事

業内容・目的が必要)、市民性(地域社会の市民による運営の主導権、一定以上の市民資本、貢献性(一定以上の地域社会への還元・非収益事業)を挙げている(p.6)。第三セクターの定義について国は、「地方公共団体が出資又は出資を行っている一般社団法人及び一般財団法人(公益社団法人及び公益財団法人を含む。)並びに会社法法人」としている<sup>2)</sup>。これとは異なる定義を高寄が提示していることは、社会におけるコミュニティビジネスの位置づけを明確にする前提として有意義である。その上で、コミュニティビジネスの要素(条件)が必要条件と十分条件の視点から整理されており、コミュニティビジネスの本質を理解する上で有益な視点を提供してくれる。ただし、コミュニティビジネスの範囲については、自立的で継続的な地域発展を幅広く促進する趣旨から、できる限り幅広く捉えることが望ましい。具体的には、地域課題の解決に貢献するのであれば、高寄の提唱する条件のうち「市民性」と無償の「貢献性」については必ずしも厳格に適用しなくても良いと筆者は考える。

地域の諸セクターのコミュニティビジネスとしての適格性についても、高寄(2002)が丁寧に論じている(pp.18-24)。ここで検討対象となる地域セクターとして挙げられているのは、地方自治体、外郭団体、営利企業、公益法人、生活協同組合、地縁組織、ボランティア団体、政策系NPO、事業系NPOである。このうち、コミュニティビジネスの適格性を持たない地域セクターとその理由を、次のように述べている。地方自治体:公共性が目的であり、収入財源が対価でない地方税であり、事業性とは無関係。ボランティア団体:事業継続性・事業収益性がきわめてひくくコミュニティビジネスとはいえない。逆に、コミュニティビジネスの適格性を積極的に持つ地域セクターとその理由を、次のように述べている。事業系NPO:事業継続性・事業収益性があり、コミュニティビジネスに該当する。これらの見解は的を射ている。他の地域セクターについては、団体の性格によってはコミュニティビジネスに該当する場合もあるとしている。その見解も基本的には的を射たものである。

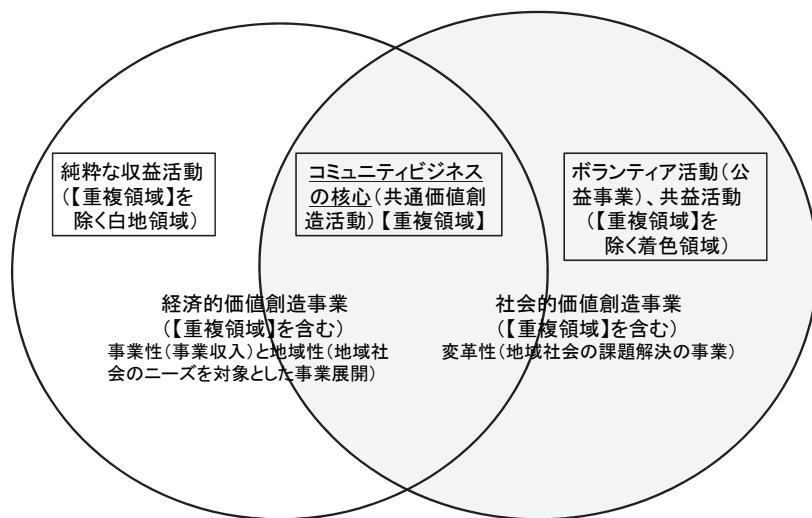
高寄(2002)は、営利企業のコミュニティビジネス適格性について、「利益配分でなく共益性が目的の形式的株式会社はコミュニティビジネスといえる」(p.21)としている。櫻澤(2006)も、コミュニティビジネスの意義について、「自発的に参画している地域住民が事業展開の主体となり、自己実現や社会貢献といったような非経済的インセンティブを優先しつつも的確なビジネスマインドを同時に保有し、コミュニティへの貢献というミッションの元に、様々な地域課題や住民ニーズへの対応を主たる活動テーマと位置づけつつ、継続的な事業活動を行おうとするものである」としている。

コミュニティビジネスとしての適格性に係るこうした議論には基本的に賛同できる。しかし、利潤追求を主とし一般市民の参画がない営利企業であっても、地域課題解決のための公益性・共益性をもつ事業を展開している場合には、利益分配が目的であってもコミュニティビジネス

と捉えても良いと筆者は考える。藤江（2004）もこのことについて、「組織形態はたとえ営利企業であっても、地域の住民や市民の抱える問題を理解し、彼らのニーズや要求にこたえるサービスや財を適切な価格で提供するならば、有償であったとしても社会貢献度は高く評価すべきであろう。地域の受益者、住民のニーズに応え、地域の課題解決をどれだけ達成したかが、社会的貢献性として重要な評価軸でなければならない」としている。

利潤追求を主とする営利企業についても、地域課題解決のための高い公益性・共益性を持つ事業の展開を可能にする理論的根拠となるのが、ポーター・クラマー（2011）の提唱する共通価値創造の理論である。ポーターらは「共通価値」の概念について、「企業が事業を営む地域社会の経済条件や社会状況を改善しながら、みずからの競争力を高める方針とその実行と定義できる」（p.11）、「企業は、社会的価値を創造することで経済的価値を創造できる」（p.14）としている。これにより、共通価値創造は「企業が地域において『社会のニーズや問題に取り組むことで社会的価値を創造し、その結果、経済的価値が創造されるというアプローチ』（p.10）」として捉えることができる。この理論は、営利企業のみならず、他の地域セクターがコミュニティビジネスを実施する場合にも当てはまる。すなわち、地域セクターがコミュニティビジネス以外の事業を実施している場合であっても、コミュニティビジネスに該当する事業については、共通価値創造の理論が適用可能である。

（図1）は、コミュニティビジネスの主体となる可能性がある地域セクター（高寄（2002）による類型化に基づく）の諸活動における「コミュニティビジネス」の位置づけを包括的に示



（図1）地域セクター活動における「コミュニティビジネス」の総括的位置づけ

出典：筆者による作成。

したものである。コミュニティビジネスの核心は、社会的価値創造事業と経済的価値創造事業の重複領域、すなわち共通価値創造活動として捉えることができる。なお、「純粋な収益活動」に属する主な地域セクターは、当該活動に重点を置く営利企業であり、「ボランティア活動（公益事業）、共益活動（複数の団体や個人に共通の利益を生み出す事業活動）」に属する主な地域セクターは、当該活動に重点を置く外郭団体、公益法人、生活協同組合、地縁組織、ボランティア団体、政策系NPO、事業系NPOと捉えることができる。ただし、営利企業であっても、CSRなどボランティア活動に近い活動を行う場合がある。また、ボランティア活動（公益事業）や共益活動に重点を置く地域セクターであっても、活動財源の確保のために純粋な収益活動を行う場合がある。

## 2. 先進事例としての「あだち菜うどん学会」

本稿で事例として採り上げる「あだち菜うどん学会」は、「足立区の特性を活かしたご当地グルメの開発・普及を行う。この活動により足立区のブランドを高めることで来街者の増加につなげ、農業生産物の需要と供給の増加と地域経済活性化、地域振興に寄与し、ひいては足立区民の地元愛着意識の向上を図ることを目的とする」（特定非営利活動法人あだち菜うどん学会定款）。これは、第1章で言及した事業系NPO法人として捉えることができる。

コミュニティビジネスは様々な経営形態や事業、財源の在り方があり、それは多様であって良いと考えられる。大事な要件は、各財源の由来に合理性があると共に継続性があり、事業主体がトータルとして自立的・継続的に活動していく点にある。その中で、特にあだち菜うどん学会に着目するのは次の理由による。コミュニティビジネスは社会的な貢献を重視する取組みであるが、ベースはビジネス（収益事業）であり、可能な限り財源において自立的な取組みであることが望ましいと考えられる。あだち菜うどん学会は、この理念に則した活動を行っている。

あだち菜うどん学会は、あだち菜（小松菜）を活用した食品の普及により地域ブランドの創出とそれによる地域活性化を目指しており、本質的に社会性の高い主体として活動している。また、それを支える事業体制として、事業活動ハブとしての役割を担う企業組合をはじめとする協力企業による連携・協働活動がある。あだち菜うどん学会は、こうした整った事業体制により、社会的価値創造と経済的価値創造を図りつつ多様な事業を展開することにより、地域活性化に取り組んでいる。次章以降ではその活動について採り上げ、事業系NPO法人のコミュニティビジネス活動としての意義について考察する。

### 3. 東京都足立区の概要

あだち菜うどん学会の活動の意義について考察するのに先立ち、その活動の拠点である東京都足立区の地域の特色について、以下、『足立の土地利用 2019：土地利用現況調査結果の概要』（足立区都市建設部都市計画課、2019）と『新修 足立区史 下巻』（東京都足立区役所編、1967）により概観する。なお、必要により他の資料により追記する。

#### （1）概況（位置・面積・人口・地勢）

足立区都市建設部都市計画課（2019、pp.1-4）により、足立区の基本状況を概観する。足立区は、東京 23 区の最北端に位置している（図 2）。東は中川をはさんで葛飾区、西は隅田川をはさんで北区、荒川区、北は埼玉県川口市、草加市、八潮市、南は葛飾区、墨田区、荒川区に接している。総面積は 53.25 km<sup>2</sup>、人口は 695,043 人である（総務省『国勢調査』、2020 年により追記）。

足立区はかつて海辺に接していた低湿地帯の一部であり、松戸・国府台の台地と上野・飛鳥山を結ぶ台地との間に横たわっていた入江や湿原、入り組んだ荒地であったと推定されている。区内は全体的に平らで、人工的に築かれた荒川の堤防や公園内の丘以外に丘らしい高地はほとんどない。

地勢上のもう一つの特色は、川が多いということである。東京を水害から守るために、1911（明治 44）年から 1930（昭和 5）年まで長い歳月をかけて開かれた荒川（放水路）が区内を西北から南東へと流れているほか、四方を川で囲まれ、南に隅田川、西に荒川、新芝川、北に毛長川、東に中川、綾瀬川、堀（がけ）川が流れている（西暦は筆者による追記）。

#### （2）足立区の沿革

あだち菜うどん学会の活動を理解するためには、その活動の動機付けの源泉となる、地域の歴史を知ることが重要な要件となる。そこで、近世以降の足立区の主要な沿革のうち、本稿のテーマと関係の深い地域産業に關係する主な箇所を中心に、足立区都市建設部都市計画課（2019）



（図 2）足立区の位置図

出典：足立区役所  
(<https://www.city.adachi.tokyo.jp/hodo/ku/aramashi/profile/chise.html>、2022 年 8 月 3 日取得) による。

の引用（pp.5-10）を基本とし（引用文献の記述のない箇所は当該文献の引用）、他資料の引用を追記する形式で概観する。

## 1) 交通

1590 年に後北条氏が滅びると、関東 6 カ国は徳川家康が支配するようになり、1591 年に千住村で検地が行われ、1597 年には千住宿が宿駅に指定された。この間、1594 年には、関東郡代伊奈忠次により、隅田川（当時は荒川とよばれていた）に千住大橋がかけられている。この大橋によって奥州街道筋が本区を縦貫するよう固定され、千住宿を中心とするその後の足立の変遷が形作られていく。3 代将軍家光の時代になると、千住が日光街道の初の宿場となり、日光東照宮参詣や参勤交代の大行列でにぎわった。

道路は江戸時代になって急速に発達し、江戸以北と江戸をつなぐ街道はほとんどが千住を経由するようになった。区内には旧日光街道、水戸街道、下妻街道、赤山街道、鳩谷街道の 5 街道が通り、ほかに大師道、阿弥陀道、熊谷堤道があった。また、当時の貨物輸送は舟便が主役で、特に荒川を利用して江戸、川越間を往復する川越舟はその花形であった。

## 2) 農業・漁業

江戸幕府の治水政策の浸透により農耕地の開拓が進み、未開地であった足立区東部の地で佐野新田に代表されるような新田開発が始まられると、徐々に定住者が増えていった。新田は 1596～1703 年の間に 17 か所が開発された。江戸中期以降は水田に加え、せり、ねぎなどの野菜、菊などの花の栽培が盛んになった。

農産物などの流通に関しては、千住市場、俗にいう「やっちゃん場」は天正年間（1573～1591）に始められ、千住大橋がかけられると、野菜・川魚の荷扱いが増え 1720 年頃には神田・駒込の市場と共に江戸の三市場となり、幕府のご用市場となった。千住市場については、東京都足立区役所編（1967）にも次の記述がある。「千住青物市場の起源は遠く、天正年間（1573～）で、江戸時代は神田・駒込とともに、幕府御用の三市場の一つとして隆昌をきわめていた。しかし明治維新後これら市場の問屋・仲買および組合はすべて解散され、また諸制度の改革や経済事情の急変などによって、府下の市場は一時衰微の状態におちいった。東京府では、はじめこれらの施設に対する対策については省みようとはしなかったが、1877（明治 10）年 6 月に市場の盛昌、商業の保護に注意し、府下における営業者の相互補益、組合永続の方法を立てさせる趣旨で、「魚鳥ならびに青物市場および問屋仲買営業例規税則」を公布し、これによって市場の数を定め、問屋仲間に鑑札を与えるなどして、市場の保護発達を図った」（p.992、西暦は筆者追記）、「1888（明治 21）年における府下市場の記録中に、千住魚鳥市場：問屋戸数 4、仲買戸数

3（中略）、千住中組青物市場：問屋戸数 36、仲買戸数 8（中略）とあり、魚鳥市場は日本橋、深川、芝金杉について売上高を示し、青物市場は神田、京橋と同様な売上高を示している。なお 1877（明治 10）年、4 か所だった魚市場は、この時（1888（明治 21）年）には 12 か所に増加している」（pp.993-994、西暦は筆者追記）。

農業については、東京都足立区役所編（1967）にも、足立区の代表的な作物として、米とそ菜（せり、里芋、かぶ、はす、小松菜、ねぎ、くわい、みつば、京菜、食用ゆりなど）、花卉が紹介されており、次の記述がある。「米：足立区は地勢平坦、地味肥沃で、古来から農業地として開けてきたことは人の知るところである。利根川、荒川などの河川による灌漑の便に富み、その大部分は古くから水田として耕され、土地開発以来、米は主要農産物であった」（p.905）、「そ菜：米に次いでそ菜の栽培も盛んで、新鮮な野菜の供給地として重きをなし、産物の豊作、不作は青物市場を左右したといわれている。現在と異なり、遠隔の地からの輸送が不可能な時代であったから、鮮度を争う野菜などについては、江戸府内在住の者はその近隣に頼るほかなかったのである。この点からみて、足立のそ菜類は重要なものであった」（p.907）。さらにそ菜のうち、本稿との関わりが深い小松菜については、次のように紹介されている。「小松菜：長禄年間（1457-9）滝野川・田端・中里辺に栽培したのがはじめてで、小松菜の名称を得たのは、徳川將軍が、しばしば小松川・松江（現在の江戸川区）方面へ鷹狩したおり、地方の名物としてその地のものがこの菜を献納したのにはじまるという。足立でも栽培したことは確かであるが記録がない」（p.908）。また同資料は、明治以後のそ菜園芸について、次のように記述している。「東京府下におけるそ菜園芸は、都市の発展にしたがい米麦などの耕作地が減少したのに反し、むしろ増大の傾向を示した。これはそ菜の需要が年々増大していること、その栽培が他の農業に比較して有利であることなどに起因するものである。本区内の各町村は古来からの長い経験と、そ菜栽培家の日夜の精進によって最も好条件なそ菜生産地として、府下でも重要視されてきた」（p.940）。

### 3) 工業

明治・大正初期には、レンガ造りの建物は一種の流行となった。良質な原料土にめぐまれ、製品の運搬に水運が使えた足立区の堀之内、小台大門、宮城、本木等は、レンガの供給地であった。しかし、関東大震災後は需要が止まり、次々に工場が閉鎖されていった。また、日本製靴株式会社（リーガルコーポレーション）が 1903（明治 36）年に千住橋戸町に設立され、さらに 1907（明治 40）年、千住緑町に日本皮革株式会社（ニッピ）が創業されると、この付近に大小の製靴工場が群立し、都内一の靴生産地となり、併せて製靴工場も多く立地し、靴の生産も盛んになった。1937（昭和 12）年の日中戦争勃発を契機とする軍需産業の異状な発展で、近代的

な大工場が足立区内に進出してきた。その主なものは製鉄工場、戦車製造などの重車両工場、精密工場、化学薬品工場であり、重量運搬に舟運が使われたため、それらの多くは隅田川、中川、綾瀬川、荒川の沿岸に建てられた。

足立区の工業発達の推移については、東京都足立区役所編（1967）にも次の記述がある。「足立区の工業は明治時代はその搖籃期で、大正時代は成長期に当たる。昭和に至って年を追って工場が増加し、1936（昭和 11）年以降は東京における主要工業地区となり、各種工場の煙突が林立する盛況を呈するに至った。とくに、1937（昭和 12）年日華事変の勃発を契機として、軍需産業が急速に伸び、墨田川沿岸、千住関屋町、千住曙町に鉄鋼工場が林立し、また、中川沿岸大谷田町には戦車・上陸用舟艇のディーゼルエンジン、航空機の精密部品を製造する日立製作所亀有工場、国産精機（のちに日立精機）などの大工場が建設された。なかでも兵器を製造した日立工場は第二次世界大戦中に、動員された学徒や徴用工を使用し、その従業員は三万ともいわれた」（pp.977-978、西暦は筆者追記）。

東京都足立区役所編（1967）は続けて次のように述べている。「終戦後、軍需工場は閉鎖となり、重工業は衰退したが、他の工業地帯が空襲で大被害をうけたのに対して、本区の工場群は極めて僅少な被害でしたため、平和産業に切り替えると同時に、再び活発となった。その発展状況は統計表を見てあきらかであるが、1963（昭和 38）年末の工業統計をみると、前年度 2,650 工場であったものが 4,334 工場に増加している。これは 9 人以下の零細企業が工場数に加えられたのと、家内工業的下請工場が急速に伸びたことを示している」（p.978）、「現在（1967 年当時、筆者追記）、足立区の産業は、東京における産業分布同様、各種にわたっているので、その特色をあげることはむづかしいが、工場数の多い順に産業種別をあげると次のようである（以下、上位 2 産業のみ引用、筆者追記）。金属製品製造業：金属玩具・ライター・装身具・製罐などの工場が多い。その大半は中小企業、または零細企業で下請工場がほとんどである。金属玩具や装身具などは輸出されている。そのほか、ボールベアリング・ネジなどの製造工場がある。工場総数 789。皮革、同製品製造業：皮革製造の大企業があり、製靴工場が多い。メーカーは 150～160 社であるが、その関連の下請零細企業はおびただしい数にのぼる。毎年靴の見本市が催され、製品は大量に輸出されている。靴のほかに、カバン・バンド・毛皮の製造工場もある。工場総数 437」（pp.978-979、西暦は筆者追記）。

#### 4) 近年の動向

近年では、2007（平成 19）年に東京未来大学が開学し、2010（平成 22）年に帝京科学大学新キャンパス、2012（平成 24）年に東京電機大学新キャンパスが開学した。さらに、2021（令和 3）年に文教大学新キャンパスが開学、2022（令和 4）年に東京女子医科大学附属足立医療セ

ンターが開設された（あだちなうどん学会へのヒアリング調査に基づき追記）。また、2008（平成20）年には、新都市交通：日暮里・舎人ライナーが開業された。まちづくりとしては、2004（平成16）年2月に北千住駅西口地区、2005（平成17）年3月に竹ノ塚駅西口南地区の市街地再開発事業が完成した。北千住駅西口地区では、再開発ビル「千住ミルディス」が完成し、商業の拠点、文化の拠点としてにぎわいをもたらしている。また、竹ノ塚駅西口南地区では、再開発ビル「エミエルタワー竹の塚」が完成した。

#### 4. あだち菜うどん学会の概要

あだち菜うどん学会（東京都足立区千住〔企業組合M内〕、設立：2015年）の概要を確認する。以下、(1)～(5)は同法人のホームページの情報<sup>3)</sup>、(6)は東京都のウェブサイトの掲載資料（出典は(6)の項目に記載）による。あだち菜うどん学会は、東京の特産品を地元食材として注目して活用し、本当の意味での豊かな日本になれる事を心より願い活動しているという。

