



Revisiting Local Government Service Delivery in Sri Lanka: Co-creating Inclusive Local Development

Evidence from the Districts of Batticaloa,
Mullaitivu & Monaragala

Asoka S. Gunawardena

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Abbreviations and Acronyms

| | |
|-----|---------------------------------|
| LA | : Local Authority |
| LG | : Local Government |
| MC | : Municipal Council |
| PC | : Provincial Council |
| PS | : Pradeshiya Sabha |
| CBO | : Community-based Organizations |
| CRC | : Citizen Report Card |
| CSO | : Civil Society Organizations |
| NPM | : New Public Management |
| UC | : Urban Council |
| UDA | : Urban Development Authority |

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Executive Summary

Background to the Study

This study seeks to position the findings of a survey on the delivery of public services by Pradeshiya Sabhas (PSs) within the macro context of public service delivery. The purpose is to understand governance issues and implications arising in this context, in regards to the nature and scope of the institutional space available at the micro level for elected local authorities in responding to development outcomes at the local level. The study is undertaken with a view to identifying thematic areas for research and policy engagement in bringing about inclusive development at the local level. The study takes off from “Surveys on the delivery of public services by Pradeshiya Sabhas”, carried out by the Centre for Poverty Analysis (CEPA). These were conducted in Monaragala, Batticaloa and Mullaitivu Districts, using the Citizen Report Card (CRC) methodology as the tool for assessing access, quality and satisfaction of actual users of public services as well as a tool for social accountability of the service provider.

Context of Local Government, Public Governance and Development Processes

Pradeshiya Sabhas constitute the rural form of local authorities (LAs), in turn constituting a component of the system of local government and service delivery, which incorporates both, de-concentrated and devolved forms. The LAs are comprised of three types of local authorities, Municipal Councils (1947), Urban Councils (1939) and Pradeshiya Sabhas (1987), each established under a specific law. Local authorities are charged with “the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares, and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities”. The Pradeshiya Sabha Act specifies their local government mandate as to “*provide greater opportunities for the people to participate effectively in decision making process relating to administrative and development activities at the local level* ”. The LAs are established with taxing and spending powers.

The system of Local Government (LG) evolved as a series of successive decentralisation initiatives to manage both development and ethnic conflict. The system of government and service delivery was radically changed with the devolution of power to Provinces (1987), with LAs being placed under the purview of Provincial Councils (PCs), constituting the primary tier in a multi-level system of government. Complementing these changes in the system of government was the adoption of neo-liberal market-based provisions in the 1970s that emphasised modernisation of the public sector towards efficient performance of the state’s service delivery operations. The adoption and the practice of “new public management” (NPM) were rather ad hoc and piecemeal.

The emergent public policy milieu was a hybrid arising from the imperatives of efficiency in managing development and engagement in working with the devolved polity. The twin concerns of efficiency and engagement brought into the public management discourse, the notion of “Governance”, applied both in economic as well as socio-political contexts of public policy management. The emergent

changes resulted in a hybrid model of government and governance, combining imperatives of centralised direction, public management efficiency, and citizen engagement.

The State of LA Governance, Development Processes and Accountability

The LAs are competent service providers being vested with taxing and spending powers. The area of service delivery operations is defined by their functional role and responsibility in terms of a “programme framework” consisting of health services; physical planning, public thoroughfares, and land and buildings; water supply; public utility services; civic amenities. All LAs follow this program framework.

The findings of the CEPA survey¹ suggest that differences in the service delivery situation is more intra than inter PS. The intra situation is determined by the nature of local government services, that are essentially of an urban nature and are hence located around the urban centre(s) of the PSs. Hidden costs constitute a factor in usage. The, situation varies across the PSs in terms of the service. Satisfaction constitutes a more complex situational factor as far as service delivery is concerned, which varies across services. It is to be noted that the performance indicators used to assess services have important supply-side constraints in terms of the availability of resources, both financial and human.

Survey findings point to several issues relating to policy and practice of service delivery on both the supply and demand side. Key aspects on the supply-side are:

- Responsiveness on the part of the elected and appointed officials to the needs at the level of the citizen and the community.
- Inadequacies in the workings of the complaints and grievance mechanisms or reliable feedback systems.
- Gaps in the allocation of resources as between recurrent services and capital improvements.
- Urban bias in the availability of PS services.
- Key issues associated with the demand-side are:
- The institutional distance between the Pradeshiya Sabha authorities and the citizens / service users and the community.
- Gaps in awareness and understanding of the PS structure and processes.
- Information gaps in regards to PS implementation plans, both recurrent services and capital improvements.

The above findings suggest fundamental gaps in governance practices, development processes and accountability arrangements such as:

- Fragmentation in governance
- Issues of inclusion
- Engagement with citizens

¹ The survey covered garbage collection, roads, water, street lights, drainage facilities, playgrounds and libraries.

- Accountability roles and relationships
- Transparency issues

The Macro-Level Framework, Issues, and Implications for Accountability of LA Service Delivery

The intergovernmental context defines the role and responsibility of local government in the delivery of public services. The ensuing framework of rules require LAs to perform under de-facto conditions of centralised governance and development processes, seriously undermining demand-side accountability for service delivery. Key aspects of the macro framework are:

- Policy formulation, execution and oversight:** National policy is reserved for the centre in terms of the 13th Amendment to the Constitution. However, LAs have allocative powers with implications on local policy in respect of who gets what, when, and where.
- Program formulation, implementation and service delivery:** While responsibility for service provision should follow the powers for taxing and spending, the de-facto situation is different. Development programs are conceived and formulated within the context of national policy and sector plans at the centre.
- Voice and advocacy:** Articulation of demand-side needs is rarely direct and is usually mediated through politicians or through political agents. Community-based organisations (CBOs) as community extensions of the agency delivery systems are, at present not engaged with LAs.

The governance of the macro context is marked by the primacy of the centre. The systems and procedures for planning, programming and budgeting have followed centralised direction and control, further constraining LG both in terms of scope and extent. There are three critical aspects to the marginal role within the intergovernmental planning and budgeting context in which local authorities are called upon to perform.

- Accountability:** There is a gap in the accountability relations, both on the external (intergovernmental) constraining the scope of the supply side, and the internal (systems and procedures) constraining the demand side engagement in the delivery of services.
- Autonomy:** There is incoherence in defining the area of LA service delivery and responsibility, resulting on the one hand from an intergovernmental context that is not consistent with the principle of subsidiarity and on the other hand, from the role and responsibility at the centre for urban planning.
- Adequacy:** Arising from ensuing marginalisation, is the aspect of adequacy of LA engagement in responding to local development needs and outcomes.

Issues and Implications for Governance and Accountability of Local Government Service Delivery

Despite being democratically elected, LAs function within a centralised public sector policy and program framework. A state requires a central capacity and capability to perform its steering role and function as well as formulating public policy in defining public interest. However, top-down command and control bureaucratic systems of government have proved inadequate to meet imperatives of legitimacy, responsiveness and inclusion.

Notwithstanding the crisis of legitimacy and relevance, there are several contextual factors that can redefine the role and function of LAs:

- a. The potential for community networking arising from the presence of community-based organisations that can be mobilised as partners through the POS committee system.
- b. The powers vested in PCs to add to powers of LAs under the 13th Amendment to the Constitution.
- c. The potential of an elected content in LAs for engagement in an inclusive governance discourse rather than the primary focus on procedural reforms to the neglect of institutional underpinnings of governance change.
- d. Recent reforms introduced to the LA system, the ward system and women's representation, that can provide opportunities for significant governance reform driven by community partnership in local democracy.
- e. The opportunity for moving to a holistic governance and development approach through the adoption of Sustainable Development Goals (SDGs) in defining the role and function of the LAs.

The fundamental lesson arising from the experience so far is that the needed changes for transformation of LAs into institutions of governance should be addressed in tandem as integral components of a systemic change rather than ad hoc administrative acts of the centre. A focus on creating institutional space for citizen engagement in decision making processes of LAs as well as policy and program space to co-create local outcomes is necessary to move on to an interactive governance role.

The initiatives at change has been ad hoc and driven by donor projects. The tools of social accountability so introduced do not address the external task context of PC oversight and supervision of the administration of LAs. This external task context sets the proximate institutional compulsions in terms of supervision and control to which LA performance responds. The oversight and supervision regime is geared for compliance rather than innovation in LA governance of the development processes.

In order to become relevant to the local communities, it is necessary that LAs come out of their isolation from the mainstream of service delivery to be able to address development needs holistically and inclusively. The current public sector institutional context is not likely to be supportive of a significant expansion in the role and functions of local government authorities. The recognition of the geographic specificity of LAs argues for grounding their functioning and performance in a demand-driven governance context if LAs are to be repositioned for an integrative development role and function. Thus, LAs must be embedded in an active place-based bottom-up endogenous localism rather than being the passive recipient of top-down sectoral outputs. This involves designing a framework for interactive engagement between vertical and horizontal partners in redefining the context of LA governance and development processes.

Innovation within the scope of LA service delivery should address three critical context factors that marginalises LAs. The first relates to the development processes at the local level. Their fragmentation across top-down sectoral outputs restricts the LA development role to a set of specific activities rather

than contextualising such activities within the framework of broader thematic outcomes. The second is about changing the bureaucratic service delivery regime to one of learning in co-creation of development processes. The third is about transitioning the accountability framework within which service delivery takes place from one of top-down compliance, to one that is an inclusive bottom-up policy learning and practice.

Towards an Agenda for Research and Policy Engagement in Empowering Inclusive Development

Positioning of LAs in the governance of public service delivery suffers from policy and program incoherence, failures in collective action at the local level, and asymmetries in the working of principal-agent relationships within LA service delivery operations. In this context, three key areas of policy engagement are noted for re-positioning LAs to enable them to address imperatives of inclusive development.

- a. ***Integrating fragmented development processes:*** The design of an institutional mechanism for integration of agency-based development outputs and processes into an outcome-based unified service delivery system is inherently complex.
- b. ***Governing local government service delivery:*** This relates to establishing accountability as a proactive process occurring both horizontally and vertically in holding local government accountable for their plans of action, behaviour and results. These accountability imperatives of governing local government service delivery extend from one of co-producing public service values to one of co-creating the design of systems and processes.
- c. ***Re-configuring citizen empowerment and inclusive development:*** This is about enabling citizens to participate fully in society, economy and polity. This requires enhancing the relative power of citizens in their engagement with government. In turn, it concerns the institutional context in which public decisions are made. Where the institutional processes do not provide for deliberative engagement of the multiple stakeholders, there is distinct likelihood of economically and politically powerful interest groups that can block development policies and outcomes that are intended to benefit the poor and vulnerable groups.



1. Introduction

1.1. Background to the Study

This study takes off from “Surveys on the Delivery of Public Services by Pradeshiya Sabhas”, carried out in Monaragala, Batticaloa and Mullaitivu Districts by the Centre for Poverty Analysis (CEPA), and the specific objectives with which the surveys were undertaken.

- (i) To use the CRC as a tool for assessing access, quality and satisfaction of actual users of public services as well as a tool for social accountability.
- (ii) To proactively disseminate the findings from the studies and use them to advocate operational policy and practice reform measures.
- (iii) To present the experience from actual users for similar initiatives in other public agencies in other Districts.