##### （1）「あだち菜」の名称の由来

「あだち菜」の名称は、次のような由来による。足立区は、江戸時代に世界最大規模の宿場町を擁していた。それ以前から生鮮野菜の栽培が盛んで、やっちゃん場（青物市場）があり、文化レベルの高い歴史や多くの野菜生産があった。

現在の小松菜は歴史を持ち、足立区における農業産出額順位第1位<sup>4)</sup>で、全国屈指の生産地の一つである。足立区で生産され、他地域よりも鉄分が30%程度豊富な高品質の小松菜を「あだち菜」と命名した（東京電機大学調べ）。

##### （2）事業立ち上げの経緯

東京商工会議所足立支部事務局長から「地元の活性を目的とし、きっかけに繋がる名物を開発しよう」との声掛けにより、同区で活躍する大学の教授、デザイナー、金融機関、新聞社、飲食経営者など多方面のメンバーが集結し「足立新ご当地グルメ創造プロジェクト」が結成された。その後注目したのは、地産地消である区内生産物である。足立区には小松菜を作る農家が多数あり、他地区と比べ製麺所も多いという事も知り得た。それらを踏まえ、その小松菜を活かし、フレッシュな状態で練り込んだうどんを作ろうと動き出した。

失敗を數十回繰り返し、ようやく生の小松菜を練り込んで、香りや味わい、そして彩りも活かした麺の製造技法を発見し完成した。通常の練り込み麺の場合は1～5%が平均と言われている中、この麺は20%フレッシュな状態での小松菜練り込みに成功でき、その麺を美味しいうど

んとして味わえるスープや食べ方を開発した（主な沿革は図3を参照）。

2012年6月	東京商工会議所足立支部が中心となり、任意団体「足立新ご当地グルメ創造プロジェクト」として始動。
2012年11月	東京都主催《第3回都内農林水産物を使用した料理コンクール》あだち菜うどんが最優秀賞を受賞（当時名称は「あだち肉うどん」）。
2013年3月	任意団体「あだち菜うどん学会」に名称変更。
2013年4月	業務用生麺「あだち菜うどん」飲食店で提供開始。
2013年9月	東京国体2013における足立区からの「おもてなし料理」として、あだち菜うどんが選定され、600食を配布。
2015年6月	足立区小中学校の学校給食で、あだち菜うどんの提供開始。
2015年12月	NPO法人認可。
2016年1月	病院や福祉施設で、あだち菜うどんの給食提供開始。
2016年4月	おみやげ乾麺「あだち菜うどん」の一般販売開始。
2016年5月	《第20回自治体総合フェア》国際展示場と東京芸術センター同時中継で、あだち菜うどんで町づくりセミナーを遂行。
2016年6月	あだち菜フェアが、イトヨーカドーチャレンジ大賞受賞。
2017年1月	「あだち菜パスタ」業務用生麺・おみやげ乾麺の提供開始。
2017年2月	《東京都地域特産品認証食品》あだち菜うどん&パスタが認定。
2018年12月	《足立おいしい給食グランプリ》にて、あだち菜パスタが最高位足立区長賞受賞。
2018年12月	《TBS報道7Daysニュースキャスター》にて、ビートたけし氏が「NPO法人あだち菜うどん学会名誉会長」就任を全国生放送で公表。
2019年2月	《スーパーマーケットトレードショー2019》に東京都代表枠として出展。

（図3）あだち菜うどん学会 沿革（出典サイトから的一部抜粋）

出典；あだち菜うどん学会 (<https://adachina.tokyo/>、2022年8月4日取得)

### （3）製品

あだち菜うどん学会が製造販売している主な商品としては、次のものが挙げられる。

#### ・「あだち菜うどん、あだち菜パスタ」（生麺）

足立区内にある東京都知事賞受賞の製麺所で造り上げる、着色料無添加で含有量20%の麺である。足立区の農園で収穫された新鮮なあだち菜の彩りと香り、味わいを守るために生のまま練り込んでいる。

#### ・「あだち菜うどん、あだち菜パスタ」（乾麺）

乾麺の練り込み量限界と云われた数値を上回り、小松菜を生換算で50%以上練り込むことに成功した。うどんは伝統の湯捏ね製法・パスタはデュラム小麦を活かす水捏ね製法で仕上げている。乾燥は共に、通常の4倍時間をかけた熟成乾燥で仕上げ、着色料無添加で自然な味わいと風味を活かした（写真1）。

・「あだち菜パウダー」（福祉法人とコラボレーション）

乾麺（あだち菜うどん、あだち菜パスタ）に不可欠な製品。足立区内にある社会福祉法人あだちの里で加工している。

・「あだち菜のお酒 緑でござる」

JA 東京スマイル足立直売部会の農家グループ・酒千会があだち桜エールを中心に創り上げた酒屋とあだち菜うどん学会が1年以上かけて令和に完成させた。あだち菜をたっぷりと加え、無濾過と天然色素にこだわった個性ある緑色のビール系発泡酒である。爽やかな香りとあだち菜、ホップの苦みが相乗効果を生み、コクがあるのに清涼感あふれる美味しさが特長である（写真2）。



（写真1）あだち菜うどん、あだち菜パスタ  
(乾麺)

出典：筆者による撮影（2022年7月20日）



（写真2）あだち菜のお酒 緑でござる  
出典：筆者による撮影（2022年7月30日）

#### （4）乾麺パッケージの由来とデザイン（写真1）

助六寺と云われる足立区の「易行院」には、歌舞伎で馴染みの「助六」を祀った塚がある。「あだち菜うどん おみやげ乾麺」発売の際には、粋で人気者の助六にあやかり表絵に「助六」をあしらった。この塚は助六を愛した「揚巻」との二人を祀った「比翼塚」である事を後に知ったあだち菜うどん学会では、「揚巻」をあしらった「あだち菜パスタ」を作り「二人をこの世で再会させてあげよう!」と思いついた、パスタ開発プロジェクトが発足した。

構想から1年以上の歳月をかけて完成した「あだち菜パスタ」には「あだち菜うどん」同様に、生換算で50%以上の小松菜が使用されており、艶やかな揚巻に相応しい美しくも美味しいパスタが出来上がったという。

## (5) 近年の成果の事例

あだち菜うどん学会では、参画企業や関係者の協働によりあだち菜を活用した独自の製品を開発し、取扱店や納入団体の拡大により、食品関係の分野における地域産業の振興と地域ブランドの創出、地域アイデンティティの創出に大きく貢献している。地域ブランド創出に貢献する近年の成果の事例として、次のような事柄が挙げられる。

### ・『東京都地域特産品認証食品』あだち菜うどん&パスタが認定（2017年2月）

東京産の原材料を使用した加工食品または東京の伝統的手法などの特徴、商品への思いやこだわり、味、品質における厳しい審査基準を達成した食品にのみ「東京都地域特産品認証食品」が認証される。お土産乾麺「あだち菜うどん&パスタ」はこの基準を達成し、現在も認証が継続されている。（あだちなうどん学会へのヒアリング調査に基づく追記）

### ・「あだち菜うどん&あだち菜パスタ 料理コンクール」（2017年7月）

地元足立への郷土愛を育んでいくことを目的とし、あだち菜うどん・あだち菜パスタを使用した料理コンクールが開催された（特別審査委員 足立区長ほか）。レシピの応募は足立区以外の区外・他県からも33作品と多数あり、最終優秀8作品の応募者全員が会場に集い、腕を競い合った。その結果、最優秀作品に「野菜がおいしいミートソースパスタ」が選ばれメディアにも取り上げられた。（あだちなうどん学会へのヒアリング調査に基づく追記）

### ・「おいしい給食グランプリ2018」最優秀賞受賞（2018年12月）

足立区小・中学校の「おいしい給食」メニューの新たな人気メニューを考案するため、足立区によりグランプリが開催され、足立区内小・中学校の学校栄養士がレシピを考え競い合った。そして、書類選考により3作品が選ばれ、試食審査の結果、「あだち菜パスタの野菜デミソース」が最優秀賞を受賞した。当行事の開催へのあだち菜うどん学会の直接の関与はないが、あだち菜パスタが教育の場で高い評価を得たことに意義がある（筆者追記）。

### ・足立区への寄贈（2021年5月）

あだち菜パスタ乾麺がコロナ禍による店舗休業などで販売が困難な状況になっていた。皆が心を込めて作り上げた大切な物という事もあり、賞味期限になり廃棄してしまうのは大変勿体ないと感じていた。これを誰かの役に立てないかと、足立区役所に相談し「あだち子どもの未来基金」に寄附した。

## (6) 事業内容

あだち菜うどん学会の事業について、NPO 法人ポータルサイト（東京都生活文化スポーツ局）<sup>5)</sup>に掲載された同法人の事業報告書により概観する。

なお、近年は実施事業が新型コロナウイルス感染拡大の影響を受けていることから、この影響を受けない状況での本来の事業活動を確認するため、新型コロナウイルス感染拡大が本格化した直前の時期である 2018 年度の事業に着目する（あだち菜うどん学会では 2018 年度は 2018 年 8 月 1 日から 2019 年 7 月 31 日の事業年度）。

### (a) 事業の成果

2018 年度は、特産品の開発支援・指導、販売促進事業を実施するとともに、地域経済活性化事業として、料理教室、講演会活動、見学会等を実施した。具体的な事業実績は（表 1）に示すとおりである。

あだち菜（小松菜）を使った特産品の普及に関する事業が 2 項目ある。即ち、足立区内の農家・製麺所を中心に行う特産品の開発支援・指導と、足立区内の飲食店・小売業者を中心に行う特産品の販売促進支援活動である。なかでも後者の事業に力点を置いていることが分かる。もう 1 項目の事業は、農業・商業従事者と消費者とのコミュニケーション及び情報交換・相互協力に関する指導・支援である。

（表 1）特定非営利活動に係る事業

事業名	事業内容	実施日時 (事業年度内の月)	実施 場所	従業者 の人数	受益対象者の 範囲及び人数	事業費 の金額 (千円)
特産品の開発支援・指導に関する事業	足立区内の農家・製麺所を中心に行う特産品の開発支援・指導を行う。	12/2/4 月	足立 区内	6 人	足立区内の農業従事者・食品加工業従事者 不特定多数	10
特産品の販売促進を支援する事業	足立区内の飲食店・小売業者を中心に行う特産品の販売促進支援活動を行う。	12/1/2/3/4/5/6/7 月	足立 区内	6 人	足立区内の飲食・小売業従事者 不特定多数	170
地域経済活性化支援に関する事業	農業・商業従事者と消費者とのコミュニケーション及び情報交換・相互協力に関する指導・支援	3/5/7 月	足立 区内	3 人	足立区民・足立区来街者 不特定多数	10

出典：「平成 30 年度事業報告書（2018 年 8 月 1 日から 2019 年 7 月 31 日まで）特定非営利活動法人 あだち菜うどん学会」（NPO 法人ポータルサイト（内閣府）（<https://www.npo-homepage.go.jp/npoportal/detail/013011974>、2022 年 8 月 12 日取得）、NPO 法人ポータルサイト（東京都生活文化スポーツ局）（[https://www.seikatubunka.metro.tokyo.lg.jp/houjin/npo\\_houjin/list/ledger/](https://www.seikatubunka.metro.tokyo.lg.jp/houjin/npo_houjin/list/ledger/)、2022 年 8 月 12 日取得））

### (b) 活動計算書（2018 年 8 月 1 日から 2019 年 7 月 31 日まで）

あだち菜うどん学会を、収支の側面から見ていく（図 4）。以下、活動計算書を基に、

<b>I 経常収益</b>	合計：404,013 円
・受取会費：正会員受取会費 100,000 円、賛助会員受取会費 0 円、・受取寄附金：受取寄附金 100,000 円、・受取助成金等：受取補助金 0 円、・事業収益：特產品開発支援事業収益 114,848 円、特產品販売支援事業収益 89,165 円、地域経済活発化支援事業収益 0 円	
<b>II 経常費用</b>	合計：740,305 円
○事業費	・人件費：0 円 [人件費計 0 円]、・その他経費：広告宣伝費 0 円、支払手数料 0 円、研究開発費 188,412 円 [その他経費計 188,412 円] <事業費計 188,412 円>
○管理費	・人件費：0 円 [人件費計 0 円]、・その他経費：通信運搬費 24,397 円、諸会費：15,000 円、交際費：0 円、広告宣伝費：508,824 円、備品・消耗品：0 円、雑費：3,672 円 [その他経費計 551,893 円] <管理費計 551,893 円> <当期経常増減額> -336,292 円
<b>III 経常外収益</b>	合計：93,802 円
<b>IV 経常外費用</b>	合計：0 円
	税引前当期正味財産増減額 -242,490 円 法人税、住民税及び事業税 70,000 円 当期正味財産増減額 -312,490 円 前期繰越正味財産額 656,175 円 次期繰越正味財産額 343,685 円

#### (図4) 活動計算書（2018年8月1日から2019年7月31日まで）

出典：「平成30年度事業報告書（2018年8月1日から2019年7月31日まで）  
 特定非営利活動法人 あだち菜うどん学会」（NPO 法人ポータルサイト（内閣府）  
<https://www.npo-homepage.go.jp/npoportal/detail/013011974>、2022年8月12日取得）、NPO 法人ポータルサイト（東京都生活文化スポーツ局）（[https://www.seikatubunka.metro.tokyo.lg.jp/houjin/npo\\_houjin/list/ledger/0011974.html](https://www.seikatubunka.metro.tokyo.lg.jp/houjin/npo_houjin/list/ledger/0011974.html)、2022年8月12日取得））

その要点を概観する。経常収益の特徴は、受取寄附金と受取助成金等がゼロであること、事業収益が特產品開発支援事業収益と特產品販売支援事業収益の2つの収益項目で構成されていることである。（表1）の事業内容の項目からこの2つの事業の公益性が高いことが確認されることに加え、地域経済活発化支援事業は収益がゼロであり事業内容も公益性が高いことが確認されることから、あだち菜うどん学会の事業活動は全体として公益性の高い活動であると言える。

一方、経常費用の特徴は、研究開発費と広告宣伝費の占める割合が大きく（2項目で経常費用全体の94.2%）、事業推進の実践的な支出構造になっていると言える。一方で、人件費はゼロになっており、事業を推進しているスタッフはボランティアで参画していることが分かる。

## 5. ヒアリング調査の実施

本研究では、コミュニティビジネスとして捉えられる事業方式によりに地域ブランド創出に

銳意取り組んでいる、あだち菜うどん学会から直接に、事業理念、取組みの現状や課題、将来展望などについて聴取した。実施概要は次のとおりである。

- ・日時：2022年7月20日（水）午後
- ・ヒアリング対応者：理事長（飲食店企業Eの経営者）A氏、理事（前理事長・企業組合Mの経営者）B氏、理事（製麺業企業Kの経営者）C氏

ヒアリング調査（ヒアリング調査以後の郵送による補足取材を含む）の結果によると、あだち菜うどん学会の理念や重点事業、法人の所在地を置く企業組合M、共に活動している企業との関係などについては、以下のように整理される。

#### （1）事業立ち上げの経緯

東日本大震災がきっかけの一つであった。足立区では、計画停電なども含めて地域経済への影響が大変大きく、倒産や廃業も多く発生した。1年が経過しても地域経済は復活しなかったことから、東京商工会議所足立支部が中心となり、足立区を活性化するためB級グルメの開発を目指して様々な有識者が集められ、「足立新ご当地グルメ創造プロジェクト」という活動が発足した。最初に商工会議所が声掛けしたメンバーは、商工会議所の会員も非会員もあった。また、行政関係者、金融機関関係者、デザイナー、コンサルタント、商店街振興組合連合会の理事長、地主、市場を代表する者、飲食店を代表する者など、多様なジャンルの人たちであった。その活動の中で自分たちも様々な試行錯誤を行った結果、一過性のご当地グルメではなく地域に根付くものとして小松菜に注目した。足立区は小松菜の区内生産量が豊富であり、東京電機大学の調査によると、鉄分が他の地域の小松菜より30%ほど豊富だという結果もある。

小松菜の名前の発祥は江戸川区と言われ、生産量が多く知名度も高いが、足立区の小松菜は品質が良いことから、自分たちも足立区産の小松菜を使った食品づくりに取り組もうと考えた。足立区内には製麺所が多くあることから、それも組み合わせて小松菜を使った麺づくりに取り組み商品を完成させた。自分たちの理念である足立ブランドの確立による地域活性化のためには、ご当地グルメを数多く出すより足立区の小松菜の知名度を高めることが大事だと考えた。そこで、足立区産の小松菜を筆頭に、足立区で採れる新鮮で美味しい野菜をアピールすることで地域の活性化を目指した。

小松菜は農家によって日常的に生産され身近な存在であったことから、自分たちは却ってその価値に気付かなかった。しかし、初めて足立区産の小松菜を食した時に、その美味しさに衝撃を受けた。美味しい足立区産の小松菜の知名度が低いことが悔しく、自分たちで名前を考えた結果、「あだち菜」になった。あだち菜の味を知る前後の、あだち菜に対する認識のギャップの大きさが積極的な活動の動機になった。

東京商工会議所の取組みがきっかけであったが、次第に自分たちのあだち菜うどん推進の活動の規模が大きくなつていったことから、商工会議所のプロジェクトの枠組みでは收まり切らなくなり、任意団体として単独で活動することになった。その後、活動体制を整える必要性が高まりNPO法人を設立した。

### （2）商品開発の経緯

あだち菜うどんの商品開発に当たっては、優れた製造事業者がいることが強みであった。しかし、強みが製造者だけであれば現在の発展には至っていない。

農商工、福祉、金融、行政など様々な業態の人たちに集まつていただき食していただいたことにより、作り方を知らない方々だからこそ、様々な提案や届託ない率直な意見が得られた。試作と多くの方々からの感想や意見のおかげで製品化にまで至ることができた。

### （3）立ち上げ関係者及び法人の拠点を置く企業組合Mとの関係

あだち菜うどんの製品化の際に中心となって取り組んだ人物に、企業EのA氏と企業KのC氏の2名がいる。A氏は飲食店を経営しており、商品開発の料理人を擁していた。C氏は麺製造企業の経営者である。A氏とC氏によるあだち菜うどんの試作は50回以上にも及び苦難の末に製品化に成功する。やがて、商品の販売が本格化する段階で、法人化の必要性が生じた。企業組合Mの代表理事のB氏は当該組合の経営をしていたことから、NPO法人の初代の理事長を務めることになった。B氏が理事長を引き受ける際に、事業を立ち上げたA氏とC氏2名に、近い将来には自立して事業を進めるよう約束し、そのためのプラットフォームは自分が創る旨を伝え、運営体制の整備に取り組んだ。現在は、開発者でもある飲食店経営のA氏が理事長を務めている。A氏が理事長を継承したことにより、これまで以上に地域や各団体との連携や繋がりが深まり、あだち菜うどん学会の活動は広く周知されるに至った。

あだち菜うどん学会で乾麺を作ることになった際には、C氏の会社では乾麺は作っていないかったことから、乾麺を製造できる企業Tの経営者D氏にメンバーに入ってもらった。そのときに、製造における最終的な取り纏め役を請け負う工場が必要だったので、その役割をC氏の工場に請け負ってもらった。そして、あだち菜うどん学会がロイヤルティー収入を受け取り、法人の運営費に充てるという流通の仕組みを作った。現在では、企業組合Mに製品を置き、各代理店が必要数を購入して顧客に販売していくという流れになっている。即ち、企業組合Mは現在、流通のハブ（結節点）になっている。

#### **(4) 人員体制（理事、会員、ボランティアなど）と組織体制**

人員体制については、基本的にA氏、B氏、C氏の3人をベースとしながら、会員やその他の関係者が事業に従事しており、必要に応じてボランティアも募集する。法人から報酬を受け取っていないという意味において、基本的には全員がボランティアである。常勤の事務局は置いていない。事務局も有った方が良いとは考えているが、今の状態では資金面でまだ難しい。収入構造としては、事業収入の比重が大きいことが特徴である。補助金は受けたことがない。

各々の会員からは1万円の会費を受けている。会費を負担している会員の動機は、熱意と一緒に取り組んでいこうという共感だと受け止めている。すなわち、メリットが動機というより、当法人の取組みの趣旨を訴えて理解を求め、主にアドバイスや活動支援をしていただいている。何のリターンもないが、皆さんで集まってお酒を飲む。その場合も各自で会費を出し合い、当法人で交際費は使ったことがない。賛助会員は、会費は受け取らず、あだち菜うどんや関係商品を店舗などで取り扱っていただく仲間たちである。一方で、当法人のホームページで紹介したり、当法人がテレビ取材を受ける際に協力していただいたりしている。

#### **(5) 協力者拡大の方策**

あだち菜うどんや関連商品を使った様々なレシピを作っている店舗が多くあり、ホームページで紹介されている。賛同者（仲間）を増やすに当たり特に協力を得たのは、信用金庫A Sである。信用金庫A Sには、地域振興を推進する部門がある。

足立区の行政から飲食店の店舗まで足立区の津々浦々まで熟知している方がおられ、足立区が盛り上がらないと金融機関も盛り上がらないとの発想の下、力強く推進していただいた。そして、飲食店、屋形船、葬儀社など様々な分野の取引先を紹介していただいた。

#### **(6) 事業発展の要因**

自分たちのような地域活性化の取組みが、地域の人たちから期待されていたように感じられる。足立区はまちとしての個性が弱いことから、地域活性化の起爆剤にできる活動が求められていることを感じる。行政の足立区にも色々と協力していただいている。当法人がN P O法人の形態をとったことが良かったようだ。特定の企業を行政が応援することに行政は躊躇するが、非営利活動を主な活動にするN P O法人という形態を探っていることから行政としても支援がし易い。販路拡大に取り組むに当たっても、N P O法人の肩書ができたことで、かなり活動がし易くなった。販路開拓に積極的な協力をいただいている信用金庫A Sも、製品紹介がし易くなつたという。製麺業企業Kでは、都心部の大手の企業の社員食堂10数カ所で、あだち菜うどんとパスタを提供している。企業組合Mでは、足立区や葛飾区などの老人ホームと病院にあだ

ち菜うどんを給食で相当数納入している。このように、製品の浸透を進めている。

足立区内の小中学校の給食では、定番メニューではないが、2カ月に1度程度の頻度で採り入れられている。更に高い頻度の学校も可能性はある。また、麺の製造過程で足立区産の小松菜のピューレを練り込んでいるが、このピューレのみでの出荷要請も出てきている。学校の家庭科授業、もしくは小中学校同士の料理コンテストが足立区にはある。そこで例えば、子どもたちがこのピューレを使ってケーキやポタージュを作つてみたいという需要がある。うどんとパスタ以外の「あだち菜」の名前と製品が徐々に普及し始めた。また、「あだち菜」という名称は造語だが、JA（農業協同組合）の直売所が、「あだち菜の郷」という名称になっている。また、乾麺の「あだち菜うどん」と「あだち菜パスタ」は足立区のふるさと納税の返礼品にもなっている。これらのことば、「あだち菜」が地域や行政に広く認知されるに至った証と考えられる。

#### （7）商品の種類の拡大

事業は「あだち菜うどん」で立ち上げたが、その後、「あだち菜パスタ」に取り組んだ。販売を始めたのは、あだち菜うどんへの取組みを始めてから概ね4～5年後の2017年であった。あだち菜うどんが給食に採用されてから、学校の栄養士の方々や学校、子供たちからパスタに対するニーズが生まれた。他にも、ラーメンやうどんに特化すべきなど様々な案があったが、子供たちの要望でパスタに決まった。

パスタは個性も出しやすい。うどんとラーメンの組合せより、うどんとパスタの組合せの方が外国などでも通用する。バランスの観点からも、パスタが良いということになった。また、試作した際にも美味しいし面白かった。

#### （8）課題

コロナ禍の影響でイベントなどが開催できなかつたことから、乾麺の在庫が多くなってしまった。賞味期限が近づいたことによって、昨年、足立区を通じて800パック程度を子ども食堂に寄附するなどした。寄附を受け取っていただくことは喜ばしいが、当該分はあだち菜うどん学会が負債として抱えることになる。あだち菜を原材料にした「緑でござる」という酒も、新潟の酒造メーカーに委託して造った。この酒は酵母が生きておりワインのように熟成するので、味の変化も楽しめる優れた商品だが、コロナ禍の影響もあり売れ行きが厳しく現在は製造していない。

商品の保管は、今は企業組合Mがハブ（結節点）として行っている。しかし、経済的負担はあだち菜うどん学会にかかるてくる。学会自体が大きな利益を出せるような状態ではないことが課題だ。利益が潤沢に上がり、学会にもロイヤルティーがしっかりと入り、学会の運営費が

貢えるようにしたい。自分たちからの持出しがなくとも事業を進めていける状態を作ることが大事な課題と考えている。ただし、商品は一度作ると販売促進や、パンフレット、手提げ箱などの様々なツールを作るため、どうしても軌道に乗るまでの数年間は大きな経費支出が必要になる。そのため事業活動を継続するためには、数年間は自分たちで資金を持ち寄るようぐらいの覚悟が必要となる。

#### (9) 今後の事業展望

法人発足当時は、東京オリンピックまでにある程度事業を軌道に乗せることを目標に取り組んできた。コロナ感染拡大で予定に支障が出たが、今後はあだち菜うどんやあだち菜パスタを通してさらに足立区の農業の活性化を進めていきたい。さらには、これらの商品を足立区だけでなく東京の名産品の一つというポジションにしていけるように、アプローチを広げていきたいと考えている。

足立区では、あだち菜うどんの展開前から農家と学校は大変親しい関係にあった。足立区の給食は、日本一美味しい給食と言われている。給食センターがあつて8割程度の調理が済んだものを給食センターから運んで加熱するという方法が普及しているようだが、足立区の場合は各学校に栄養士が配置されており、ハンバーグ一つを採り上げても全部「手ごね」で作っている。献立も、例えば小松菜のシチューだと、○○氏が栽培した小松菜で作ったシチューというように生産者の名前が分かっている<sup>⑥</sup>。農業体験を含めて顔が見える関係同士の食の流れなので、フードロスの削減における効果が大きい。あだち菜うどんもフードロス削減に貢献できる。あだち菜うどん学会だけではなく、小松菜などの農作物を中心とした農業や行政との繋がりがそのベースにある。

それを実感した、居酒屋の従業員と小松菜栽培農家U氏のエピソードがある。あだち菜うどん学会の会合を、あだち菜うどんを取扱店で行った。その会合で、アルバイトの女性が、会員一人の小松菜栽培農家U氏に、このアルバイト女性が「Uさんは、ひょっとして小松菜を作っている農家のUさんですか」と声掛けをしてきた。アルバイト女性は、「とても嬉しい、私、Uさんの栽培された小松菜を学校給食で食べていて、美味しいと思っていました」と言ってくれた。足立区の小松菜栽培農家の小松菜で育った小学生が、その店のアルバイトであったことは嬉しかった。収穫体験も行ったとのことである。

農家が大規模でなく、中小規模農家が小じんまりとあるからこそ地域に根付いている。自分たち自身も足立区産の小松菜を日頃口にしているかというと、流通の仕組みが十分に整っていないために難しい状況にある。一方で、東京は人口が多く多様な特産品が多いことから、ブランド化しようと頑張っても埋もれてしまう。その対策が必要だ。

## まとめ

コミュニティビジネスは、取り分けコミュニティの衰退が顕著な大都市部において、多様化する地域課題を的確に解決し、地域経済の自立的で継続的な発展を促進するために重要な役割を担う。コミュニティビジネスの範囲は、自立的で継続的な地域発展を幅広く促進する趣旨から、高寄（2002）が提唱する事業性、地域性、変革性、市民性、貢献性といった条件を踏まえつつ、できる限り幅広く捉えることが望ましい。利潤追求を主な目的とする営利企業であっても、地域課題解決のための高い公益性・共益性を持つ事業を展開している場合には、コミュニティビジネスと捉えて良いと考えられる。その理論的根拠を、ポーター・クラマー（2011）による、（企業が）「社会のニーズや問題に取り組むことで社会的価値を創造し、その結果、経済的価値が創造されるというアプローチ」として捉えられる共通価値創造の理論に求めた。この理論は、営利企業以外の地域セクターが実施する、コミュニティビジネスに該当する事業活動についても適用することができる。

本稿では、以上のようなコミュニティビジネスの意義や社会的位置づけに関する理論的な考察を踏まえ、共通価値創造により地域ブランド創出に取り組み成果を上げてきたコミュニティビジネスの事例として、東京都足立区の「あだち菜うどん学会」の活動を取り上げ、その活動意義の理論的背景、活動拠点である足立区の地域個性、団体としての活動の実績や課題、将来展望などについて考察した。あだち菜うどん学会の活動体制は、ハブ（結節点）としての企業組合Mを中心とし、自己の本来事業に取り組む関係企業によってしっかりと支えられている。その体制により、特産品による地域ブランド創出という社会的価値創造と、それによる事業参加企業やあだち菜うどん学会の事業収入獲得という経済的価値創造が一致した活動を展開している。

あだち菜うどん学会の活動のきっかけは、東京商工会議所が中心となって始められた、足立区を活性化するためのB級グルメの開発を目指す「足立ご当地グルメ創造プロジェクト」であり、多様な分野の人たちが集まった。あだち菜うどん学会の活動は、このプロジェクトから発展的に独立して始められた。その立ち上がり母体である「足立ご当地グルメ創造プロジェクト」が、地域諸主体の連携と協働による地域活性化のための取組みであったことは、あだち菜うどん学会の基本的な性格に大きく反映されていると言える。また、あだち菜という特産品（足立区の個性であり優位性と捉えられる）に注目し、それに特化して徹底的に有効活用し、地域ブランドの構築に取り組んだことが効果を發揮したと考えられる。またその実現のために、第一次産品である足立区産の小松菜（あだち菜）の生産農家と製麺事業者を結びつけ協働したことが、生麺・乾麺のうどんやパスタ、さらにはビールの製造を可能にした。今後とも新たな協働

体制を構築することにより、新たな商品の創出が期待される。

次に、人員体制と組織体制について考える。関係者はボランティアで事業に参画している。事業は、あだち菜を使った商品の販売を促進することによって足立区の地域ブランドの創出を図るものであるが、その動機は自らの直接の事業収益ではなく、足立区の地域活性化である。しかし、その活動の結果として地域ブランドが向上すれば、地域における関係事業者全体の事業収益が向上し、自身の事業収益も向上する。事業収益の獲得のみを目的とする企業ではこのような効果は得られない。コミュニティビジネスの役割が期待される大きな理由がそこにあると言える。組織体制については、あだち菜うどん学会が、企業組合Mを流通のハブ（結節点）としてプラットフォームを構築し、生産者側と販売者側を集約し橋渡しする役割を担うことによって事業を推進している。

また、事業推進の協力者として、販路の拡大には地元金融機関の信用金庫ASが大きく貢献している点も注目される。地元金融機関は地域の企業情報を知悉しており、豊富な取引ネットワークを擁していることから、その協力を得ることは大きな事業推進力となる。また、区内小・中学校における、給食を活用した食育との連携も重要である。給食において地元産の農産物やその加工品を使用することにより、新鮮な食材を供給できると共に、子供たちの地域への関心を高め、地域アイデンティティの育成にも貢献する。

当面の課題は、コロナ禍による商品の販売量の低下といった困難を乗り切ることである。また、新商品を開発する際の開発費用や広告宣伝費用の資金調達も課題である。コミュニティビジネス向けの公的融資制度や、地元金融機関によるリレーションシップバンкиングに基づく融資の拡大が望まれる。また、今後の事業展開として、あだち菜うどん学会は、あだち菜うどんやあだち菜パスタを通して足立区の農業活性化を進めていくこと、さらには足立区だけでなく東京の名産品の一つというポジションを獲得できるよう取組みを拡げていくことを目指している。農業者、食品製造業者、食品販売業者や飲食店、地元金融機関、学校など地域の諸主体が連携して、あだち菜（小松菜）を活用した地域ブランド創出に取り組むことにより地域が盛り上がりつていけば、地域の経済規模が大きくなると共にコミュニティが活性化し、さらには地域内外の人々の交流が拡大する。

## 注

- 1) 関東経済産業局 (<https://www.kanto.meti.go.jp/seisaku/cb/index.html>、2022年8月1日取得)
- 2) 総務省自治財政局公営企業課報道資料（2014年8月5日）「第三セクター等の経営健全化の推進等」の別紙資料「第三セクター等の経営健全化等に関する指針」による。
- 3) あだち菜うどん学会 (<https://adachina.tokyo/>、2022年8月4日取得)
- 4) 東京23区において足立区の小松菜の収穫量は、江戸川区(2,819t)、葛飾区(746t)に次いで第3位(457t)である。東京都内の市区町村全体においても同じく第3位である。また、足立区における農業産出額順

位（グランドカバー類を除く）は第1位（33%）である。

出典：東京都産業労働局農林水産部『東京都農作物生産状況調査結果報告書（2019年産）』2021年3月

- 5) NPO 法人ポータルサイト（東京都生活文化スポーツ局）([https://www.seikatubunka.metro.tokyo.lg.jp/houjin/npo\\_houjin/list/](https://www.seikatubunka.metro.tokyo.lg.jp/houjin/npo_houjin/list/)、2022年8月4日)から検索により取得。
- 6) 足立区の給食は、できたてを提供するために各校調理方式をとり、天然だし・薄味を基本とし、すべて食材から調理している。また、各校に配属された栄養士が献立に工夫を凝らし、味つけや塩分量を管理している。さらに区では子どもたちにもっとおいしく給食を食べてもらうための取組みを行っている。「おいしい給食」とは、味として「おいしい」と感じるだけでなく、自然の恵みや料理を作ってくれる人への感謝の気持ち、給食の時間がより楽しく、心を豊かにすことができ、またからだにとって大切な食べ物を知り、選ぶことができる「給食」である。足立区は「生きた教材」として、児童・生徒が食を学び、自ら食べたくなり、思い出に残る「おいしい給食」を、学校、保護者、調理業者、農家等とともにめざしているとしている。そのために、「味」、「食材」、「献立」、「環境」の4つの項目から改善を図っている。

出典：足立区 (<https://www.city.adachi.tokyo.jp/gakumu/k-kyoiku/kyoiku/kyushoku-torikumi.html>、2022年9月1日取得)

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# A COMPARISON OF FISCAL FEDERALISM UNDER THE SUB NATIONAL GOVERNMENT SYSTEM IN SRI LANKA AND JAPAN: A SPECIAL REFERENCE OF REVENUE RAISING POWER DEVOLUTION

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## 1. Introduction

This study attempts to analyze with some of the strengths and weaknesses pertaining to fiscal decentralization in provincial and local governments/ authorities in Sri Lanka and to compare it with Japanese system. Sri Lanka is a small developing country that follows the Westminster model of cabinet government with a French-style Executive President at the top and a system of regional governments at the middle with underneath local governments. This system has been developing gradually from independence basically where a regional government system initiated in 1987 with modifications of local governments system. The political system is highly adversarial, which have alternated in power since Independence. Specially, this power decentralization from top to down has adopted as a conflict management strategy in Sri Lanka. Such decentralized political systems are an abundant characteristic in the world, it has been adopted many countries in their political administrative processes and have responded to the changing conditions and circumstances despite their strong centralized tendency. By present, many of such countries function effectively in these power decentralized systems. Similarly, Japan is also executing this system for many decades. Japan is 6 times bigger than Sri Lanka and a developed country. The Government runs under the framework established by the Constitution of Japan, adopted in 1947. Politics of Japan are conducted in a framework of a dominant-party bicameral parliamentary constitutional monarchy, in which the emperor is the head of state, and the Prime Minister is the head of government and the head of the Cabinet, which directs the executive branch. The Cabinet has the executive power and is formed by the Prime Minister, he is designated by the National Diet and appointed to office by the emperor. In Japan, the system of local self-governments has been guaranteed by the Constitution of 1947, provides for directly elected governors, mayors, and assembly members. At the local-government level, authorities have a wide range of functions and fiscal responsibilities; a fusion of responsibility and finance exists, with two-thirds of all government expenditure being local; and there is a tradition of frequent personnel shifts at the executive level (Furukawa, 1999). As the Unitary States, the Central governments of both countries have been handling their functions, responsibilities, and public administrative powers in a sharing system or sharing a percentage of power with sub national and local governments for more than five decades.

The theory of fiscal federalism<sup>1</sup> assumes that a federal system of government can be efficient and effective at solving problems governments face today, such as just distribution of income, efficient and

<sup>1</sup> The term “fiscal federalism” was introduced by the German-born, American economist Richard Musgrave in 1959. Fiscal federalism refers to how central, state, and local governments share funding responsibilities.

effective allocation of resources, and economic stability. Federalism is the sharing of power between national and state/ local governments<sup>2</sup>. Fiscal federalism attempts to define the division of governmental functions, and the financial relationship between, different levels of government (usually how federal or central governments fund state and local governments)<sup>3</sup>. The principles of fiscal federalism are concerned with the design of fiscal constitutions, that is, how taxing, spending, and regulatory functions are allocated among governments and how intergovernmental transfers are structured. Both in the industrialized and in the developing world, nations are turning to such a devolution to improve the performance of their public sectors. The hope of this federalism is that state and local governments, being closer to the people, will be more responsive to the preferences of their constituencies and will be able to find new and better ways to provide the services. Focusing on such a role, both Sri Lanka and Japan have shared their functional and financial powers to Sub National Governments (SNGs)<sup>4</sup>. Under this devolution frameworks, considerable number of functional responsibilities are assigned to the lower-level units/ governments. The consequence of this is the inadequacy of financial capacity of SNGs as it is directly related with financial autonomy pertaining to revenue raising power.

## **2. Background of the Study**

Under federalism / power decentralization, functions are devolved from center to SNGs giving opportunities to provide services and engage in development activities in their territories. The Functional devolution mostly followed the general trend of allocating matters of national importance to the Central Government and those of regional or local interest to regional or local governments and such functions are divided on a legitimate framework while there are some shared works in a concurrent list. Ministries or institutions are formed in each level to manage, implement, and monitor these functions. Matters regarding how these institutions are financed in order function effectively, efficiently, responsively, and accountably, should be addressed from the outset, because the operational success of public institutions depend on adequate financing. In a federal/ decentralized system, fiscal autonomy should have to be constitutionally defined and guaranteed and given a real meaning to the notion of self-rule particularly.

However, the most vital part of fiscal federalism is revenue raising power and how its power is delegated to lower-level governments. Fiscal and financial arrangements, hence, are pivotal in a federal system in that they determine the nature and meaning of shared rule and self-rule in practice. Especially, to carry out functions successfully, various levels of government require a specific fiscal autonomy and a

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<sup>2</sup> For an economist, nearly all public sectors are federal in the sense of having different levels of government that provide public services and have some scope for de facto decision-making authority (irrespective of the formal constitution) (Oates, 1999).

<sup>3</sup> There are different meaning of fiscal freedom, fiscal devolution, and fiscal federalism. Fiscal freedom is a broader suite of local taxes and restoration of certain grant funds, fiscal devolution is same local taxes but devolution of some central taxes and fiscal federalism is locally determined tax regimes (Local Government Association, 2020).

<sup>4</sup> Sub-national governance can be defined in general, as a process of exercising administrative, legislative, economic, and political authority and powers by provincially elected bodies functioning within their respective legally recognized territorial jurisdictions (Sivakuma, 2013).

revenue raising authority. However, this is a critical part and hence it may not have been successfully delegated or given financial devolution is weak when it comes to lower level of governments. Indeed, there are some questions relating to the allocation of expenditure responsibilities, the assignment of revenue raising powers, a system for fiscal equalization, and regional borrowing. In relation to this, a considerable number of cases in the world have recorded that the power of revenue generation in lower-level governments are not successful and or there are some inabilities to do that in constitutional barriers. Nonetheless, the availability of revenue sources, particularly in imposing taxes, is limited in jurisdiction, and existing sources are not feasible in their fertility. This is directly connected with the amount which they spend on service provision and development activities of lower-level governments.