The Citizen Report Card (CRC) is positioned as a social accountability tool that allows the service providers and the users to communicate in receiving and giving feedback not only on the quality, efficiency and adequacy of services but also in identifying problems users face in their interactions with service providers and in accessing services. Such positioning of the CRC spanning the supply and demand side governance imperatives in the delivery of local government services is thus posited as the basis for taking account of the governance imperatives that underpin responsive delivery of services.

The surveys examined the status in regards to user satisfaction of seven services delivered by Pradeshiya Sabhas, identified as priority services through focus group discussions. These are; water supply services, storm water drains, garbage collection, access roads and by-lanes, street lighting, playgrounds, and library facilities. The service delivery status was assessed on the basis of a set of performance indicators, which were identified following consultations with community groups and local government authorities, specific to each service. The survey also examined problems

encountered by the citizens in accessing services, reasons for dissatisfaction with services and made suggestions for improving the delivery of services.

In view of the 'detailed micro approach' adopted by the CRC in assessing the Pradeshiya Sabha service delivery situation, CEPA considered it relevant to position the micro level analysis within the macro level context, at the national, provincial and district levels. Analysis at the macro level is to be undertaken with a view to, 'discern patterns, enable comparisons and identify connecting themes' as well as 'broader issues and implications such as poverty and inequality' that need to be addressed through further engagement at research and policy levels.

1.2. The Evolving Context of Public Governance in Sri Lanka

Sri Lanka, inherited a state-centric model of welfare oriented public administration and governance. It was underpinned by a central bureaucracy based on the separation of policy from administration and rule-based procedures to ensure equality of opportunity for all. While much of Sri Lanka's human development attainments were achieved under the welfare model, the centralised system failed to reach out to the rising socio-economic expectations of the people as well as address perceptions of inequality and discrimination. Ensuing gaps in development contributed to civil conflict, in the North and in the South.

However, the response was administrative and dualistic, and derived from two imperatives; that of efficient implementation of centrally designed development initiatives, and the necessity of political accommodation for the peaceful resolution of the conflict. The passage from "decentralisation" for development to "devolution" for resolution of conflict and restoration of peace would seem to have only resulted in establishing a dualistic and dichotomised system of sub-national government. The structures and processes for ensuring control over the implementation of development activities, and of bringing about political accommodation of conflicting ethnic and regional interests have perpetuated, if not, accentuated regional disparities in the availability of social and economic opportunities for sustainable livelihoods.

In the face of growing resource constraints and the failure of public administration to provide for social and economic change, the Government turned to neo-liberal market-based provision in the 1970s. The new approach emphasised modernisation of the public sector towards efficient performance of the state's service delivery operations, as "new public management". (Hood, 1991; Walsh and Stewart, 1992; Osborne and Gaebler, 1993). However, a study on the adoption of new public management (NPM) in Sri Lanka, found that reform was ad hoc and piecemeal. It was implemented in response to the global public sector reform environment, while noting that adoption of NPM was necessary "to transform the traditional public sector institutions to more accountable and efficient entities that are capable of fulfilling the pressing and legitimate public demands" (Samaratunga and Benington, 2002).

In the context of the conflicting pulls for de-concentration and devolution, the emergent public policy milieu was a hybrid arising from the imperatives of efficiency in managing development, and engagement in working with the devolved polity especially in the Northern and the Eastern Provinces. Hence, it was underpinned by a market influenced economy, devolved polity and an assertive citizenry

(Wanasinghe and Gunaratna; 1996). In this context the public policy making roles were identified as being those of guidance, facilitation and regulation (Wanasinghe; 2001).

The twin concerns of efficiency and engagement brought into the public management discourse and the notion of “Governance”, is applied both in economic as well as socio-political contexts of public policy management. Thus, on the one hand creating a “level playing field”, and the associated NPM institutional imperatives for steering of a partnership of the state, the private sector and civil society” and on the other hand, peace, harmony and reconciliation and the associated imperatives for moving forward from civil conflict. Thus the notion of governance extends across the application of private-sector-based management practices exemplified by “managing for development results”, while devolved decision-making arrangements incorporating downward accountability, citizen engagement and participation in co-creation of inclusive development, and public management is defined by strong dependence of government on centralised modes of control and administration.

1.3. Local Government

Elected local authorities (LAs) comprise a component of the system of local government and service delivery in Sri Lanka, which incorporates both, de-concentrated and devolved forms. The system evolved as a series of successive decentralisation initiatives to manage development and ethnic conflict. The de-concentrated and devolved constitute distinct structural elements in the government system in Sri Lanka. Thus, evolving from a highly centralised de-concentrated colonial administration, around the District as the unit of local administration, the system of government and service delivery were radically changed with the devolution of power to Provinces representing larger spatial units comprised of several Districts.

The LAs that were a component of the extant system, were following devolution placed under the purview of Provincial Councils (PCs). Thus, together, PCs and LAs constituted a new devolved sphere of government, delivering public services concurrently with the de-concentrated system, organized at the District, Divisional and Village levels as tiers of local administration. Thus, LAs constitute one component of a larger system of local government service delivery. Indeed, the Presidential Commission on Local Government (1999) described the existing system of local authorities as a “*system of democratic decentralisation for the performance of a limited scope of functions at the local level*” rather than “*a comprehensive and full-fledged level of governance*”.

The powers and functions of elected LAs were guaranteed by a constitutional amendment.² The ensuing power-sharing relationship as between the centre (constitution, form and structure) and the

² Assignment of Local Government as a “provincial” subject under the constitutional amendment (item 4 of Provincial List) is specified as follows:

4.1 Local authorities for the purpose of local government and village administration, such as Municipal Councils, Urban Councils and Pradeshiya Sabhas except that constitution, form and structure of local authorities shall be determined by law;

4.2 Supervision of the administration of local authorities established by law, including power of dissolution;

4.3 Local authorities will have powers vested in them under existing law. It will be open to a Provincial Council to confer additional powers on local authorities but not take away their powers.

province, however, did not in any way detract the role and function of local authorities. The constitutional guarantee of the powers and functions of local authorities establishes local government as an integral sphere of devolution and a partner in devolved governance making for a tripartite governance relationship with the national and provincial levels, constituting the framework for providing services to citizens.

LAs are thus established as the primary tier in a multi-level system of government. They are comprised of three types of local authorities, Municipal Councils (1947), Urban Councils (1939) and Pradeshiya Sabhas (1987) each established under a specific law. Local authorities are charged with the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities.

The Pradeshiya Sabha Act specifies their local government mandate as “provide greater opportunities for the people to participate effectively in decision making process relating to administrative and development activities at the local level “. In fact, the mandate of the Pradeshiya Sabha Act may be compared with that of its predecessor Urban Councils Ordinance, an Ordinance to make provision for the establishment of Urban Councils for the purpose of local government. Thus, the Pradeshiya Sabha Act carries the notion of local government going forward to explicitly include people’s participation as well as to shift the focus from the environment, infrastructure and utility services to other development services which include employment generation and poverty reduction.

The current public sector institutional context is not conducive for local government authorities to function with greater horizontal integration within the public service delivery space. Therefore, LAs function in relative isolation from the mainstream of service delivery. While the power sharing arrangements under the constitutional amendment are assigned “National Policy”, LAs also remain as the passive recipients of top-down sectoral approaches, also indicating a gap in vertical policy integration and coherence. However, the LA services do not take place in isolation. In practice the central, provincial and local providers operate concurrently both sectorally and spatially. It results in multiple channels of delivery, both through central de-concentrated as well as provincial and local devolved arrangements. There is therefore a lack of clarity in the definition of who is responsible for which development outcomes, undermining accountability in service provision. Consequently, the framework of service delivery across the levels of government defines the area of local government responsibility more by default than by design³.

Thus, public service delivery system comprised of de-concentrated and devolved structures, perform overlapping though complementary sectoral responsibilities, operating under a loose system of inter-agency relationships. There has been a growing differentiation in task responsibilities performed at the local level arising from an expansion in functional responsibilities that has taken place in pursuit of national policy responsibilities at the centre. It undermines subsidiarity in so far as the

³ The relative shares of service provision are defined by the operations of the intergovernmental fiscal framework that is heavily biased towards central provision through de-concentrated channels.

de-concentrated delivery system is accountable to the centre while the devolved delivery systems are accountable to their electoral constituencies.

1.4. Issues of Governance, Development Processes and Accountability

On the basis of the above background and the LA context of PS service delivery, three issue areas are identified, as constituting the focus of the study.

- a. **The local authority context of governance, development processes and accountability for PS service delivery outputs:** This issue area is about the accountability of PS governance and development processes for access, quality and user satisfaction of service delivery outputs. The study will examine the situation in regards to the nature and scope of governance, service delivery and citizen participation and of the ensuing relationship between these in ensuring accountability and responsive service delivery by the PSs.
- b. **The intergovernmental context and the macro level framework for accountability of local authority service delivery:** This issue area is about the working of the intergovernmental framework and its impact on the LA governance and development processes in the delivery of PS services at the local authority level. The study will examine the LA institutional space available for PS service delivery and the scope for creating policy space for responsive delivery of services.
- c. **The public governance context and accountability for micro level development outcomes:** This issue area is about the public service paradigm that sets the governance context in which policies, systems and processes for LA service deliveries are defined and delivered. The study will examine drivers of public service change in positioning LA reform initiatives for innovating responsive PS service delivery.