There are two types of lower-level governments or SNGs below the Central Government in Sri Lanka. Rationale for such federalizing in Sri Lanka is the accommodation of multiple identities within one viable state. This entails regional autonomy over some spheres of government, whilst the Centre retains responsibility over others. The lower-level governments are namely ‘Provincial Councils/ governments (PCs) and local governments (LGs) including municipalities. The local governments or authorities such as Municipal, Urban, Town and Village councils were introduced to local administration in 1930s and 1940s (Laitan, 1986) and formed within a different structure under the 13<sup>th</sup> Amendment of 1987 with the Provincial Council system. The Thirteenth Amendment to the Constitution certified on 14th November 1987, paved the way for the creation of Provincial Councils under Section 154A of the Constitution and enacted under the Provincial Councils Act No. 42 of 1987. This was an attempt made for the first time for the effective decentralization of administration by a process of devolution giving powers to the PCs to plan, execute and manage the totality of selected functions. However, prior to Independence the system of LGs<sup>5</sup> was essentially established depending on the central government and even after Independence what continued to prevail was administrative decentralization with the main authority being the Central Government<sup>6</sup>. The functions of the LGs are limited local tasks such as garbage collection, maintenance of streetlights, and paving of footpaths etc. and some minor development works beyond that are belonged to the Provincial governments. Meantime, there are government institutions that are provincial, others central and some institutions which are shared for the delivery of public goods and services under a concurrent list. Under the fiscal federalism, both types of governments have constitutional provisions in revenue raising in their territories subject to the supervision of the Central Government.

The local government system (local government entities) in Japan consists of two tiers as the

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<sup>5</sup> Local authorities are divided into three different groups: municipal councils, urban councils and divisional councils (Pradeshiya Sabha or Pradesha Sabhai).

<sup>6</sup> Initially, the Local Government Ordinance No. 11 of 1920 created three types of local authorities: Urban District Councils (UDC), Rural District Councils and General Councils. This was changed later and thereafter the local authorities are functioned under the Urban Councils Ordinance 1939, the Municipal Councils Ordinance 1947 and the Pradeshiya Sabha Act (No. 15 of 1987).

Prefectures<sup>7</sup> (regions or territories in large geographical areas or remote islands) and the Municipalities. The Prefectures and Municipalities are both local public entities of equal status and cooperate in local administration according to their share of duties. As Ikawa states (2008), the greater part of expenditure which is directly related to people's lives is carried out by LGs. In Japan, above two tiers system exists under the unitary government structure led by the Central Government as such and the functional responsibilities of many of the subnational units stretch beyond those ordinarily performed by local councils to include primary and secondary education, water supply, firefighting services, city planning, environmental management, and so forth. However, there is no clear-cut separation between the responsibilities of the Prefectures and Municipalities. The Prefectures have considerably stronger administrative powers than the Municipalities. Each local government has an assembly as the highest decision-making body whose members are directly elected by its citizens. The Prefectures are responsible for a range of functions in the fields of economic development, public infrastructure (roads, some national highways, rivers, and harbors), public housing, education (secondary schools), social assistance policies, public health, agriculture, environment, and employment. The Municipalities also have extensive responsibilities for urban planning, local roads, local harbors, public housing, education (pre and primary schools), social welfare (child welfare, elderly, national health insurance, and ageing insurance), water, waste, and firefighting under their jurisdiction. In Japan, SNGs operation are under a centralized structure that affords them significant legal and financial autonomy and very little room for initiative and innovation. Japan's unitary system of government requires SNGs to comply with central laws, bureaucratic directives, and other forms of tight central control, especially financial (Jain, 2011). According to the historical information of the local administrative system in Japan, the system of cities and of towns and villages has established in 1888, and a system of prefectures in 1890. This kind of Japanese local autonomy system has greatly changed by a reform after the end of World War II, aiming at a decentralized, democratic system of local autonomous bodies. (Ikawa, 2008). However, in operation, the SNGs system is more similar in both Sri Lanka and Japan though there are some differences in revenue raising authority.

### **3. Problem Statement**

Though there are more similarities in operation of SNGs in both countries, Sri Lanka and Japan, effectiveness of operation can be questionable due to their inherent constraints, particularly, this situation would arise with limitation on financial autonomy. Though there is an ability to work for local interests, if financial capacity is on a weak or inadequate position, it is difficult to execute functional responsibilities. Therefore, each level of government needs financial resources that can broadly match its expenditure requirements. In other words, devolution should ensure adequate financial resources in

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<sup>7</sup> Prefectures are regional authorities comprising municipalities and are in charge of broader regional administration. Municipalities are local public entities that have a strong and direct relationship with local residents and handle affairs directly related to the residents. Prefectures as local government bodies that cover a wider area than that of municipalities, carry out a large number of different tasks (Ikawa, 2008).

relation to its expenditure responsibilities which can be usually done either by assigning adequate tax raising powers to each level. There are many cases in the world that have shown such a mismatch of revenue collection and excess expenditures compared to level of revenue. This would be a result of unsuccessful financial devolutions with power devolution as it is based on many reasons. One clear example for such unsuccessful fiscal devolution is Sri Lanka. As Waidyasekara (2005) stated the main fiscal weakness in the provincial council system is the paucity of revenue in relation to its expenditure, both in terms of volume and diversity. The existing framework for the devolution of power under the 13<sup>th</sup> Amendment, even though largely meaningless in practice, provides an inescapable context to the debate about more meaningful power-sharing between the Centre, and regions. Meantime, there is an argument in relation to Provincial council system that they are not working efficiently and effectively (Lakshman et al., 1998). The main reason behind the weaknesses of financial base of the system and financial resources mobilization and revenue raising autonomy at the regional level is a conflict issue. Hence, some of the regressive features of the 13<sup>th</sup> Amendment framework for financing devolution have been preserving. Similarly, in Japan, there are some issues of financial autonomy and as Ikawa (2008) mentions “Local taxes account for about one-third of gross local government expenditure and income, so advocates of decentralization emphasize that in order to secure a guarantee of autonomous financial management, it is necessary for central government to transfer tax revenue sources to local governments and increase local tax revenue”.

#### **4. Objective of the Study**

The broad objective of the research is to study the financial autonomy and financial strength of sub-national government systems in Sri Lanka and Japan.

**The specific objectives are:**

1. To compare the administrative structure of sub-national government systems in Sri Lanka and Japan.
2. To review the functional devolution of sub-national government systems of Sri Lanka and Japan
3. To examine the strength of financial autonomy in revenue generation given under the constitutional provision.
4. To examine revenue generation constraints and bottlenecks impeding the maximization of revenue.

#### **5. Data and Methodology**

The overall methodology of study was critically investigated, described, and analyzed the fiscal federalism/decentralization with a special reference of revenue raising power devolution in Sri Lanka and Japan under the sub-national government systems. The research relied substantially on secondary data and information from the Ministry of Local government and provincial government of Sri Lanka,

the Finance Commission of Sri Lanka and Ministry of Finance, Gazettes of government of Sri Lanka, Central Bank of Sri Lanka, Department of Census and Statistics and Ministry of Planning and implementation. In addition, to review the coordination structure of financial, financial mobilization structure, allocation mechanism, financial capability descriptive information was collected from documents such as reports, acts and articles. Similarly, Japanese data and information were collected from relevant documents, reports of Ministry of Information and Communications, Statistical Handbooks of MIC, Reports of National Tax Agency, other regionalized reports, research articles and acts which are relevant to sub-national government system in Japan.

The proposer of this study was completed reviewing partly the literature collecting information of sub-national government system in Sri Lanka by having interviews with experts of local governments/ members of Provincial Councils, members of Prefectures/ Municipalities and other relevant officials. For actualizing the comparative part, the proposer selected a sample of Prefectures/ Municipalities nearest to the Senshu University in Japan and collected information about the operation of the system carrying out interviews with subject experts/ officers/ members of Prefectures/ Municipalities.

## **6. Rationale of the Study**

The decentralized administrative and financial mechanism has been in relation to the development for more than three decades in Sri Lanka. This strategy is used to maximize regional attention and to provide a fair service and benefit at regional and local level and used as a political peace-making process of the country. Meantime, the devolution of administrative and financial power in regional and local level was introduced as a solution of ethnic crisis in Sri Lanka, particularly to shift the decision-making power in development into regionalized administrative structure. However, the unsuccessful operation of this system has been a major problem on expectations as it is becoming a political issue. The main cause of this critic is that the financial limitation of the provincial/ regional governments disrupts the service provision and activities of the regions. Relatively, Japanese SNG system is much better in a regional-wise service provision and development works as it is justified by many studies. Nevertheless, the SNG system in both countries is more similar in operation. Therefore, it is useful to compare the SNG systems in both countries and which enables policy makers to reorganize the systems and to find solutions for imperfect parts of power devolutions.

## **7. Theory of Fiscal Federalism**

The literature on intergovernmental fiscal relations has been expanding rapidly in last two decades, in line with a growing worldwide trend toward fiscal decentralization. Fiscal federalism<sup>8</sup> studies how to share responsibilities (including finances) among federal, state, regional and local governments to

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<sup>8</sup> Federal systems are seen to provide safeguards against the threat of centralized exploitation as well as decentralized opportunistic behavior while bringing decision makers closer to the people.

improve economic efficiency and achieve various public policy objectives. It is assumed in the theory of fiscal federalism that distribution of tax and expenditure powers between different vertical levels of government takes place though informally in country even with system of ‘unitary’ form of government. It has often been argued that a decentralized fiscal arrangement improves the allocation of resources because the decentralization of fiscal decisions implies that the package of spending and taxing tends to better reflect the wishes of the local voters. Fiscal federalism helps governmental organization to realize cost efficiency by economies of scale in providing public services, which correspond most closely to the preference of the people. The principles of fiscal federalism are concerned with the design of fiscal constitutions – that is, how taxing, spending, and regulatory functions are allocated among governments and how intergovernmental transfers are structured. These arrangements are of fundamental importance to the efficient and equitable provision of public services. The basic concepts of federalism are constitutional divisions of powers among various orders of government fall into three categories: unitary, federal, and confederal of government having some independent as well as shared decision-making responsibilities (Shah, 2006)<sup>9</sup>.

Until the early 1990s, fiscal federalism was a largely unexplored area of fiscal policy. But over the last decade, a clear world-wide trend towards fiscal decentralization has emerged. The first-generation theory (FGT) of fiscal federalism is associated with decentralization of expenditure responsibilities and centralization of revenue responsibilities for the purpose of achieving ‘efficiency’ and ‘equity’ in the federation. It emphasizes the importance of transfers for addressing the problems of vertical and horizontal imbalances. It is largely normative and assumes that federal and sub-national decision-makers are ‘benevolent’ and maximizes the social welfare. The second-generation theory (SGT), especially the theory of market-preserving federalism assumes that public officials have goals induced by political institutions that often systematically diverge from maximizing citizen’s welfare. Unlike the FGT which emphasizes the importance of transfers for mitigating vertical and horizontal imbalances, the SGT gives more importance to incentives generated by sub-national tax collection for fostering economic prosperity. The SGT has had significant implications for the design of transfer systems so that equalization goals can be achieved without diminishing the incentives of public officials to foster thriving sub-national economies. In brief, the SGT is in favor of decentralization of both expenditure and revenue responsibilities; and it gives minimal role to revenue-sharing and inter-governmental transfers (Jha,

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<sup>9</sup> A unitary form of government facilitates centralized decision making to further national unity. It places a greater premium on uniformity and equal access to public services than it does on diversity. An overwhelming majority of countries (148 of 193 countries in 2006) have a unitary form of government. The city-states of Singapore and Monaco are single-tiered unitary governments. China, Egypt, France, Indonesia, Italy, Japan, Korea, New Zealand, Norway, the Philippines, Portugal, Sweden, Turkey, and the United Kingdom have multi-tiered governments based on unitary constitutions. As a result, some unitary countries (e.g., China, Denmark, Norway, and Sweden) are more fiscally decentralized than are some federal countries, such as Australia and India. A unitary country has a single or multi-tiered government in which effective control of all government functions rests with the central government. A federal form of government has a multi-order structure, with all orders A federal form of government has a multi-order structure, with all orders of government having some independent as well as shared decision-making responsibilities. In a confederal system, the general government serves as the agent of the member units, usually without independent taxing and spending powers.

2012).

### 7.1 Purpose of Fiscal Federalism

For a successful decentralization, national governments need to design and supervise clear fiscal arrangements that support local service delivery. At the same time, regional and local authorities/governments are challenged to strengthen their financial capacities and use their limited resources in an effective and efficient way. Oates (1972) argues that fiscal autonomy induces a better match between public services delivery and citizens' preferences and willingness to pay, incentivizing transparency and accountability, thus increasing efficiency. Baldwin and Krugman (2004) also argue that fiscal autonomy can act as a powerful instrument against agglomeration forces as it introduces mechanisms for peripheral jurisdictions to compete with the "center". There is a wide variety of international experiences in fiscal federalism based on: 1) the division of functions among different tiers of government; 2) the design of fiscal transfers; 3) principles of assessment; and 4) institutional arrangements. Furthermore, intergovernmental fiscal transfers are either constitutionally or legally mandated (Singh, 2020). Furthermore, the goal of modern fiscal federalism is not just to ensure the efficient allocation of resources, but also to protect liberty and restrain the power of government, to share legislative and fiscal competencies, to foster political participation and preserve markets.

### 7.2 Principles of Fiscal Federalism

The principles of fiscal federalism are concerned with the design of fiscal constitutions – that is, how taxing, spending, and regulatory functions are allocated among governments and how Intergovernmental transfers are structured. These arrangements are of fundamental importance to the efficient and equitable provision of public services. As Singh (2020) stated, there are important Principles for a fiscal federalism (Table No 01).

**Table No 01: BROAD PRINCIPLES ASSOCIATED WITH FISCAL FEDERALISM**

Fiscal equivalency	Decentralization theorem	Principle of subsidiarity
The principle of "fiscal equivalency" requires a separate jurisdiction for each public service. Wallace Oates proposes a related idea, the so-called "correspondence principle". According to this principle, the jurisdiction determining the order of provision of each public good should include the set of individuals that consume it. This generally requires a large number of overlapping jurisdictions.	According to the "decentralization theorem" advanced by Oates, "each public service should be provided by the jurisdiction having control over the minimum geographic area that would internalize the benefits and costs of such provision." Unlike the general prediction, a higher degree of spillovers may reduce the difference in the utility of centralization and decentralization.	The "subsidiarity principle" states that functions should be performed at the lowest level of government. The principle, if not explicitly but implicitly, implies hierarchy. The deeper questions that arise are who will decide, and for whom, coupled with which functions will be assigned to which level.

Source: Singh (2020)

## **8. Structure of Sub-national Governments in Sri Lanka and Japan**

There are two types of lower-level governments or SNGs below the Central Government in Sri Lanka. Rationale for such federalizing in Sri Lanka is the accommodation of multiple identities within one viable state. As shows in figure No 01, the lower-level governments are namely 'Provincial governments or Provincial Councils (PCs) and local governments (LGs) including municipalities'<sup>10</sup>. PCs constitute the intermediate level of government that was established within the existing governmental system which provided for a set of structures and positions with authority to exercise powers and functions at the provincial level. LGs are elected councils for the local level and its main role is the delivering required services to the locals in which public service responsibilities are shared between deconcentrated line agencies at the district and divisional level and local governments at the rural/urban level. The local governments system in Japan consists of two tiers as the Prefectures (regions or territories in large geographical areas or remote islands) and the Municipalities. The Prefectures and Municipalities are mutually independent. As Aoki (2008) stated that the Prefectures, having a wider regional viewpoint, can give various guidance and advice to Municipalities. The important role played by such LGs as the level of public administration closest to the people has only grown with the dynamic changes in social systems brought about by ongoing rapid development of information technology and the growing diversity of people's values (CLAIR, 2012)<sup>11</sup>. The Prefectures and Municipalities are both local public entities of equal status, act as comprehensive administrative bodies and cooperate in local administration according to their share of duties. However, local public entities in Japan have the character of being self-governing 'governments' of the inhabitants of a certain area, and at the same time, they are the bodies that execute the administrative tasks of the Central Government.

The Provincial Council is an autonomous body being constituted in terms of the Constitution and hence does not come under the purview of any Ministry. The members of Provincial Council of Sri Lanka are elected in accordance with the law relating Provincial Council elections. The Governor, who is the head of the Provincial Council, is appointed by the President and holds office during the pleasure of the President. Each Provincial Council has such a Governor appointed by the President for a five-year term, exercising provincial executive power and responsible for executing the policies of the provincial council through a board of ministers headed by a Chief Minister and comprising no more than four other ministers. Similarly, the electing members of a local government/ authority in Sri Lanka are from wards and from a list. The Local Authorities Election (Amendment) Act gives the percentages of above representation as onward basis 60% and on proportional basis 40%. The Mayer/ Chairman is selected from members elected of local authority.

With a similar procedure, the number of local assembly members of Japan is determined by the

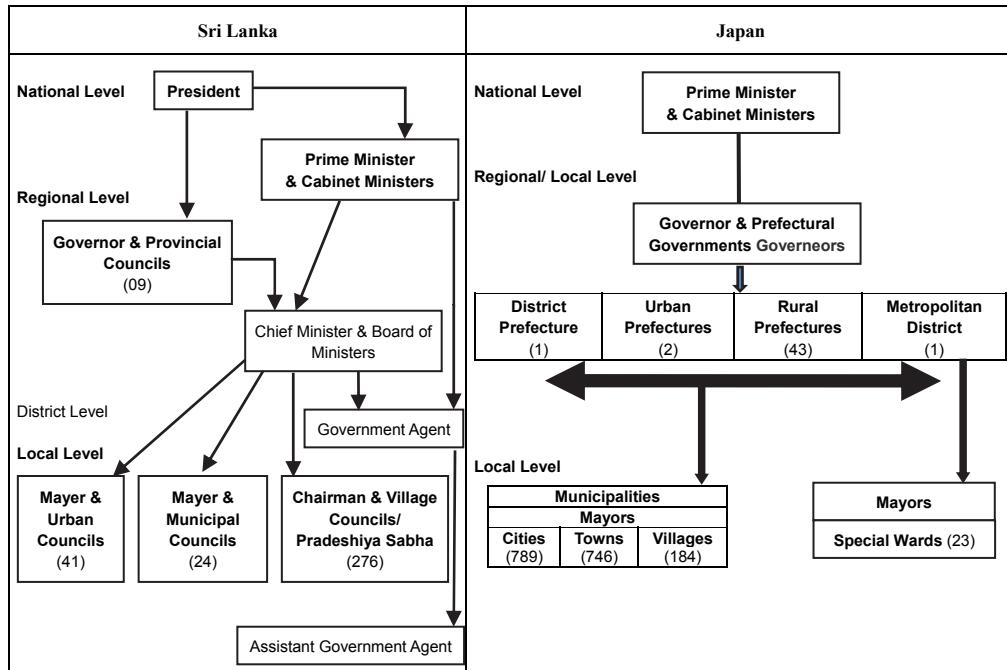
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<sup>10</sup> With the introduction of universal franchise in 1931 that elected local authorities of four types - Municipal Councils, Urban Councils, Town Councils and Village Councils were established (Leitan, 2001) and the Provincial Councils were established under the Thirteenth Amendment to the Constitution, which came into effect on 14 November 1987 (Wickramaratne, 2010).

<sup>11</sup> The 'main purpose of local self-government' is interpreted as consisting of collective self-government and resident self-government (Constitution).

Ordinance in Japan. The 2011 revision of the Local Autonomy Act eliminates limits by population size (Sakaki, 2014). Candidates for election of assembly members must be residents and at least 25 years old. Governor of Prefecture or Mayer of Municipality is the Chief Executive, elect from the same election and an elected member to be a Governor or Mayer, he/she must be at least 30 years old for a Governor of a Prefecture and 25 years old for a Mayer of a municipality. The Prefectures and Municipalities do not simply denote administrative units of the national government. Nor are they merely agents of the national government. They are independent incorporated entities based in their respective regions<sup>12</sup> and comprised of their residents, which serve to carry out local public administration within their jurisdictions. Japan's local autonomy is based on the Constitution of Japan, which was adopted in 1946 and took effect in the following year. It regards local autonomy as indispensable to democracy, clearly placing local governments within the national government structure and guaranteeing their autonomy. This Local Autonomy Law provides for basic matters relating to the organization and operation of local

**Figure No 1: STRUCTURE OF PUBLIC ADMINISTRATION IN SRI LANKA AND JAPAN**



**Note:** In government system of Japan, Central Government, Prefecture Governments, Municipalities, and special Wards have equal statuses by level (Statistical Handbook, 2019). In Sri Lanka, Provincial Councils are intermediate level of governments that were established with authority to exercise powers and functions at the provincial level and Local governments have established for delivering required services to the locals with deconcentrated line agencies.