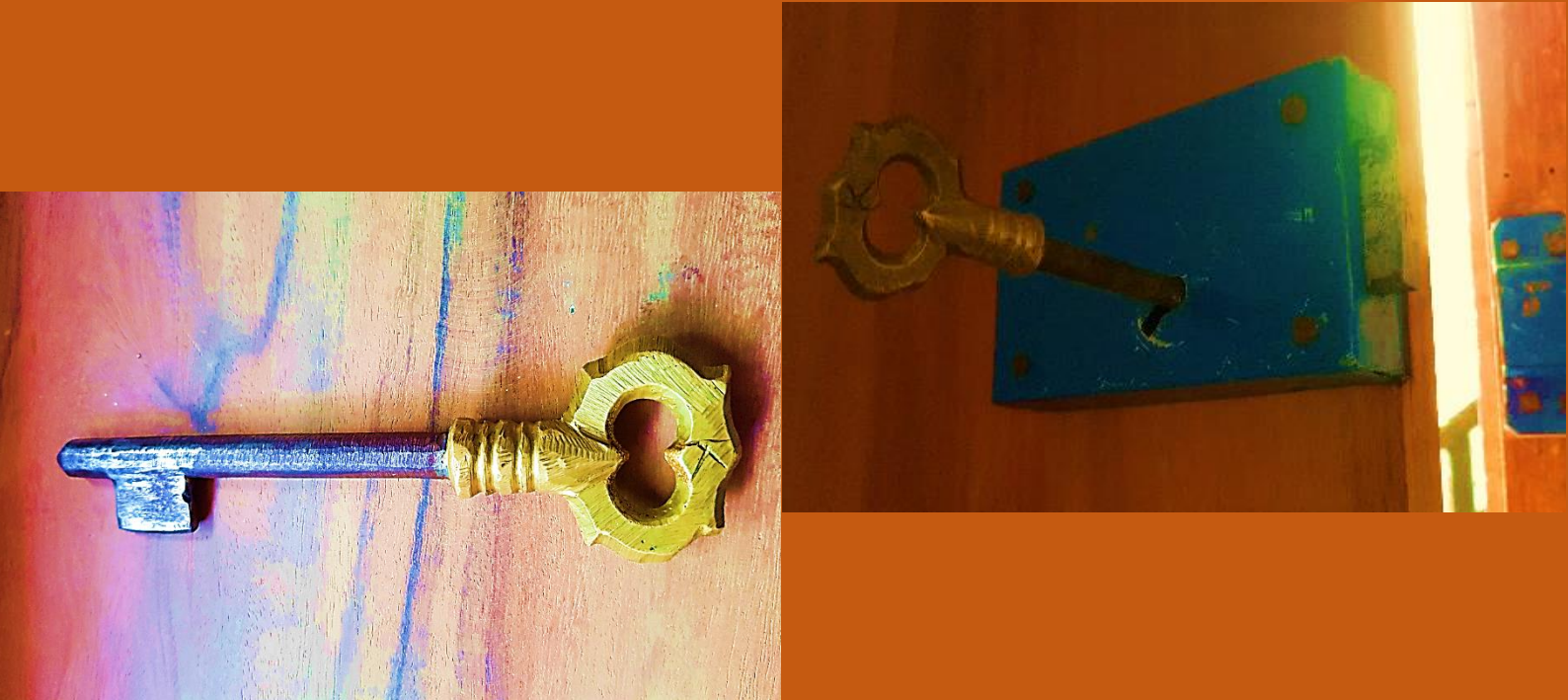
1.5. Scope, Approach and Methodology

The background and issues to be addressed define a specific policy and an institutional focus for the study. The “macro level study of local government services” is undertaken in order to better understand the CRC findings on the PS service delivery situation within the overall context of governance and development processes for public service delivery. The macro context of governance and development process will then provide the analytical framework for understanding the nature and scope of accountability of PS service delivery in moving from the specifics of user concerns (as identified in the CRC findings), to examining the issues and implications for broader development themes such as poverty and inequality.

The fundamental premise underpinning the study issues is that the policy and practices of governance and development are structured around the approach for public policy management, and for informing the workings of the intergovernmental relations, thereby contextualising the engagement between citizens and government authorities at the local authority level. The approach to the study will therefore, construct the public governance context of the working of the intergovernmental system, as the analytical framework for the study. The focus will be on reviewing the LA governance

and development situation at the PS level, in ensuring accountability not only for user access, usage and satisfaction of local government services, but also for broader development themes such as poverty reduction and inclusive development.

The study is based on survey of existing literature and limited key person interviews.



2. Local Government Service Delivery: Institutional Imperatives of Resetting Governance, Development Processes and Accountability

The LAs constituting the primary level of elected government are competent service providers being vested with taxing and spending powers. As already noted, LAs function within a multilevel system of government where local services are delivered through de-concentrated and devolved channels, sectorally and spatially. However, the respective legal mandates guaranteed through a constitutional amendment providing for devolution of power, defines an area of powers and functions and ensuing service delivery responsibility. This chapter examines the findings of the CRC surveys in understanding the LA service delivery situation and the status of governance and development processes, defining the accountability engagement between the service provider and the user.

2.1. Mandate, Development Role and Organisation of Service Delivery Functions

The LAs are established under three laws, the Municipal Councils Ordinance No. 29 of 1947, the Urban Councils Ordinance No. 61 of 1939, and the Pradeshiya Sabha Act No.15 of 1987. These laws define their functional role and responsibility in terms of “*regulation, control and administration regulation, control and administration of all matters relating to health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities*”. The mandates of local authorities as set out in their respective

laws comprise of specified duties and permissive powers. Specified duties of local authorities extend to those functions specified and required to be provided under the respective laws. These comprise of the core areas of public health, public utility services and public thoroughfares. Permissive powers are those functions in respect of which a local authority may act by passing by-laws. Hence, the scope of service delivery is defined by both specified duties and permissive powers, to the extent LAs have sought to demarcate their area of operation through by-laws, as well as funding available for programmes and projects for the delivery of ensuing services.

Within the framework of the mandate of local authorities all LAs follow a “programme framework” for budgeting, which prescribes a standard classification of functions. Service delivery activities are undertaken according to the availability of resources. The programme framework for local authority activities consists of:⁴

- General administration and personnel services
- Health services
- Physical planning, public thoroughfares, and land and buildings
- Water supply
- Public utility services
- Civic amenities
- Electricity

The development role and service delivery functions are defined by the LA budget, and in the absence of a planning process the budget must fulfil both planning and resource allocation tasks. The Presidential Commission on Local Government (1999) states that the “budgets prepared currently by many local authorities appear to be mere written statements without proper financial management”. Budget preparation follows a prescribed procedure and process. The procedure makes an estimate of revenue before proceeding to identify expenditure needs. Past years’ revenue-expenditure experience guides the process of determining overall limits of expenditure. The focus of capital expenditure is on small scale local infrastructure. There is a general reluctance to borrow for capital expenditure.

While the elected Council/Sabha is the decision making body, LAs are empowered to appoint committees, either of members of the Council/Sabha or partly of members and partly of citizens, for the purpose of “advising” the Council/Sabha with reference to any of its powers, duties, functions/responsibilities, or any matter under consideration by the Council/Sabha. They may, subject to such instructions or conditions as it may determine, delegate any of its powers or duties to such Committees other than the power to raise any loan, to levy any rate, or to impose any tax. While any number of such committees may be appointed, the Pradeshiya Sabha Act provides for separate committees to be appointed for the following subjects.

- a. Finance and policy making.
- b. Housing and community development.

⁴ The central government has taken over the responsibility for electricity in respect of all LAs and water in respect of most.

- c. Technical services (usually referred to as “works”).
- d. Environment and amenities.

Experience hitherto is that these committees are largely dysfunctional and where constituted lack citizen representation.

2.2. Service Delivery Availability, Access and Usage of Services

The survey examined the service delivery situation in respect of seven items of services, focusing on service availability, access, usage and user satisfaction. The services constitute deliveries within a broader program framework in terms of which budgetary resources are allocated, both recurrent and capital expenditure. The standard local government program framework and the expenditure ranking of the different programs on the basis of expenditure situations of a cross section of local authorities is shown in Table. 1. These expenditure rankings are from a survey of six local authorities (two UCs and four PSs) undertaken for the Outer Circular Highway Township Development Project, 2009. Reference to the 2017 budgets indicate that the rankings are currently valid.

Table 1: The Program Context of Surveyed Services

| Budget Program | Services Surveyed | Expenditure Rank |
|---|-------------------------------------|------------------|
| 1. General administration and staff services | - | 3 |
| 2. Health services | Garbage | 2 |
| 3. Physical planning, thoroughfares, land and buildings | Roads | 1 |
| 4. Water services | Water | 6 |
| 5. Public utility services | Streetlights Drainage facilities | 4 |
| 6. Welfare services and civic amenities | Playgrounds Libraries | 5 |

Survey findings suggest that differences in the service delivery situation is more intra than inter PS. The operational framework for local government service delivery operations is standardised in terms of a set of common budgetary programs, as indicated above. The expenditure ranking of these programs in local government budgets also follows a pattern as indicated above. In fact, the budgetary process defines the prioritisation of spending across different program areas and in the context of an expenditure pattern where recurrent expenditure account for on an average as much 80% leaving very marginal financial space for improvements.

The intra situation is determined by the nature of local government services, which are essentially of an urban nature, and are hence located around the urban centre(s) of the local authority. Therefore, in the PSs, where the survey has been carried out, availability is likely to be determined by the specific location of the user household. In fact, local government service provision in PSs is largely determined by the extent of the “built-up area”, representing the “urbanised physical environment” of PSs, in respect of which property rates are levied. (Thus, Municipal Councils and Urban Councils are defined as being entirely urban with property rates being levied from the entire jurisdiction) Therefore, the

availability of streetlights, drainage, library and playgrounds are highly localised within the PS area; garbage collection being a specific case in point. Indeed, as noted by the survey findings, there is the “policy” of not providing garbage collection services to households with more than twenty perches of land. Roads constitute an exception to the urban bias in local government services as is illustrated by the survey findings. However, it is to be noted that rural roads classified as “E” class roads, can be provided by other service providers on a project basis. Thus, in some of the GN divisions in Mullaitivu that come within the command area of Muthiyankattu irrigation system, it is possible that roads are constructed as settlement infrastructure and may not have been taken over by the PS. As a local government service, household pipe-borne water supply is the exception. Rural household water supply is usually provided by community-based water supply schemes undertaken with project funding.

What is at issue as far as delivery is concerned is the usage of services where they are available. The survey examined hidden costs incurred in accessing services. Hidden costs vary across PSs. The PSs in Monaragala report hidden costs only in respect of water, while in Mullaitivu and Batticaloa hidden costs are distributed across all services, with Mullaitivu reporting a relatively high hidden cost for garbage collection. It is important to note that apart from household water and garbage collection which are delivered as private goods, all other services surveyed operate as public goods. According to the survey, a service being available but reported as not being utilised and where hidden costs have been reported, is in respect of water supply and garbage collection. There is some ambiguity about availability and non-usage with regards to water supply on account of the service being usually provided by local authorities for the urban areas, and only extended to the rural areas during periods of drought. In the context of the circular (2017) stating garbage will not be collected from households larger than 20 perches in extent, hidden costs in Batticaloa need to be examined. A distinction can be made in respect of non-usage as between lighting and drainage facilities and library and playgrounds; the latter being services in the nature of public goods where use can be regulated through informal arrangements. These require probing to be useful feedback to service providers. Non-usage is insignificant in respect of roads and garbage collection.

Satisfaction constitutes a more complex situational factor as far as service delivery is concerned. The situation varies across services. The performance indicators used to assess services have important supply-side constraints in terms of the availability of resources, both financial and human. In this context, “overall satisfaction” can be highly subjective in the absence of user access to budgetary information. As already noted, local authorities have access to own sources of financing. However, the fiscal capacity is highly variable across different local authority locations. At the same time there are uncertainties in regards to predictability of some of the sources of income. These are factors that can restrict the scope, extent and the content of services provided.

2.3. Systems and Procedures

One of the objectives of the use of the CRC in gathering information on the service delivery situation is to use findings to advocate operational policy and practice of reform measures. The survey sought user perception on issues regarding policy and practice of service delivery. User assessment of the status of public services delivered by the Pradeshiya Sabhas, as recorded in the respective survey reports, is presented in Table 2.

Table 2: User Perceptions of Reasons for Dissatisfaction

| Reasons for Dissatisfaction | Suggestions for Improving |
|--|--|
| Monaragala District | |
| <ol style="list-style-type: none"> 1. Lack of maintenance of facilities. 2. Inadequate attention paid to development needs. 3. Poor response from government officials in addressing complaints. 4. Political disinterest and inertia in taking necessary action. | <ol style="list-style-type: none"> 1. The need for politicians and government officials to be more actively engaged in addressing community concerns. 2. The need for officials to be responsive in addressing complaints made by service users. 3. Develop facilities at the village. |
| Mullaitivu District | |
| <ol style="list-style-type: none"> 1. Lack of necessary facilities. 2. Safety issues due to lack of maintenance of facilities (damaged roads and drainage systems, lack of street lights etc.). 3. Public is not made aware of facilities available. 4. Lack of proper monitoring and oversight from relevant authorities. | <ol style="list-style-type: none"> 1. The need for politicians and government officials to be more accountable for proper service delivery. 2. Ensure better planning and monitoring of service delivery. 3. Consult with service users at the village level. 4. Make the public aware of the services being provided by the Pradeshiya Sabhas. |
| Batticaloa District | |
| <ol style="list-style-type: none"> 1. Lack of maintenance of facilities (such as roads, street lighting) which sometimes gives rise to safety issues. 2. Poor response from government officials in addressing complaints. 3. Political disinterest and inertia in taking necessary action. | <ol style="list-style-type: none"> 1. The need for politicians and government officials to be more actively engaged in addressing community concerns. 2. The need for officials to be more responsive in addressing complaints made by users. 3. Develop facilities as the village level, such as construction of roads, drainage, water supply, and sanitation facilities. |