<sup>12</sup> The Prefectures and Municipalities are mutually independent local government entities, with no hierarchical relationships between them in terms of their administrative systems. However, their different natures give rise to different functions. While Prefectures are wide-area local governments encompassing municipalities, Municipalities are basic local governments closely connected to residents' daily lives. Prefectures do give guidance and advice to Municipalities from their more regional perspectives on a variety of issues, and they perform various licensing and permit functions (CLAIR, 2016).

governments such as their types, powers, residents, legislative assemblies, and agencies and financial affairs. It also specifies the relationship between the National and local governments, and the relationship among local governments (CLAIR, 2020).

There are some differences within the systems of both countries, while the similarities of regional governments/ local governments structures. Firstly, there is a difference about autonomy of regional/ local governments in both countries. Japan's local autonomy is based on the Constitution of Japan. It regards the local autonomy as indispensable to democracy, clearly placing local governments within the national government structure and guaranteeing their autonomy. In Sri Lanka, the PCs are autonomous regional governments to a particular region, but the executive power of the President is imposed by the Governor of Provincial Council, he/she is the representative of the Executive President. Functions assigned to the Governor seek to ensure that devolved powers are exercised within the framework of the law. Governor's role responsibilities are the implementation of executive powers regarding matters on which the Provincial Council has power to make statutes, either, directly, or through Ministers of the Board of Ministers, or through subordinate officers. Generally, with the advice of the Board of Ministers, except where he is required to act in his own discretion, which is usually under instructions from the President (Welikala, 2016). As well as, under the devolution subjects of the concurrent list, the Provincial Council can exercise power regarding the subjects in this list. However, before the Provincial Council should pass a statute on such subject, it should consult the Parliament of Central Government for its opinions on the provisions contained in such statute. Where the Parliament desires to pass an Act on a subject in this list it can do so provided however that it would consult the Provincial Councils about the provisions of such Act.

Second basic difference of the structure of Japan is that all governments below the National Government are recognized as LGs. Though the Prefecture governments seem to be the regional governments as these represent a large area, it is considered as LGs. However, there are many similarities of Prefecture governments of Japan and PCs of Sri Lanka. The difference is that the Governor is the Head of the Provincial government of Sri Lanka, he/she is appointed by the Executive President, and holds office during the pleasure of the President. Governor is not an elected member of the Provincial government. The Governor is performed the President's executive mandate in the Provincial government. In Japan, the Governor of a Prefecture is also the Chief Executive officer of the Prefecture government, and he/she is an elected member of relevant election. Governors are appointed with the consent of their assemblies.

LGs are the third and lowest level of governments in Sri Lanka. The local government bodies are collectively known as local authorities. Local authorities don't derive their powers from an individual source but from numerous Acts and Ordinances. The Ministry of Local Governments and Provincial Councils is responsible for policy and legislation at the national level, while the provincial ministers of local government are responsible for administration and supervision at the local level. The national-level minister has powers to create, reconstitute or upgrade a local authority based on the recommendations of a committee established for these purposes. Furthermore, the powers are somewhat curtailed by the fact

that they are subordinate to the Central Government and its line ministry and Provincial Councils. The line ministry of the Central Government is intervened in activities of the local governments through the divisional Secretary. The Divisional Secretary works under the village council or ‘Pradeshiya Sabha’ as its Chief Administrative Officer. He is assisted by a team of staff officers dealing with functions devolved to the Pradeshiya Sabha as well as the functions decentralized from the district level and/ or from the Centre. Meantime, the Provincial Council is also intervened in the Pradeshiya Sabha and hence the Divisional Secretary is supervised the functions of the Pradeshiya Sabha under the power vested in the Provincial Minister of local government and Provincial Commissioner of local government delegated to him. In addition, the Provincial Minister for LGs has oversight responsibility, with authority being delegated to the Provincial Commissioner of LGs. The power to dissolve a council is also exercised at the provincial level and there have been cases of Mayors/ Chairpersons being suspended due to charges of mismanagement and malpractice. Furthermore, Local authorities are accountable to the auditor general for funds transferred to them by the Central Government through PCs.

### **8.1 Power Decentralization Vs Federalist System**

Japan is a unitary state, containing forty-seven administrative divisions, with the Emperor as its Head of State. Sri Lanka is also a unitary state, and the President is the Head of the State. This has been accredited by the Constitutions of both countries. In a unitary state power resides in a centralized government, in contrast to a federal state and central government *is the supreme authority*. As unitary form of governments, the national governments in both countries have all the powers. Any constitutional powers given to the regions or locals of the country are dependent on the national governments, which can withdraw from them at any time. Federalism refers to an organization of government where powers and responsibilities are both divided and shared between the national government and the “constituent unit” which may be state, province, regional or local governments<sup>13</sup>. Sri Lanka is functioning in such a partial power devolution/ sharing structure where the transfer of authority to subordinate levels of government, called Provincial Councils. Local level in Sri Lanka has established the local governments which have been functioning since many decades for local administrative and public services purposes. In these definitions, political decentralization involves devolution whereas administrative decentralization involves de-concentration and delegation of powers to the periphery. In the Sri Lankan context, decentralization involves de-concentration, devolution, and the privatization. Contrary, Japan is implementing a city devolution model in the power decentralization structure. Japan’s cities have a strong tradition of devolution and are uniform in their organization and competences, particularly in respect of the so named ‘designated cities’. The powers of the designated cities are widespread, being delegated many of the functions normally performed by prefectural governments. Prefectures are regional authorities comprising municipalities and Prefectures and municipalities are both local public entities of equal status and cooperate in local administration according to their share of duties.

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<sup>13</sup> Federal state is a political entity characterized by a union of partially self-governing provinces, states, or other regions under a central federal government (<https://en.wikipedia.org>).

## **8.2 Sub National Government System in Sri Lanka**

As a Unitary Democratic Republic, Sri Lanka is governed by a semi-presidential system, with a mixture of a presidential system and a Parliamentary system. The Parliament of Sri Lanka is a unicameral 225-member legislature with 196 members elected in multi-seat constituencies and 29 elected by proportional representation. Members are elected by universal suffrage for a five-year term. The parliament reserves the power to make all laws. The president's deputy, the Prime Minister, leads the ruling party in parliament and shares many executive responsibilities, mainly in domestic affairs.

The Sri Lankan governance system is divided into three tiers: central, provincial, and local. There are 9 provincial governments, and the local governments are divided into three types of local councils. The local councils include 23 municipal councils, which cover cities and larger urban areas; 41 urban councils, which cover smaller towns, and 271 rural/ village councils, which are also called Pradeshiya Sabha. Local government enshrined in and recognized as subordinate level of government under the direct purview of provincial councils, the 13th Amendment to the Constitution, which states ‘Local authorities will have the powers vested in them under existing law, the Municipal Councils Ordinance, and the Urban Councils Ordinance. Pradeshiya Sabhas will have the powers vested in them under existing law (Table No 02). It will be open to the provincial council to confer additional powers on local authorities but not to take away their powers’.

## **8.3 Sub National Government System in Japan**

The Government of Japan consists of legislative, executive and judiciary branches and is based on popular sovereignty. The Government runs under the framework established by the Constitution of Japan, adopted in 1947. The Executive branch of Japan is headed by the Prime Minister. The Prime Minister is the head of the Cabinet, and is designated by the legislative organ, the National policy. Japan administration has also an equal three tier governmental structure<sup>14</sup>. The first tier is the national government. Next are the two tiers of local government – 47 prefectures and 1741 municipalities<sup>15,16</sup>. Meanwhile, as main Prefecture and the metropolitan district with largest inhabitants, Tokyo has 23 special wards. Under the second tier, Japan is divided into forty-seven administrative divisions, it is called ‘Prefectures’. The Prefectures are regional authorities and in charge of broader regional administration. Municipalities are named cities (at least 50000 inhabitants), towns, or villages, according to population size. This full structure below the Central Government is identified as Local government system in Japan.

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<sup>14</sup> In Japan, local governments are a part of the governing system for the entire nation, and a “fusion type” system has been adopted in which the central and local administrative entities are in a mutually dependent and mutually complementary relationship.

<sup>15</sup> In addition to such as prefectures and municipalities, there are special local public entities that have been established for specific objectives relating to local government. These include special wards, cooperatives, and public property districts.

<sup>16</sup> Article 1-3 of the Local Government Act: 'Local public entities shall be ordinary local public entities and special local public entities. 'Ordinary local public entities shall be prefectures and municipalities. Special local public entities shall be special wards, associations of local public entities and property districts.'

**Table No 02: FRAMEWORK OF FUNCTIONAL ALLOCATION AND POWER ENUMERATING OF SNGs**

Govt. Category	Country	The Legislative Process	Allocation of Subjects
Central Government	Sri Lanka	1978, Constitution of Democratic Socialist Republic in Sri Lanka	<ul style="list-style-type: none"> <li>- National Policy on all Subjects and Functions</li> <li>- Defense</li> <li>- international relations</li> <li>- currency and customs</li> <li>- national development</li> <li>- National highways and roads</li> <li>- forests, water resources, irrigation, non-renewable natural resources</li> </ul>
	Japan	1947, Constitution of Japan	<ul style="list-style-type: none"> <li>- Expressways</li> <li>- National roads (designated sections)</li> <li>- Universities (national university corporations)</li> <li>- Defense</li> <li>- Diplomacy</li> <li>- Currency</li> </ul>
Regional/ Local Governments	Sri Lanka (Provincial Councils)	1987, 13 <sup>th</sup> Amendment to the Constitution which enacted by the Provincial Councils Act, No. 42 of 1987 & features amended by Act No. 27 of 1990 and Act No. 28 of 1990	<ul style="list-style-type: none"> <li>- Internal Law and Order and Police</li> <li>- regional economic plans</li> <li>- provincial education</li> <li>- Housing</li> <li>- Provincial roads</li> <li>- health, rural development</li> <li>- Agriculture</li> <li>- land use and development</li> <li>- cooperative development</li> <li>- Local government</li> </ul>
	Japan (Prefectures)	the Constitution of 1947, Article 92, the 1999 Omnibus Law of Local Autonomy	<ul style="list-style-type: none"> <li>- National roads (other sections)</li> <li>- Prefectural roads</li> <li>- High schools</li> <li>- Management of elementary &amp; junior high school personnel</li> <li>- Public health centers</li> <li>- Police</li> </ul>
Local Governments	Sri Lanka (Municipal, & Urban councils and Pradeshiya Sabha)	Municipal Council Ordinance No. 29 of 1947, the Urban Councils Ordinance No. 61 of 1939 and Pradeshiya Sabha Act No. 15 of 1987 & six amendment Acts passed in 2016/17*	<ul style="list-style-type: none"> <li>- local public services</li> <li>- Local roads</li> <li>- sanitation and drains</li> <li>- housing</li> <li>- libraries, public parks and recreational</li> </ul>
	Japan (Municipalities-Cities, Town, Village, and special wards)	Local Government, Chapter 8 of the Constitution, Articles 92, 93, 94	<ul style="list-style-type: none"> <li>- Urban planning, etc.</li> <li>- Municipal roads</li> <li>- Elementary &amp; junior high schools</li> <li>- Kindergartens &amp; day care</li> <li>- Garbage disposal – Care &amp; welfare</li> <li>- Fire services</li> <li>- Resident registry</li> </ul>

**Source:** 1987, 13<sup>th</sup> Amendment to the Constitution of Sri Lanka, Shun'ichi (2003), Council of Local Authorities for International Relations (CLAIR) (2012)

**Note:** The demarcation of the spheres of national and provincial competence of Sri Lanka is laid out through three lists of subjects under the Ninth Schedule to the Constitution, a Provincial Councils List, a Reserved List, and a Concurrent List.

\* Local Authorities Elections (Amendment) Act (No. 31 of 2017), Local Authorities Filling of Vacancies (Special Provisions) (Amendment) Acts (Nos. 34, 35, 36 and 37 of 2014), Municipal Council (Amendment) Act (No. 34 of 2014, Urban Council (Amendment) Act (No. 35 of 2014), Pradeshiya Sabha (Amendment) Act (No. 36 of 2014).

The Prefectures in Japan are comprised from one Metropolitan district (Tokyo), two urban Prefectures (Kyoto and Osaka), 43 rural Prefectures and one district (Hokaido). The Prefectures are local public entities of equal status and cooperate in local administration according to their share of duties. Both prefectures and municipalities have assemblies whose members, elected every four years by the population, have the power to approve the budget and submit bills and ordinances. According to Article 92 of the Constitution, the local governments of Japan are local public entities whose body and functions are defined by law in accordance with the principle of local autonomy. The main law that defines them is the Local Autonomy Law<sup>17</sup>. They are given limited executive and legislative powers by the Constitution (Table No 02).

## 9. Fiscal and Financial Foundation of SNGs

### 9.1 Fiscal/ Financial Devolution

Availability of sufficient financial resource is an important aspect of devolution of powers. Especially, the fiscal power of sub national governments is a most important part in power devolution packages. Because meaningful decentralization is a pre-requisite for effective and efficient exercise of authority and powers by sub-national government. Nonetheless, the distribution of taxing and spending powers between central and sub national governments affects the implementation of economic policies and ultimately their outcome in terms of growth and regional inequality. The decentralization is basically compatible with the supporting for the bottom level participation in the governance process. It has the idea of founding local autonomy by allocating power and resources from the center to the localities (Sivakumar, 2013). As stated in SNGWOFI (2019), subnational governments are governed by political bodies (deliberative assemblies and executive bodies) and have their own assets and administrative staff. They can raise own-source revenues, such as taxes, fees and user charges and they manage their own budget. In other words, it is said that without fiscal decentralization<sup>18</sup>, political and administrative decentralization are meaningless. The distribution of powers, responsibilities and resources should be carefully considered to maximize the chances of success of a decentralization process. On the other hand, sharing revenue raised by one order of government with others, as well as the feature of equalization transfers, represent the element of unity and interdependence. In this way, the symbiosis of unity and diversity inherent to the federal idea is reproduced in the fiscal relationship between Centre and regions in federations.

Nevertheless, when the practical situation is considered in Sri Lanka and Japan, each level of government needs financial resources that broadly match its expenditure responsibilities. Specially, with increase of functions and role under the devolved responsibilities, the required amount money that they

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<sup>17</sup> Law for the Improvement of Relevant Laws for the Promotion of Decentralization enacted in July 1999 (the Omnibus Local Autonomy Law)

<sup>18</sup> Fiscal decentralization involves delegating taxing and spending responsibilities to subnational tiers of government. In this case, the degree of decentralization depends on both the number of resources delegated and the autonomy in managing such resources (SNGWOFI, 2019).

need annually is also increased. Furthermore, the money is required to run their own administrative setup of relevant regions and wards and to pay their salaries, provide day today logistic requirements. It can be large with size of responsibilities, geographical area, service delivery, and with national policies and programs carried out by local governments. The existing amounts of expenditure have been recorded in different reports with regards to Sri Lanka and Japan. For example, since 1987 spending by sub-national governments in Sri Lanka has accounted for only 10% of total public sector expenditure; on average 8% for Provincial Councils and slightly more than 2% for local governments (Cartier, Ayer, and Saravananuttu, 2005). In Japan, the fiscal year 2013, net total expenditure by the national government and local governments amounted to 69.1 trillion yen and 96.6 yen, respectively. The scale of expenditure by local governments reached approximately 1.4 times that of the national government; this figure shows how extensive role local governments play in the public administration of Japan (Tokyo Metropolitan Government, 2006-2018). To meet these, expenditures, necessary funds should be available in SNGs and therefore ensuring that each level of government has adequate financial resources in relation to its expenditure responsibilities is usually done either by assigning adequate tax raising powers to each level, or by creating a system, ideally with a framework in the Constitution, through which the proceeds of taxation raised by one government (most commonly the central government) are allocated between all levels of government. Indeed, if there are weak local tax raising base, restricted possibilities for service fee income and the low level of transfers from central government have kept SNGs in penury.

## **9.2 The Legal Framework of Fiscal/ Financial Devolution of the PCs in Sri Lanka**

The Thirteen Amendment in 1987 and Act no 42 and its part III explains the financial matters of the Provincial Council system. The revenue sources devolved to the provinces are enumerated in Sections 33 and 36.1 to 36.20 of List 1 of the Ninth Schedule to the Thirteenth Amendment. There are twenty sources of revenue currently allocated to the provinces under Item 36 of the Provincial List. While at first glance these sources appear formidable, a closer scrutiny reveals that the main sources consist only of the turnover taxes and stamp duties while license taxes, motor vehicle license fees and court fines are the other substantial revenue sources. However, implementation of Turnover taxes on wholesale and retail sales (paragraph 36.1), motor vehicle license fees (paragraph 36.4), and taxes on mineral rights (paragraph 36.18) are within some limits and subject to such exemptions as may be prescribed by law made by Central Parliament. Taxes on lands and buildings including the property of the state (paragraph 36.17), and other taxes within the province in order to raise revenue for provincial purposes (paragraph 36.20) are permitted only to the extent permitted by law made by Parliament (Welikala, 2016).

Of these main sources of revenue, the Turnover Tax had replaced with the Nation Building Tax in 2010 through a government circular. It was recommended that Provincial Councils be allowed to directly collect turnover taxes. It was further recommended that procedures and limitations be established in the constitution to limit the central government's ability to control the taxation powers devolved to the provinces. Section 2 of the Provincial Councils Turnover Taxes (Limits and Exceptions) Act No. 25 of

1995 imposes restrictions on the turnover taxable by a provincial council in the following ways: the rate of tax imposed by a provincial council shall not exceed five percent of the turnover, and provincial councils must mandatorily exempt wholesale or retail sales by the manufacturer of goods, wholesale or retail sales by co-operative societies, or wholesale or retail sales to buyers outside Sri Lanka (*vide* s.2 (3) read with the schedule to the Act) taxes on lands and buildings including the property of the state (paragraph 36.17), and other taxes within the province in order to raise revenue for provincial purposes (paragraph 36.20) are permitted only to the extent permitted by law made by Parliament (Waidyasekera, 2005, Welikala, 2016).

**Text Box: 01**

### **Revenue Source-wise**

The revenue sources of Provincial Councils can be divided into three broad categories.

- a) Taxes on Production and Expenditure.
- b) Receipts from Property and Investment.
- c) Sales and Charges.

a) Taxes on Production and Expenditure consist mainly of the turnover taxes on wholesale and retail sales, license fees on liquor, betting taxes, taxes on lotteries and prize competitions, arrack and toddy tavern rents, stamp duties, motor vehicle license fees and fines.

b) Receipts from Property and Investment consist largely of rents from land and buildings, interest and dividends.

c) Sales and Charges include profits from commercial activities, court fees and fines, fees under the Motor Traffic Act and the Omnibus Act and the Registrar of Companies. Such sales also consist of sales of capital goods.

Provincial revenue could also be classified into two types: i) those that are collected by the Provincial Council and credited to the Provincial Fund itself, and ii) those that are collected by the Councils and not credited to the Fund but distributed to local bodies.

The base of the tax is limited by three factors.

- i) Exemption of certain commodities and items gazette.
- ii) It is limited to wholesale and retail sales and precludes other activities such as manufacturing and services.
- iii) It is subject to the limitations and exemptions prescribed by Parliament and legislated under the Provincial Councils' Turnover Tax (Limits and Exemptions) Act No. 25 of 1995.

Furthermore, enabling legislation in the form of Financial Statutes have been passed by the respective Provincial Councils with effect from January 1, 1991, to empower them to recover the relevant taxes and fees, e.g., Western Province Statute No.6 of 1990, Southern Province No.9 of 1990 and North Central Province No.13 of 1990 etc. To achieve uniformity of application, the substantive as well as the procedural law in all provinces is basically the same.

With limited tax raising powers of Provincial Councils in Sri Lanka under the 13<sup>th</sup> Amendment, they are considerably dependent on transfers from the Central Government<sup>19</sup>. Sri Lanka has a Finance Commission established under Article 154R of the 13<sup>th</sup> Amendment, which is somewhat similar to the Finance Commission of India, although the latter's mandate appears to be far wider than its Sri Lankan

<sup>19</sup> Transfers come as Block Grants, Criteria Based Grants and Development Grants.

counterpart's constitutional sphere of activity. The Finance Commission is charged with the duty of recommending to the President the principles to be employed in allocating funds to provinces and for the due apportionment of such funds between the provinces. The Constitution states that the commission must consider "the need, progressively, to reduce social and economic disparities" (154R (5) (c)). Thus, it was recommended that the constitution make provisions concerning the amount of funds to be transferred to the provinces by the Centre, particularly in ensuring that amounts transferred are commensurate to the responsibilities devolved to the provinces under the constitution (Ganeshathasan & Mendis, 2015). Such transfer procedures from Central Government to local governments are common characteristic in a federal system which ensured adequate financial resources in relation to expenditure responsibilities to each level of governments, ideally with a framework in the Constitution, through which the proceeds of taxation raised by one government (most commonly the central government) are allocated between all levels of government.