The above reasons for dissatisfaction and suggestions for improving service delivery point to gaps in several areas of PS operational policy and practice. On the supply-side are the following.

- Engagement on the part of Pradeshiya Sabha operational policy and practice within the context of community needs:** While such engagement extends to both supply and demand sides, expressed citizen concerns are supply side issues about responsiveness on the part of the elected and appointed officials in addressing needs at the level of the citizens and the community.
- Non-responsiveness of elected and appointed officials:** This reflects inadequacies in the functioning of the complaints and grievance mechanisms. In fact, the CRC assessed the status of complaints/grievance mechanism and found that “high satisfaction levels are minimal”.
- Reference to inadequacies of service delivery in terms of the availability and maintenance of facilities:** This reflects a gap in the allocation of resources as between recurrent services and capital improvements.

- d. **Reference to better planning and monitoring of service deliveries:** This reflects citizen perception of the working of operational policy and practice on the supply side.
- e. **An urban bias in the availability of PS services:** This is reflected in the suggestion that facilities should be developed at the village level as well.

Following emerge as the demand side issues in regards to operational policy and practice:

- a. In terms of the scope of access to, and engagement with, the supply-side decision-making structures and processes, there is an institutional distance between the PS authorities and the citizens and the community.
- b. It is noteworthy that citizen feedback does not make any reference to the availability of space for citizens to engage with the elected and appointed officials. Perhaps the CSOs responding to the CRC are unaware of the institutional space provided for citizen engagement through the committee structure of PSs, reflecting gaps in awareness and understanding of the PS structure and processes.
- c. Reference to inadequacies of service delivery in terms of the availability and maintenance of facilities also reflect information gaps on the demand side in relating to PS implementation plans, both recurrent services and capital improvements.

Above findings suggest fundamental gaps in governance practices, development processes and accountability arrangements.

2.4. Implications for Re-setting Local Government: Institutional Imperatives of Governance, Development Processes and Citizen Engagement

The governance practices, development processes, and accountability arrangements reflect the form of PS organisational structures and functions. As already noted, the role and responsibility of local government is defined as the “regulation, control and administration”, though creating opportunities for participation of people in administration and development at the local level is a purpose of PSs. Thus, the institutional form is top-down. The organisational structure as well as operational policy and practices for PSs is standard (Annex 4). What is noteworthy in regards to the structure and processes of PS (as for all other types of LAs) is that they are determined by the legal (Acts and Ordinances) and administrative (regulations) contexts. In the context of the primacy of the budget in the PS operational policy and practice, systems and procedures relating to service delivery operations are determined by the policy and practice for budgeting.

The PSs do not have a planning process setting outcomes for service deliveries.⁵ However, PS Financial and Administrative Rules require the submission of a Development Plan with the Annual Budget at

⁵ LAs are responsible for physical planning. However, it does not extend to planning for LA services constituting an important disconnect in the development processes.

the General Meeting. This is more in default and it is the budget that provides the plan in terms of the allocation resources. However, they are required to prepare “Implementation Plans” to complement the budgets. Implementation plans however, are itemised capital expenditure statements and do not constitute a plan in terms of setting out future programme priorities and outcomes. Even such implementation plans are not politically encouraged as it involves placing on record the items of capital expenditure that would usually not be shown in the budget. In fact, the preparation of “development plans” is centralised at the Urban Development Authority, when gazetted as a “development area”.

The CRC findings bring out issues of fragmentation in governance practices, and inclusivity issues in respect of development processes and citizen engagement, which calls for fundamental institutional shifts in resetting local government service delivery to be citizen responsive.

Issues of Fragmentation

The CRC findings noted above, point to several lines of fragmentation in the governance of service delivery at the PS level.

- a. At the level of *rules of practice* regarding operational policy for service delivery, there is fragmentation between planning and budgeting, recurrent and capital expenditure as well as urban and rural areas that prevent a holistic assessment of needs and prioritisation in the allocation of resources. This reflects the gap between need and supply.
- b. Such fragmentation arising from rules of practices is reflective of gaps in the *steerage* of the PS and its service delivery preventing a holistic assessment of needs and prioritization in the allocation of resources. The implication is that, despite provision in the law for collective decision making around the roles of the chairperson, the council, and the advisory committees, there is an absence of coherent PS policy making in regards to service delivery.
- c. These gaps are reflective of the low levels, if not the absence of institutional mechanisms for *interaction* between the PS elected and appointed officials and the citizens.

Issues of Inclusion

The CRC findings point to fundamental problems relating to PS development processes preventing PS governance from adequately taking account of citizen needs, the heterogeneity of citizen situations and the state of service delivery. The issue is about responsiveness of PS service delivery. The CRC findings do not specify the distributive aspects of responsiveness as between different user categories and groups. However, while the different levels of user satisfaction can reflect different citizen situations, the issue of responsiveness reflects differences in access, usage and user satisfaction as between different community groups representing different user categories. Users are not homogenous, and any gaps in access, usage and satisfaction reflects exclusion. In the context of the PS service delivery situation, the urban-rural divide reflects issues of inclusion of the rural citizenry.