Under the 13<sup>th</sup> Amendment provincial councils may only borrow from the central government to the extent allowed by Parliament (*vide* s. 19 (1) (c) of the Provincial Councils Act No. 42 of 1987 and paragraphs 35 and 31 of the Provincial List). In other words, the province should be given the implementation authority in respect of foreign-funded projects related to provincial subject matter. External resources were always channeled through central institutions, and a limited form of intergovernmental relations. This borrowing ability, however, has its limitations both legal and commercial. The legal limitation is partly inherent in item 35 itself where the borrowing power is available only to the extent permitted by or under any law made by Parliament. Further, foreign borrowing is specifically precluded under List II and foreign aid through loans under Section 22 of the Provincial Councils Act No. 42 of 1987 must be channeled through the Central Government and would be project oriented. The commercial and practical considerations would be the performance and creditworthiness of the Provincial Council, as well as the viability of the projects concerned both for government guarantees and/or acceptance of collateral by banks (Waidyasekera, 2005).

### **9.3 Fiscal/ Financial Power of Local Governments in Sri Lanka**

The powers and functions of the local authorities are mainly derived from the relevant legislations i.e., the Municipal Council Ordinance No. 29 of 1947, the Urban Council Ordinance No 61 of 1939 and the Pradeshiya Sabha Act No 15 of 1987. Financial arrangement for local governments has also noted in the Municipal Council Ordinance No. 29 of 1947, the Urban Council Ordinance No 61 of 1939 and the Pradeshiya Sabha Act No 15 of 1987. As the third tier, local authorities are responsible for collection of local taxes and user fees, as well as other sources of revenue such as property rates and assessments, revenue grants for salary and rents. Locally raised taxes must be levied within limits prescribed by national government. Every local government, for its general financial purposes has a local fund. All receipts come from taxes, duties, fees, and other charges levied under the authority of this Ordinance

must be payable into the local fund<sup>20</sup>. Grants are provided from both provincial and national government. National government provides financial transfers to cover salaries in whole or in part and to meet the monthly allowance payable to councilors. In the Pradeshiya Sabhas, the whole salary bill is covered, whereas in the smaller urban authorities it is closer to 70%. In Colombo Municipal Council it is about 50%. There is no formal policy of revenue sharing and grant decisions are made on a case-by-case basis by the Finance Commission. The Local Loan and Development Fund is a statutory body providing over LKR100m of loans per year to local government at below-market rates, with a focus on infrastructure development.

In addition, loans shall be lawful for a local governments subject to the approval of the Minister, to borrow from the Sri Lanka Government, or an any person or person or body of persons, whether incorporated or not, such sum or sums of money as may be necessary for any of the purpose of the local government, provided that the approval of the Minister shall not be necessary for borrowing any such sum if the amount outstanding in respect of all loans already raised by such local government does not exceed the total income received by such local government during the three years immediately preceding the year in which that sum is to be borrowed<sup>21</sup>. Meanwhile, the Government of Sri Lanka has established a Local Loans and development Fund for the local governments. The Local Loans and Development Fund (LLDF) is the statutory body established under the Local Loans and Development Ordinance No.22 of 1916. Initially the objective of the fund was to provide loans to any local authority. The fund functions under the minister in charge of local government. The LLDF is managed by a Board of Commissioners (BoC), comprising seven chief secretaries, two provincial commissioners, one member nominated by the Minister of Finance and three persons nominated by the Minister in charge of Local Government. The secretary to the ministry of local government is the ex-officio chairperson. The prime function of LLDF is to meet the capital investment needs of the local authorities and it provides long term loans at a concessionary rate of interest.

#### **9.4 Legal Framework of Fiscal/ Financial Devolution of the Local Governments in Japan**

Japan's local autonomy is based on the Constitution of Japan, which was adopted in 1946 and took effect in the following year. It regards local autonomy as indispensable to democracy, clearly placing local governments within the national government structure and guaranteeing their autonomy. According to Article 92 of the Constitution, the local governments of Japan are local public entities whose body and functions are defined by law in accordance with the principle of local autonomy. The main law that defines them is the Local Autonomy Law. Subsequently, these constitutional provisions strengthened time to time attaching important laws and regulations to the Local Autonomy Law e.g., the 1999 Omnibus Law of Local Autonomy.

Local governments basically have complete power over their independent financial operations, although

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<sup>20</sup> Urban Councils Ordinance No 61 of 1939 & Municipal Councils Ordinance No 29 of 1947

<sup>21</sup> Pradeshiya Sabha Act, No. 15 of 1987

there are various mechanisms in place for maintaining balance with national government financial operations and for guaranteeing revenue sources. Finance is the economy of the public authority body with coercive power. Under the Article 223 of the Local Autonomy Law, Ordinary local public entities may levy and collect local taxes as prescribed by law. Further, according to the Article 3(1) of the Local Tax Law, a local body shall determine the tax items, taxable objects, tax base, tax rates and other matters concerning the levy and collection of its local taxes in accordance with the bylaws of the local body concerned. The local tax and local allocation tax (general revenue sources), national government disbursements<sup>22</sup> and local government bonds are the major revenue sources for local governments (MIC, 2010). In addition, there are some other financing sources which include local transfer taxes, usage charges and fees etc.

Local government revenues mainly come from local taxes. It is about 60% from the total revenues. The Local Tax Law provides for the imposition and collection of taxes by prefectures and municipalities. There are many types of local taxes in Japan, with the Local Tax Law providing for 13 types of prefecture taxes (11 types of ordinary and 2 types of earmarked taxes), and 13 types of municipal taxes (6 types of ordinary and 7 types of earmarked taxes), i.e., 26 types of local taxes in all. Main taxes of Prefecture governments are Municipal inhabitants' tax, local cooperate tax, local consumption tax, property tax, city planning tax and Municipal tobacco tax respectively. Main taxes of Municipalities are individual municipal inhabitant tax, Corporate municipal inhabitant tax, Fixed asset tax, City planning tax etc. (Sasaki, 2014, CLAIR, 2020). Also, in addition to these, local governments may create non-statutory ordinary and non-statutory earmarked taxes. The local allocation tax should be counted as local government tax revenue but is instead collected by the central government as a national tax on behalf of the local governments<sup>23</sup>. It is then re-distributed in accordance with prescribed standards to compensate for the imbalance in financial resources among local governments, guaranteeing financial resources so that all local governments can maintain a certain set level of administrative services.

However, utilization of local allocation tax revenue is up to the independent judgment of each local government, and the central government is prohibited from attaching conditions to or restrictions on its use. This point makes the local allocation tax essentially different from other national government grants, whose uses are specified, and a general financial resource (that can be used according to the local government's own judgment) equal in importance to local taxes. Furthermore, if revenue sources are insufficient, the national government will consider amendment of the local finance system or an increase in the local allocation tax rate to secure the necessary financial resources for local governments (CLAIR, 2020).

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<sup>22</sup> The National Government disbursements are allocated to local governments by the central government. However, these disbursements are earmarked for specific uses. There are three types of central government disbursements: national treasury obligations, grants, and payments for delegated functions. All of these are earmarked revenue sources allocated to specific programs and projects, and they cannot be diverted to other purposes.

<sup>23</sup> The local allocation tax is an intrinsic revenue resource shared by local governments in order to adjust imbalances in tax revenue among local governments and to guarantee revenue resources (Sasaki, 2014).

In addition, as mentioned above, article 5 of the Local Finance Law<sup>24</sup> contains the basic principle that local governments must have sources of revenue other than local bonds to cover their annual expenditures. However, this article does allow local bonds to be issued to cover expenses for things such as publicly owned corporations, disbursements, and loans, refinancing of local bonds, disaster emergency projects, and maintenance of public facilities. Hence, any local government may issue bonds anyway after reporting to its assembly, even if it cannot obtain the necessary approval. Nonetheless, Local governments may take out long-term, low interest loans of public funds after consulting with and receiving the approval of the Minister of Internal Affairs and Communications or others (Oura, 2002 & CLAIR, 2020). Most local governments borrow long-term money from financial institutions, such as commercial banks, Agricultural Co-operative Associations, and Insurance Companies (MIC, 2010).

## **10. Operational Status of Fiscal/ Financial Devolution**

Most integral part of power devolution to sub national governments is the fiscal and financial devolution. Also, fiscal relations across different levels of government are a key determinant component of the institutional framework that can affect regional convergence and inequality across territories. If the financial devolution is not perfect, the power devolution process is weak and does not work properly. As Gulati (1994) stated “the functional decentralization will remain on paper is a corresponding financial devolution is not made will be generally accepted”. Specially, if the fiscal federalism is not perfect, in other words, if there is not a locally determined tax regime, SNGs cannot raise funds on their own requirements<sup>25</sup>. Therefore, allocation of functions and responsibilities to SNGs should be match with financial powers and funds are put at their disposal without too many constricting conditions. Ideally speaking, the SNGs should have adequate powers to raise matching resources of their own. It is important in this study that to explore the extent of fiscal federalism in relation to Sri Lanka and Japan.

### **10.1 Strength and Limitations of Fiscal/ Financial Devolution: Sri Lanka**

The devolution of powers and functions on provincial councils in Sri Lanka are largely based upon the powers and functions of the States in India (Welikala, 2016). The 13th Amendment to 1978 Constitution of Sri Lanka indicates the “devolved subjects” to the provincial councils under List I, while categorizing the “reserved subjects” for the central government under List II. This specifies the reserved subjects as “national policy on all subjects and functions.” In addition, the List III specifies the “concurrent subjects” those concurrently managed by the Centre and the provinces. To execute the functions in the list I and concurrent list, Provincial governments need a considerable number of financial resources annually. Nonetheless, a significant amount of money has been paid out by the Provincial Councils annually to run the administrative mechanism of nine Provincial Councils in the country, particularly for salary

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<sup>24</sup> the article 5 of "Local Public Finance Law" in Japan

<sup>25</sup> In devolution packages of many countries, there are fiscal freedom which is a broader suite of local taxes and restoration of certain grant funds, and fiscal devolution which is same local taxes but devolution of some central taxes, but not perfect fiscal federalism.

payments and logistics items. This annual required money does not fulfil from revenue of the PCs earned, but largely come from the Central Government allocations. Following table shows the PCs tax earning and its size compared to the Central Government earning and the GDP percentage in Sri Lanka.

**TABLE NO 03: Revenues of Provincial Councils in Relation to Government Revenue 1999 - 2020  
(Rs. Million)**

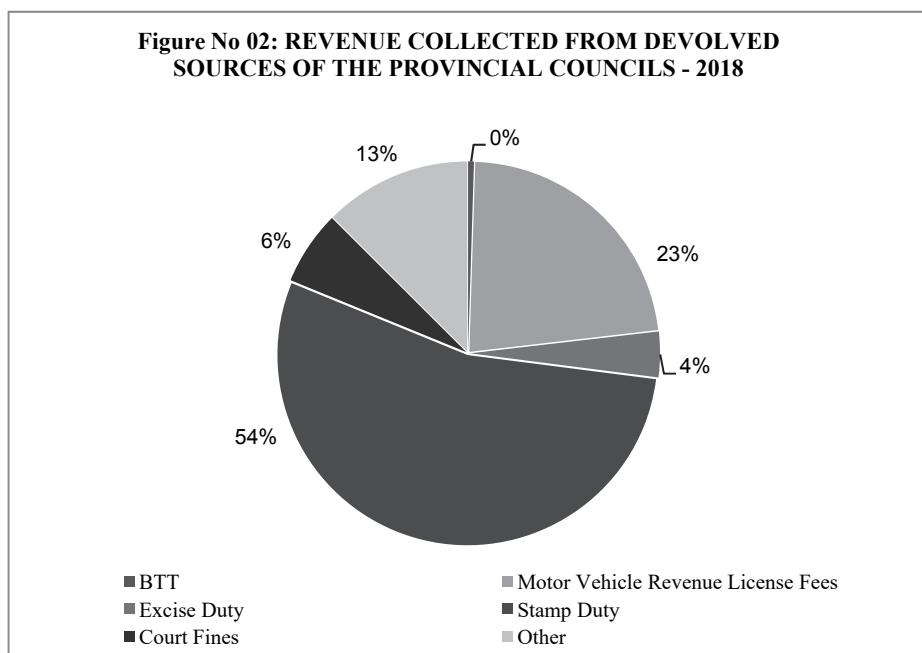
Item	2001	2004	2007	2012	2015	2018	2020
<b>Central Government Total Revenue</b>	234,296 (16.6)	311,437 (15.3)	565,051 (15.8)	1051,460 (13.9)	1454,878 (13.3)	1919,973 (13.4)	1367,960 (9.1)
<b>Provincial Total Revenue</b>	8,674 (0.6)	13,522 (0.6)	25,868 (0.7)	49,235 (0.6)	67,972 (0.6)	88,689 (0.6)	52,245 (0.3)
<b>% of Provincial Total/Government Total Revenue</b>	3.7%	4.3%	4.6%	4.7%	4.7%	4.6%	3.8%
<b>Central Government Tax Revenue</b>	205,840 (14.6)	281,552 (13.8)	508,947 (14.2)	908,913 (12.0)	1355,779 (12.4)	1712,318 (11.9)	1216,542 (8.1)
<b>Provincial Tax Revenue</b>	7,539 (0.5)	11,544 (0.5)	21,473 (0.6)	41,657 (0.5)	61,476 (0.6)	82,228 (0.6)	43,096 (0.3)
<b>% of Provincial Tax/Government Tax Revenue</b>	3.6%	4.1%	4.2%	4.6%	4.5%	4.8%	3.5%

**Note:** Figures in parenthesis denote percentage/GDP.

**Source:** Compiled from Central Bank of Sri Lanka Annual Reports, various years.

Above Table No 03 shows that the amount of revenues that the Provincial Councils of Sri Lanka collect from their own domains. It is demonstrated that the total revenue of all PCs as a percentage to Central Government total revenue is less than 5% and 0.6% as a percentage of GDP. The rates of tax revenues are reflected same pattern and more than 95% tax revenues collected of the country is belonged to the Central Government. Another salient feature of this revenue collection is that the Provincial Council of Western Province is collected about 45-50% from total revenue collections of nine provincial councils. In other words, size of revenue collection of Provincial Governments is relatively small except the Western Province. Further, there is an unequal revenue base in provinces. As mentioned in the Ninth Schedule to the Thirteenth Amendment and its devolution part of taxes, tax income come from the turnover taxes and stamp duties while license taxes and motor vehicle license fees and court fines are the other substantial revenue sources. From Provincial revenues, main contributors are Stamp duties and Motor vehicles license fees, which recodes about 80%. However, the power of Turnover Tax collection on wholesale and retail had been given to the Provincial Councils since 1991 and it was a largest percentage in the early years of 1990s. In 1998, introduced the Goods and Services Tax in place of Turnover Tax (abolished Goods and Services Tax in 2002 and introduced Value Added Taxes). Converting remaining amount of provincial turnover taxes into Nation Building Tax (NBT) since 2009, collection of NBT removed from the Provincial Councils and now all sales taxes are collected by the

Central government and the collection of NBT goes back to the PCs as transfers<sup>26</sup>. However, the collection of stamp duties in some limits are remaining and part of stamp duties are also collected from the Central Government and Transfers to the PCs. Particularly, showing an interesting characteristic in federal framework in Sri Lanka, almost all revenue is collected by the Central government whereas expenditures are highly decentralized and regional finance most of their obligations to deliver public services via transfer from the central government (a mix of conditional and unconditional transfers). Following Figure No 02 shows that revenues receiving of the PCs in different sources by present.



**SOURCE:** Finance Commission, Annual Report 2018

**Note:** Others include rents, interests, examination fees, sale of capital assets, betting tax etc.

Furthermore, the transfers of NBT revenues and stamp duty from the central government to the PCs accounted about 40-45 per cent and 40 per cent of total tax revenue of PCs, respectively. The revenue collection from fees and charges, which accounts for around 75 per cent of total non-tax revenue of PCs. Altogether, the revenue collection of PCs is covered only about 15% of PCs' total expenditure. The largest percentage of expenditures of PCs is recurrent expenditure, which indicates more than 90%. This happens mainly due to higher expenditure on personal emoluments and the maintenance cost of roads and irrigation, the personal emoluments are recorded about 70% from total expenditures and continued to be the single largest item in the recurrent expenditure. The capital expenditures of PCs are only about

<sup>26</sup> National authorities such as the Commissioner General of Inland Revenue, the Director General of Customs, and the Commissioner General of Motor Traffic, has to be transferred to the provinces on the following basis: NTB 33%, Stamp Duties 100% and Vehicle Registration fees 70% (Finance Commission, 2018).

5-10%, being a considerable issue of PCs in the country in relation to development role. Of course, this can no longer be justified. Huge amount of money is spent for survival, which is in fact wasteful. Further, regular delays in disbursements of funds by the Treasury has led to greater liabilities and provincial council's inability to meet their commitments, which in turn impact their credibility and image. In certain instances, a lack of proper financial control by some of provincial councils has led to mismanagement of funds.

**Table No 04: FINANCING THE EXPENDITURE OF THE PROVINCIAL COUNCILS  
(Rs. Millions)**

Item	2000	2005	2010	2015	2020
TOTAL EXPENDITURE	37,328	73,009	145,491	269,586	337,006
TOTAL REVENUE	7,534	16,132	36,829	67,972	52,245
<b>FINANCING THE DEFICIT</b>					
CENTRAL GOVERNMENT TRANSFERS	31,543	59,696	107,032	201,614	284,761
1. Block grants out of Central Government transfers	76%	79%	80%	83%	93%
2. Criteria based grants out of Central Government transfers	4%	2%	2%	2%	1%
3. Specific development grants out of Central Government transfers	18%	9%	11%	7%	4%
4. Foreign grants for specific out of Central Government transfers	2%	10%	7%	8%	2%

**Source:** Compiled from Central Bank of Sri Lanka Annual Reports, various years.

**Note:** In some years, the deficit is not equal to Central Government transfers due to differences of matching grants and specific development grants.

As shows in Table No 04, transfers of Central Government to the PCs are come in different forms. They are Block Grants, Province Specific Development Grants (PSDGs) and Criteria Based Grants (CBGs). The amount of these grants is decided by the Finance Commission of Sri Lanka under the given criteria. Block grants are the major form of central government transfers to PCs, and it provides for recurrent expenditures of the PCs. As show in the above Table No 04, a largest percentage of transfers come from the Block Grants which is currently more than 90%. The transfers under PSDGs, grants for special projects and CBGs are about 4% and 1% respectively which basically come under the capital expenditures category. During the period after 2000, a share of 85 per cent of the total expenditure of PCs was financed through the Central government transfers reflecting the need to enhance the revenue collection of PCs, thereby to ease the burden on the Central government budget. Depending largely on transfers in financing the budget of PCs has in one side been lessening the taxing power of PCs further and creating of new revenue sources. Nonetheless, there is an inefficient impact on allocation financial resources, expenditure management and accountability. Regarding that, Bartolini et al. (2016) explain that subnational governments that rely on own resources, rather than transfers from the central government, tend to allocate more spending to economic rather than social areas (i.e., local policies related to investment and the business environment). Similarly, Kappeler et al. (2013) show that higher

tax decentralization is associated with a shift of local spending towards investment in infrastructure and education.

### **10.2 Revenue Capacity and Fiscal Potential**

The main fiscal weakness in the provincial council system in Sri Lanka is the paucity of revenue in relation to its expenditure, both in terms of volume and diversity. The tax base transfer has been minuscule compared to expenditure responsibilities. Meantime, inadequate financial capacity, duplication of work and lack of clarity in devolved functions hinder effective service delivery. Further, lack of effective authority over finances and human resources and lack of skills in enactment of statutes by provincial staff have contributed to weakened provincial administration and there is a lack of motivation to introduce imaginative or innovative revenue enhancing measures or schemes within the province. Nonetheless, though there are limited devolved powers in enactments of statutes for new avenues for taxes, it has been again controlled by the Centre under some limitations, prescribed by law made by Parliament and the dominance of central bureaucratic institutions, and non-implementation of the 13th Amendment to the 1978 Constitution fully. The limitation on revenue raising have prescribed for almost all the taxes imposed by the PCs. For example, Turnover taxes on wholesale and retail sales, motor vehicle license fees, and taxes on mineral rights are within such limits and subject to such exemptions as may be prescribed by law made by Parliament. Enumerated Taxes on lands and buildings including the property of the state also, and other taxes within the province to raise revenue for provincial purposes are permitted only to the extent permitted by law made by Parliament. In brief, the 13<sup>th</sup> Amendment shows that it does not allow provincial councils any serious autonomous revenue raising power, instead opting for direct grants from the Centre and a limited form of revenue sharing. Consequently, being the PCs are a ‘White Elephant’ in the public administration, inadequate financial and fiscal power of PCs has been a critical issue as it is huge impediment on development process.

### **10.3 Revenue Potentially of PCs**

Even within the limits of taxation, there are some significant avenues to initiate new taxes at regional basis. Specially, the PCs are able to introduce new taxes and also fines within devolved subject areas and usage of regional basis resources. However, this potentiality has not yet been utilized by any of the Provincial council in Sri Lanka. This situation has indicated by many studies. Regarding this, Wijesinghe (1996) stated that around half of the actual realizable revenue potential at Provincial or regional level may still be untapped. The most feasible sources for additional revenue that can be considered list out as follows:

- (1). An additional tax revenue can be generated by changing rates and considering current values on land and buildings including the property of the state to the extent permitted by Parliament. Especially, rates imposed can be changed on earning capacity and yield of lands utilized for farming and buildings leased in urban areas etc.

(2). Levying taxes on Mineral Rights. Some provincial areas of Sri Lanka are rich in mineral deposits such as graphite or plumbago, gems and precious stones, ilmenite, and phosphate. This is an enormous potential lucrative revenue source for the Provincial Councils but at present seems to be mostly untapped.

(3). The stamp Duties that can be collected in regional basis on the deeds relating to the transfer of immovable property are largely undervalued and the valuation declared on the deeds is mostly less than marketable values. An acceptable method of regular and expeditious re-examination of deeds could result in considerable revenue improvement of the PCs.

(4). There is a significant potentiality for taxes and fees on other areas such as fees under the Medical Ordinance, Fauna and Flora Protection Act, Weights and Measures Ordinance, license fees on drugs and chemicals, transport, purchase & sale of intoxicating liquors, and betting in provincial areas.

(5). The PCs have further potentiality to levying taxes or fees on transportation of commodities, and parking facilities for private vehicles and an entertainment tax in utilizing of gardens, parks, rivers, lakes, and various entertainment locations.

#### **10.4 Limitations of the Central Government Transfers**

The annual gap between the revenues expenditures of PCs is financed by the Central government transfers which comes on the recommendation of the Finance Commission. The amounts of transfers given to the PCs are decided by the finance Commission to the stipulated criteria<sup>27</sup>. Decision over the transfers is not one and only role of the Finance Commission in relation to the PCs. It has a somewhat broader role in fiscal and financial management. In fact, the function of the Finance Commission is to maintain ‘vertical fiscal imbalance’, i.e., setting of revenue raising powers of PCs and the equalization of horizontal fiscal imbalances among the PCs. The horizontal equalization is the allocation of finance to regional disparities in economic development and wealth, arising from natural or geographical, economic, or political factors. Specially, the duty in financial allocation of the Finance Commission in the adjustment of the vertical fiscal imbalance is to make recommendations to the President as to the principles on which funds allocated annually by the central government budget to the provincial level should be apportioned between the various Provinces. In this situation, there is not an autonomous decision-making process to the PCs in relation to the financial transfers. It has been controlled by the Central Government allocation procedures and authorities. Nonetheless, there is neither direct provincial representation nor provincial involvement in this process which has been a major weakness in the process of financial allocation of PCs.

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<sup>27</sup> According to the horizontal equalization, the Commission is to formulate the principles necessary to achieve balanced regional development across the country. In doing so, the Commission considers (a) the population of each Province, (b) the per capita income of each Province, (c) the need, progressively, to reduce social and economic disparities, and (d) the need, progressively, to reduce the difference between the per capita income of each Province and the highest per capita income among the provinces.

In addition, the Governor as the President's representative makes the rules governing all aspects of provincial finance, including the Provincial Fund and the Emergency Fund of the Province. Financial oversight of the provincial administration is to be carried out by the Provincial Council, and further oversight by the Governor and Parliament was deemed an unnecessary intrusion into provincial autonomy by the Centre. Meanwhile, the Governor's discretionary powers regarding provincial financial statutes are significant: all statutes involving revenue or expenditure can only be introduced, moved, or passed by the Provincial Council on the prior recommendation of such a statute by the Governor; all demands for central grants to the Provincial Council require the Governor's recommendation; the annual budget of the provincial administration is presented to the Provincial Council by the Governor<sup>28</sup>. All these reflect an interference of the Executive authority and the Central Parliament of the country in financial and fiscal matters of the PCs.

### **10.5 Autonomy of PCs on Borrowings**

Borrowing authority in Sri Lanka has remained centralized. Under the 13<sup>th</sup> Amendment provincial councils may only borrow from the central government to the extent allowed by Parliament (*vide* s. 19 (1) (c) of the Provincial Councils Act No. 42 of 1987 and paragraphs 35 and 31 of the Provincial List). Regarding this Herath (2009) has stated that the Provincial Councils are allowed to maintain a provincial fund and raise loans, which somewhat offset limits on revenue generation via taxation. As well as, external resources are always channeled through central institutions, and a limited form of intergovernmental relations. Foreign funding, hence, obtained by the central government for projects falling within provincial subject matter should be directed to the provinces and international borrowings by regional administrations shall be subject to criteria and limitations specified by Parliament which requires the concurrence of the central Minister of Finance. The province should be given implementation authority in respect of foreign-funded projects related to provincial subject matter. Similarly, any agreements negotiated and entered by regional administrations regarding international grants and foreign development assistance are to be in accordance with the national policies on international aid, which are formulated by the Centre. However, the actual authority to raise funds is highly controlled by the central government, as clarified in the Eleventh Amendment. Ultimately it can interpret as Provincial Councils having the ability to borrow, but under limited circumstances and subject to central government scrutiny.

**Fiscal/ Financial Power of the Local Governments of Sri Lanka:** The fiscal and financial powers of the local authorities are mainly derived from the relevant legislations. The legislative clauses are clearly clarified the scope and responsibility of local authorities in provision of assigned services to the public

<sup>28</sup> It is regarding the procedure for fiscal and financial statutes in the Provincial Councils that the Governor's powers are most visible, and least compatible with democratic and devolution principles. The Governor makes the rules governing all aspects of provincial finance, including the Provincial Fund and the Emergency Fund of the Province. The Governor presents the annual budget of the provincial administration to the Provincial Council showing the estimates of receipts and expenditure, and he must recommend all demands for grants made to the Provincial Council. While the Provincial Council has the authority to approve the annual budget, the consequent Appropriations Statute is subject to the assent of the Governor (Walikala, 2016).

and types of local taxes and user fees that can be collected from their domain. Basically, the local government revenues are mainly come from assessment rates, rent, license fees, charges for services and capital receipts respectively. However, the local governments do not have an autonomous authority in operation of service delivery and collection of charges, which are often regulated under the rules and scrutiny of the Central government. This control has been existing for many decades, particularly from prior to the independence and after 1948, the local governments have been operating under the line ministry of the Central Government. This has been further broadened with commencement of PC system since 1987 and hence the supervision of local governments has become a devolved subject of the provincial governments under the Sri Lankan Constitution.

By present, Sri Lankan local government system does not have a strongest fiscal & financial capacity as it is not an autonomous governing structure. The local governments have limited own sources of revenue with procedural constraints for enhancement of own sources especially regarding property taxes; limited use of powers conferred to it regarding taxation. Therefore, the local governments have a high dependence on fiscal transfers of the Central Government. As Smoke (2015) stated, from a fiscal perspective, local governments in Sri Lanka are heavily dependent on central and provincial government transfers and loans. Own source revenues, which include property taxes, user fees and licensing charges, account for less than 1 percent in total public sector revenue. Of these existing revenue sources, the stamp duty on the transfer of property and court fees are largest respectively. Altogether, it is very clear with its receipts that the revenue grants including stamp duties (35%), capital receipts (14%), assessment rates (14%), license fees (11%) of the total revenues. When the revenue receipts are compared, from this total collection 40-50% is collected by the Municipal councils and 40-45% is collected by the Pradeshiya Sabhas and less than 10% is collected by the Urban councils (Ministry of Local governments, 2021). Furthermore, it is to be noted that the local government own source revenues, which include property taxes, user fees and licensing charges, account for less than 1% in total public sector revenue. As a result, from the fiscal perspective, local government in Sri Lanka are heavily dependent on central and provincial government transfers and loans. Meanwhile, the local governments are taken funds from external Sources such as funds through private sector partnerships; community level interventions; loans /local loan development fund/over drafts from banks for short term financing. Transfers are come in the form of block grants that flows to the local government from Provincial Councils.

#### **10.6 Trends of Expenditures of the PCs and Local Governments in Sri Lanka**

The revenue receipts of PCs are utilized to finance different expenditures annually. These expenditures as a percentage of GDP are annually laid between 2-4%. The largest percentage of these expenditures is utilized for recurrent expenditures and the recurrent expenditure for all provinces significantly outweighs capital expenditure annually. Personal emoluments account for more than 60% of this total recurrent expenditure (Table No 05) and the total amount of recurrent expenditures has been increasing continuously for last couple of decades mainly due to the increase in personal emoluments, which continued to be the single largest item in recurrent expenditure of PCs. The education and health sectors

absorbed a major portion of the personal emoluments of PCs accounting for nearly 90 per cent of the total expenditure on personal emoluments. Moreover, the local authorities in the Western Province of the country are incurred a large expenditure of about 45% of total estimated expenditure in a year (Ministry of Provincial Councils & Local Governments, 2018). Meanwhile, a part of the revenues which comes as block grant transfers to the PCs provides to the local governments. This is one of main revenue sources of the local governments and the total which includes the national line ministry transfers and own generated incomes spend on various roles such as staff expenses, operations and maintenances, capital expenditure and recurrent expenditures related to subnational spending on roads, hospitals, and other public service utilities (World Bank, 2006). The capital expenditures of the Local Governments are mostly used for building of capital assets and the rest spends largely for repair capital assets & supply of Equipment etc.

**Table No 05: EXPENDITURE CLASSIFICATION OF THE PCs IN SRI LANKA 2000 -2020**

Expenditure Item	2000 %	2005 %	2010 %	2015 %	2020 %
1. RECURRENT EXPENDITURE	77	81	83	81	86
<i>O/W Personal Emoluments</i>	59	64	65	63	67
2. CAPITAL EXPENDITURE	23	19	17	19	14
Total	100	100	100	100	100

Source: Central Bank of Sri Lanka

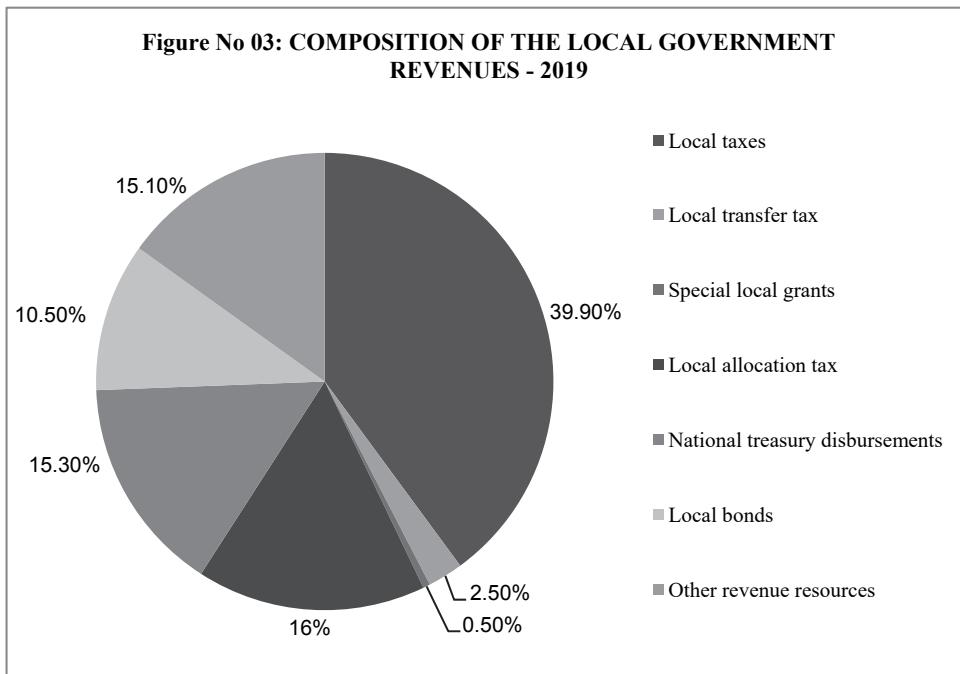
#### **10.7 Strength and Limitations of Fiscal/ Financial Devolution: Japan**

Local governments in Japan basically have complete power over their independent financial operations, although there are various mechanisms in place for maintaining balance with national government financial operations and for guaranteeing revenue sources. Indeed, Japan's local government financial affairs come under the Autonomy Law with all other basic matters relating to the organization such as operation of local governments, powers, residents, legislative assemblies, and agencies. The local government assemblies have an authority to approve financial plans/ budgets and establish ordinances within the law. The local finance plan is officially called "Estimated Total Local Public Entity Revenue and Expenditure". Article 7 of the Local Allocation Tax Law stipulates that the Cabinet is required to specify such a plan, submit it to the Diet, and announce it publicly.

The local finance plan is a system to verify whether local governments have the financial resources necessary to provide the legally prescribed level of projects and administrative services. It is arrived at by computing all local government revenues and expenditures, and then estimating their overall budget situation. If revenue sources are insufficient, the national government will consider amendment of the local finance system or an increase in the local allocation tax rate to secure the necessary financial resources for local governments. Conversely, local governments can use the local finance plan to gain an understanding of the ideal local finance situation across the nation in order to maintain consistency with national economic and fiscal policies, achieve harmonization among national government finance, local

government finance and they can make it a guide for their own financial operations. In addition, under the Article 94, the local public entities shall have the right to manage their property, affairs, and administration and to enact their own regulations within the law. The power on all these is relatively high and sound compared to Sri Lanka as it enhances the autonomy and independence of local governments.

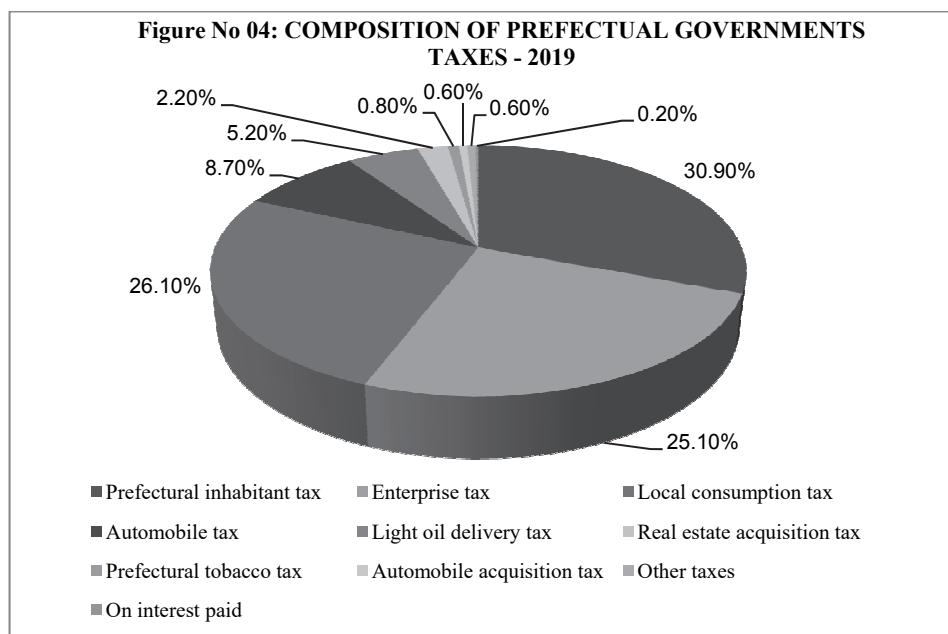
The financial resources of Japan's central government are operated in a decentralized form, where authority and financial resources have been transferred in large measure to local governments. In this separated pattern, the central government does not carry out administrative intervention vis-à-vis a local government, which for its part, is able to implement its duties independently. It is fair to say that the relationship between central government and local governments in Japan, characterized for a long time by the existence of the "Agency Delegated Function System" also belonged to this interfused pattern of government (Ikawa, 2008). Hence, strengthening the revenue base of the local governments, the Central Government has conferred a considerable taxation power to the local governments and certified a central financial allocation to fill the budgetary gap. Relatively, financial base of local governments of Japan is hence strong as it shows a good example for the fiscal federalism. As shows in following Figure No 03, the main sources of revenues are the local tax, local allocation tax, national government disbursements and local government bonds.



**Source:** MIC (2021)

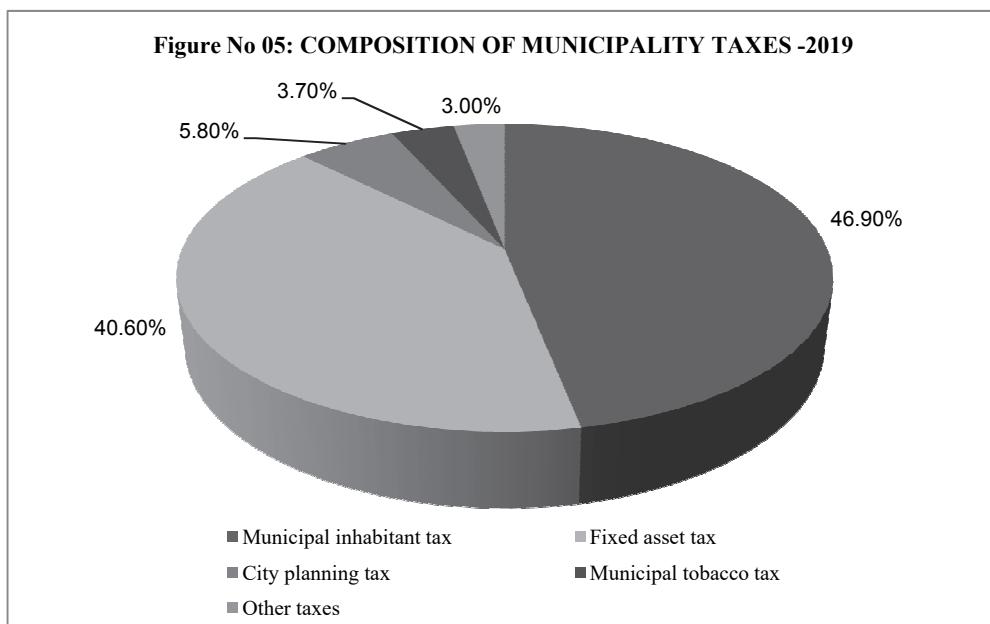
As shown in the above Figure No 03, the largest percentage of local revenues are provided by the local taxes. The Local Tax Law provides for the imposition and collection of taxes by prefectures and municipalities. Allocating administrative tasks and taxation powers to local authorities through vertical fiscal coordination creates this ability to raise tax revenue from the community. As shown in the above Figure, local taxes account about 40% of total annual revenue. If it is considered separately, Prefecture taxes account about 40% of an annual average revenue for prefectures, and municipal taxes account for 35% of an annual average revenue for municipalities. As mentioned in the above, there are many types of local taxes in Japan, particularly 13 types of prefecture taxes and 13 types of municipal taxes. Following figures show the main taxes and their percentages (2019 values) of Prefecture governments and Municipality governments. Specially, the largest percentage of taxes of Prefectures and Municipalities is come from Prefecture/ Municipal inhabitants' tax. Inhabitants tax is a resident tax which levies both on individuals and businesses. According to the size of tax earnings, Tokyo prefecture is the largest tax collector and Okinawa prefecture is the lowest tax collector (CLAIR, 2020).

Meantime, local tax capacity has been strengthening further with other many taxes. As shows in following Figure No 04, main partners of these taxes are local consumption tax, enterprise tax, automobile tax etc. respectively for the Prefectures, and fixed assets (property tax on land and buildings) tax, city planning etc. tax for the Municipalities (Figure No 05). A system of local consumption taxes was instituted in 1997 as a means of increasing local government financial resources to promote local autonomy. Contribution of all these taxes to local governments' revenue base is significantly and continuous for many years.



Source: MIC (2021)

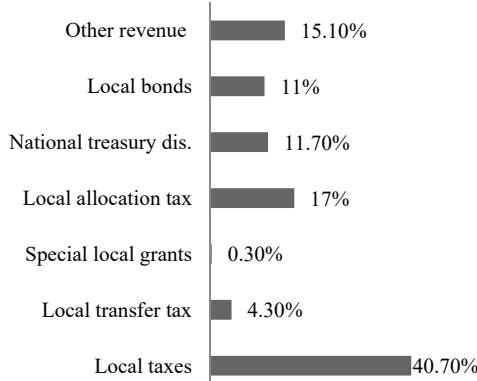
In addition to all these tax sources, local government revenues in large come from respectively, local allocation tax about 15-20%, National treasury disbursements about 15-18%, local government bonds about 10-12% and others about 15-16% (MIC, 2021). Local allocation tax is a method by which the central government uses central government resources to correct fiscal capacity gaps between local governments (Vertical fiscal adjustment with horizontal effect). This has indeed been a considerable strength in fulfilling of local governments' expenditure capability. Nonetheless, the performance of this allocation system in Japan for past many years are relatively very successful rather than other countries who execute the power decentralization to sub national governments. Further, in the context of fiscal autonomy, the monies of allocation taxes are shared as general revenues that local governments can use as they see fit.



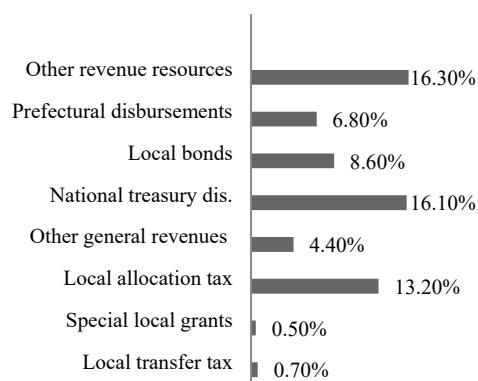
Source: MIC (2021)

Following Figures No 06 & 07 show that the types of revenue of the prefecture governments and Municipalities separately. As it shows according to the 2019 estimation that most important revenue source of Prefecture governments is local taxes and for the Municipalities is other revenue sources which includes different taxes, fees, and charges. The collection of such local taxes, fees and charges have been verified giving their full authority with relevant laws and regulations. However, the Prefectures and Municipalities are not allocated taxation powers corresponding to their administrative tasks, largely depending on various allocations, transfers, and other disbursements of upper authorities in financing their annual expenditures.

**Figure No 06: REVENUE BREAKDOWN OF PREFECTURE GOVERNMENTS - 2019**



**Figure No 07: REVENUE BREAKDOWN OF MUNICIPALITY GOVERNMENTS - 2019**



However, there are various mechanisms and regulations in place for maintaining balance with national government financial operations, for guaranteeing revenue sources and levying taxes. Though the legislative power of taxation is held by the central government and local governments, tax object and tax base regarding levying taxes (only ordinary tax or an object tax) of local governments are determined under the national tax policy. In other words, local governments do not have the legislative power to determine the tax base, only the power to determine the tax rate. On the other hand, local total tax revenues are shared between the central government and local governments. In this context, some or all the local taxes levied by local governments are transferred to central government. Additionally, some financial procedures in central government disbursements, particularly national treasury subsidies and obligatory shares have also been imposed by the Central Government. These have been adopted mostly to regularize the financial mechanisms of local governments rather than a controlling mechanism. Further, prefectures and municipalities are given roughly a same number of financial resources and the local allocation taxes is provided in a set percentage from the certain taxes. Under this, the total amount of the local allocation tax grant is predetermined ratios of five national taxes. These are, specifically, 33.1% of income tax and corporate tax, 50% of liquor tax, 22.3% of consumption tax, 25.0% of tobacco tax and all local corporation tax revenues. Meanwhile, the local allocation tax grant is given in a divided form as the ordinary local allocation tax grant (94%) and the special local allocation tax grant (6%) (MIC, 2009). Further, regarding local bonds issuance, there are some limitations and measures. Thus, the financial law does allow local bonds to be issued to cover expenses for things such as publicly owned corporations, disbursements, and loans, refinancing of local bonds, disaster emergency projects, maintenance of public facilities etc. In principle, when issuing local bonds, prefectures must consult with the Minister of Internal Affairs and Communications and municipalities must consult with their governor. In this allocation procedure, the local finance plan is verified whether local governments have the financial resources necessary to provide the legally prescribed level of projects and administrative services.

## **10.8 Trends of Expenditures of Local Governments in Japan**

Japan's local governments require large amounts of financial resources to meet their annual expenditures. This is fulfilled from basically own revenue sources and central allocations as it explains above. Showing a usual characteristic of shared funding system (distinctive financial resource for local governments, collected by the national government on their behalf) under a fiscal federalism, Japanese local governments are largely depended on allocated revenue sources for their annual expenditures. If it is clearly stated, with respect to the income (from taxes), the allocation of tax revenue between the central and all local governments is 3:2, with the central government receiving the greater share. In other words, as a percentage, taxes paid by the public to the national government is often large, e.g., Sakai (2014) mentioned that 55% to the National government and 45% to local governments. However, due to large scale financial transfers from the central government to local governments by means of the local tax allocation (different from other national government grants), central government disbursements (disbursements are earmarked for specific uses), ultimate total funding for all local governments exceeds total funding for the central government. Further, prefectures and municipalities are receiving roughly the same level of financial resources for their annual expenditures.

**Table No 06: CLASSIFICATION OF THE LOCAL GOVERNMENT EXPENDITURE – 2019**

	Expenditure Item	%
1	Public Welfare	26.6
2	Education	17.6
3	Debt service	12.2
4	Civil engineering work	12.2
5	General administration	9.7
6	Sanitation	6.4
7	Commerce and industry	4.8
8	Agriculture, forestry, and fishery	3.3
9	Other	7.2

**Source:** MIC (2021)

Though the annual tax revenues of national government are relatively high, the level of expenditures is mostly high in the local governments, e.g., total expenditures annual: National government 42% and local government 58% (MIC, 2018). In other words, about 60% of the total expenditure of the Japanese government is used for the many tasks undertaken by local governments. As Aoki (2008) stated that compared to other developed countries, Japan's share of local government expenditures, as a percentage of gross domestic expenditure, is relatively high. If it is considered the expenditures between Prefectures and Municipalities, the scale of expenditures by prefectures and by municipalities is almost the same (Shun'ichi, 2003). According to classifying the expenses by purpose demonstrates that much of public money is appropriated for public welfare expenses and Education expenses as shows in the above Table No 06 and if it is divided into subcategories, largest percentage goes to sanitation public health and

hygiene expenses, and thereafter school education expenses, and judicial, police and fire service expenses. The administrative area of local governments is also accounted a greater part of the expenses (CLAIR, 2020, MIC 2020).

On the other hand, in comparison between central and local governments expenditures, the ratio of local government expenditure is higher for government services that more directly affect residents in local areas. For instance, in terms of safe and secure region-building, local governments cover nearly 80% of police and fire expenditures (Statistical Handbook. 2021). According to classification of spends, municipalities carry out many tasks in areas of the welfare of the elderly, child welfare, and livelihood protection specially. As a result, municipal expenditures on social welfare are nearly three times than prefectures. Other expenditures with a high local government ratio include sanitation and school education, both of which are deeply connected to people's everyday lives. Furthermore, increasing social security related expenditures are inevitable with Japan's aging population. With all these expenditures of local governments, annual total expenditures are large and not be able to cover only from annual tax revenues which certainly leads to go for other sources. However, in the context of financial autonomy of local governments, local governments have a significant freedom in making expenditure decisions and especially local allocation tax revenue is used in an independent judgment of each local government, and the central government is prohibited from attaching conditions to or restrictions on its use.

## **11. SWOT Analysis on Improvement of Revenue Capacity**

Sub national government system in Sri Lanka and Japan have been operating for last couple of decades. The role which has been done by these governments for peoples is more or less successful. Specially, while the Provincial Councils in Sri Lanka is facing to some problems in fulfilling their assign duties, local governments in Japan are relatively operating successfully in service provision to their community. Main obstacle of this unsuccessful operation of Provincial Governments in Sri Lanka is inadequate financial resources. Reason for inadequate financial resources is not just the limited tax incomes, the Provincial Councils do not use their maximum ability in tapping the financial resources within the given constitutional power. In addition, some administrative and legal procedures have also been hampering on this process. Meanwhile, there is an inadequacy between annual expenditures with delegated functions and revenue receipts of local governments in Japan, which has been a considerable issue on efficient service provision of local governments. As a result, Japanese local governments are largely dependent on short term revenue sources such as bonds issuance, treasury disbursements, special grants etc. If these considered all together, it is clear that there is an imperfection of current devolution packages in both countries, particularly in the fiscal/ financial devolution. Indeed, this is a usual characteristic that none of the countries, who have devolved their powers to sub national governments, have devolved power in hundred percent within their feasible and warranted level. Indeed, power decentralization cannot be completed within a short time by a one-off legislative act. Rather, the reform requires continuous attention looking at shortfalls and permanent fine-tuning, it must be implemented in several stages.

**Table No 07: SWOT MATRIX ON FISCAL DEVOLUTION IN SRI LANKA AND JAPAN**

<b>Sri Lanka</b>			
<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. Political will of Central Govt.</li> <li>2. Devolution of Financial statutory power</li> <li>3. Establishment of Finance Commission</li> <li>4. Financial support from Central Govt.</li> <li>5. Ensure management of resources &amp; skill transferred</li> <li>6. Effective involvement of locally elected members</li> <li>7. Strengthening the collaboration of decentralized institutions</li> <li>8. Existence of local budgets/ development plans</li> <li>9. Enhanced local partnership for financial resources mobilization</li> </ol>	<ol style="list-style-type: none"> <li>1. Weak financial Capacity of Centre</li> <li>2. Weak implementation of decentralization laws and policies</li> <li>3. Inconsistency in financial resources transfer</li> <li>4. Resistance from central government</li> <li>5. Limited financial resources to local governments</li> <li>6. Weak coordination &amp; communication between local governments</li> <li>7. Weak coordination with central departments</li> <li>8. Partiality in financial resources transfer by the central Govt.</li> <li>9. High politicization of financial resource transfer process</li> <li>10. Ad hoc limitation and measures on financial transfer</li> </ol>	<ol style="list-style-type: none"> <li>1. International/ Global trend</li> <li>2. Existing legal provisions</li> <li>3. Financial resources availability</li> <li>4. Best practices of other countries</li> <li>5. Availability of untap revenue sources</li> <li>6. Collaboration with decentralized departments</li> </ol>	<ol style="list-style-type: none"> <li>1. Risk of politicization</li> <li>2. Misuse of resources</li> <li>3. Social and political crisis</li> <li>4. Misuse of financial resources</li> <li>5. Financial corruption</li> <li>6. Lack of cooperation between some decentralized departments</li> <li>7. Regional poverty</li> <li>8. Loopholes of taxation laws</li> </ol>
<b>Japan</b>			
<b>Strengths</b>	<b>Weaknesses</b>	<b>Opportunities</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. Political will of Central Govt.</li> <li>2. Financial autonomy with local governments</li> <li>3. Broader local tax base</li> <li>4. Gradual improvement of local governance</li> <li>5. Local partnership for financial resources mobilization</li> <li>6. Gradual strengthening of local governments' capacities</li> <li>7. Financial supports from Central Govt.</li> <li>8. Ensure financial resources transfer</li> <li>9. Clear and consistent responsibilities of local governments</li> <li>10. Effective involvement of local elected members</li> <li>11. Strengthening the collaboration of decentralized institutions</li> <li>12. Existing of local budgets/ development plans</li> <li>13. Sound administration of local affairs</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited financial resources allocated to local governments</li> <li>2. Limited financial resources devolution</li> <li>3. Limited financial resources allocation</li> <li>4. Limitations and measures of financial mobilization</li> <li>5. Partiality of resources and skill transfer by Central Govt.</li> <li>6. Discrepancy between the territorial division of local governments</li> <li>7. Inconsistency in financial resources transfer</li> <li>8. Gaps of financial devolution</li> <li>9. Financial procedures on financial transfers</li> <li>10. Heavy duplication of roles and ambiguous fiscal responsibility of local governments</li> <li>11. Overlapping of local government responsibilities</li> <li>12. Duplication of tax bases between national tax and local tax</li> </ol>	<ol style="list-style-type: none"> <li>1. International/ Global trend</li> <li>2. Autonomy in local resources mobilization</li> <li>3. Country political stability</li> <li>4. Enhanced partnership and decentralized cooperation</li> <li>5. Country political stability</li> <li>6. Resources availability</li> <li>7. Best practices from other countries</li> <li>8. Enhanced partnership and decentralized cooperation</li> <li>9. Better functionality of decentralized department/services</li> <li>10. More power and more freedom to act</li> <li>11. Size of local government tasks</li> <li>12. Agency Delegated Function System</li> </ol>	<ol style="list-style-type: none"> <li>1. Risk of politicization</li> <li>2. Misuse of resources</li> <li>3. Social and political crisis</li> <li>4. Weak implementation of decentralized laws and policies</li> <li>5. Misuse of financial resources</li> <li>6. Lack of cooperation between decentralized departments</li> <li>7. Weak capacities of some local governments</li> <li>8. Rise in taxes and social insurance burdens</li> <li>9. Fluctuations of economic growth effect</li> <li>10. Complexity of tax system</li> <li>11. Wasteful spending of national subsidies</li> </ol>

Specially, looking at financial requirements which is the main hinderance in service delivering of local governments, necessary regulatory reforms should be done with effective enforcement of decentralization's laws and policies. Regarding this, it is generally assumed that inter-governmental transfers should be minimized and instead of that, strengthening, and broadening own financial bases it requires the creation of an adequate tax-base. With this, revenue base of local governments is become a long-term uninterrupted revenue base which certainly enables for an effective operation in service delivering. This SWOT analysis examines the existing avenues and stimulations for improvement of financial capacities of local government systems in Sri Lanka and Japan (Table No 07).

As stated in above Table No 07, there is a massive strength and an opportunity in improvement of local government capacity, especially financial capacity which is most cited strength. The political willingness is indeed available in both countries for this basically. Similarly, required legislative provisions have set up and improvement should be done where necessary, both countries have built the required legitimate foundation. The weaknesses imply that the areas should be concerned for reformation and the opportunities are endorsing their possibilities.

## **12. Conclusion**

Power decentralization to sub national governments is a universal practice which brings government closer to citizens, creating conditions for the democratization of governance and for increasing its effectiveness. Political decentralization aims to give citizens or their elected representatives more power in public decision-making and balanced development in a country with shifting responsibilities and resources to subnational units of government. The power decentralization to regional and local entities is nearly similar in Sri Lanka and Japan that depicts a similarity of regional (provincial) governments in Sri Lanka with Prefecture governments in Japan and local governments in both countries. The structural framework of these governments is also nearly similar in general with some internal disparities, but the national government in Sri Lanka has two parts as Executive President and a Cabinet with a prime Minister. In Japan, there is not an Executive President, but there is a Prime Minister and Cabinet. Constitutionally Sri Lanka has given somewhat self-ruling rights to regional governments while local governments are operating under the both the Central Cabinet and the regional governments. Both Japanese Prefecture governments and local governments has also a comprehensive autonomy which is certified by the constitution in 1947 and further broadened it by successive reforms. However, the financial capacity of regional governments/ local governments is a vital weakness in both counties. None of the country has not devolved their full power on fiscal and financial management to regional and local governments and hence there is a significant controlling mechanism on revenue collection and expenditure with various regulations, limitations, and directions. Specially, a more strength of taxation power has been held by the Central Governments in both counties from the beginning. However, deficit gaps of revenues that need to finance annual expenditures of regional/ local governments are filled out by financial transfers of Central Government alternatively.

Under these fiscal and financial arrangements, the regional/ local governments of both countries are facing an unsatisfactory financial capacity in each year. Reason for such a situation in Sri Lanka is an inadequate power on revenue generation and the limit of tax earning sources. This is further weakened by non-implementation the existing tax power of regional governments. The existing power is utilized in two ways that on one side, the regional governments do not utilize their granted statutory power in detecting new tax sources and the other side, the devolved power to the regional governments has not been transferred fully by the Central Government in implementation of relevant legal procedures. Indeed, not implementing of given taxing power is a practical problem which leads to reduce the annual revenues of the regional government in Sri Lanka. Nonetheless, the Central government do not give the annual transfers in required level with existing limitations and shortage of funds. As a result, the annual revenues of both regional governments and local governments in Sri Lanka are never met the expenditure that they must do annually.

Relatively, the Central Government of Japan is also holding a more strength of taxation power as it collects a more tax revenue annually. Consequently, there is an undesirable mismatch of revenue receipts and expenditures of the Central Government and local governments in Japan. The dilemma of this mismatch is that the annual expenditures of local governments exceed the annual revenue receipts though they need a more income to finance annual operations. In fact, the local governments are required a more income to finance annual operations, but collection of revenues is often inadequate. The reason behind is that the revenue sources enumerated to the local governments are relatively limited, many productive revenue sources are on the hand of the Central Government. This deficit of local governments of Japan is financed by the Central Government through its transfers which come as allocation taxes, transfer taxes, specific grants etc. to the local governments. On the contrary, the annual collection of revenues of the Central Government often exceeds the annual expenditures though there is no need an extra income to finance annual expenditures. Indeed, the Central Government has a limited role to finance annually compared to the local governments.

Furthermore, according to these devolved fiscal and Financial Power to regional/ local governments in both countries, it seems that there is limited power for borrowing from outside sources and to get direct grants from foreign sources. Specially, borrowing authority in Sri Lanka has remained centralized and the Provincial Councils are allowed to raise loans, which somewhat offset limits on revenue generation via taxation. As well as, external resources are always channeled through central institutions, and a limited form of intergovernmental relations. Regarding local governments, there is a highly controlled & reliant power that the local governments can take funds from external sources such as private sector partnerships, local loan development fund from banks etc. for short term financing. Likewise, the local governments in Japan have an exclusive power to raise funds issuing local bonds to cover their annual expenditures. However, the law allows to issue local bonds to cover expenses of publicly owned corporations, disbursements, loans, refinancing of local bonds, disaster emergency projects etc. Furthermore, local governments may take out low interest long-term loans from financial institutions

after receiving the approval of the Ministry of Internal Affairs and Communications.

The regional/ local governments in Sri Lanka and Japan have been operating for last many decades under the above mentioned fiscal and financial power with some required reforms & modifications time to time considering adverse consequences and demands of local authorities. However, as usual in power decentralization processes in the World, Sri Lanka and Japan has also not devolved a complete financial authority to the local governments as devolved the functional responsibilities. As a result, and in order to significant financial paucity of local governments, there is a huge demand for a more financial power in both countries. Specially, this situation is highlighting in Sri Lanka compared to Japan. Nonetheless, both countries are reflecting a significant avenue for further reformations of existing legitimate framework and demanding an extra power in potential boundaries of power decentralization.

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## 〈編集後記〉

『専修大学社会科学研究所月報』713号をお届けします。本号では、2本の論稿が掲載される運びとなりました。発行に携われた皆々様に、この場をお借りしてお礼申し上げます。

河藤 佳彦所員の論稿は、コミュニティビジネスに係る理論的枠組みの整理を行った上で、先進的な取り組み・活動を行っているNPO法人「あだち菜うどん学会」を取り上げ、その意義や可能性、また課題について論考を加えるものである。検討の結果として、関係企業との体制を通じて、社会的価値創造と経済的価値創造が一致した活動が展開されている等の指摘が行われている。

他方、Ullandupitiya Patabendalage Prasad Serasinghe先生、Yirui Xu所員の論稿は、スリランカと日本における地方政府の財政力、その自立性の程度などについて分析を行うものである。論考の結果、スリランカと日本は、地方分権化の点で類似していること、また両国において地方政府レベルの財政能力は、極めて脆弱となっている点などを析出するものである。

研究の第一線で文字通り活躍を続ける両所員の論稿が、多くの議論を喚起し、研究史をさらに発展させることを確信している。

(Y.H)

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