Citizen Engagement

The third issue area that follows is that of citizen engagement in setting rules for PS service delivery. This is about citizen engagement in the PS decision making processes. As already noted, while the PS law envisages “*greater opportunities for the people to participate effectively in decision making process relating to administrative and development activities at the local level* ”, the reality according to CRC findings is otherwise. In fact, there is no reference on the part of citizen feedback regarding the state of functioning of such structures while processes available for citizen engagement also appear not to be functional. It is also noteworthy, that the CSOs representing the citizens did not consider institutional space for such engagement a necessary condition for responsiveness of PS service delivery. The specific structures and processes provided by law for citizen engagement are the advisory committees. According to KPI feedback these are largely non-functional. Furthermore, donor driven initiatives for citizen engagement have not proved to be sustainable due to the absence of incentives on the part of the PS elected officials to mainstream such processes in decision making beyond the duration of such initiatives.

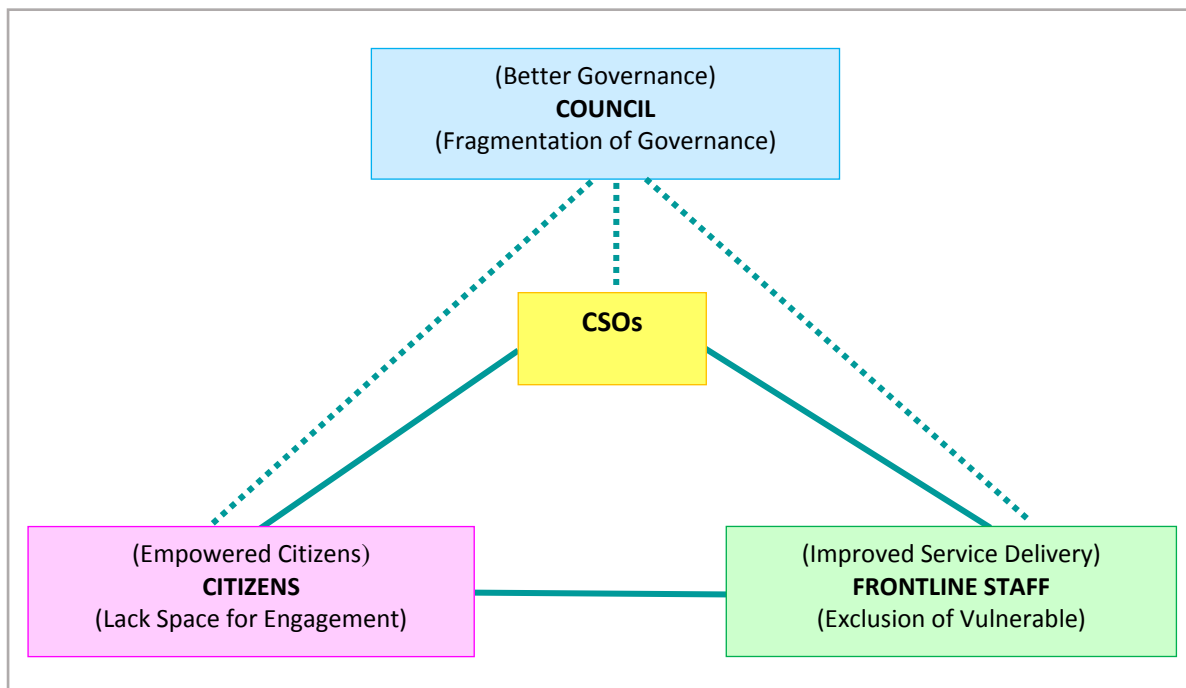
2.5. Governance and Accountability Roles, Responsibilities and Relationships

Accountability in the Sri Lankan public sector is entirely internal, through the role and function of audit; both the general audit (carried out by the Auditor General, now known as the Audit Commission) and the internal audit (specific to individual organisations). The PSs do not have an internal accountability mechanism though the supervisory oversight of the PC focuses on the administration of LAs. The election of public representatives takes place every four years as far as local government is concerned providing for democratic (political) accountability. In the context of local government representing the elected government interface with the citizens and the community, accountability on the demand side indicates a significant gap in governance.

Social accountability has been placed at the centre-stage of good governance in addressing accountability failures in the traditional public administration model. The model of social accountability (World Bank, 2004), argued for the “short route” on the basis of the direct accountability exchange between the frontline provider and the client on account of the failure of the “long route” through politicians/policy makers. Indeed, it is the short route and “voice” type of accountability tools that has been adopted as mainstream social accountability through such tools as the CRC, participatory budgeting and right to information instruments. While short route accountability mechanisms can be highly effective in targeting specific citizen demands, they function within a short time frame, especially within the annual budget cycle. Several shortcomings arise in the short route, notably, information availability to users in assessing performance and institutional constraints that can undermine “voice” accountability. In such circumstances, a “civil society route” has been proposed as a “middle route” of accountability. (Blair: 2018)

The PS accountability framework arising from the CRC approach is constructed in Figure 1. It follows the World Bank model and the proposed middle route.

Figure 1: The CRC Framework for Accountability of Pradeshiya Sabhas



The construction of the governance and accountability roles, responsibility and relationships suggest fundamental problems in the working of the PS institutional framework for “regulation, control and administration”. It has failed to create opportunities for people to participate in the administration of development at the local level. Thus, it is necessary to examine the working of the PS governance and accountability framework in its external context in creating conditions for responsive service delivery.

In this context it is necessary to take note of the amendments to LA elections law (Act No. 22 of 2012).

- a. The reintroduction of the ward system based on the first-past the post system with an additional 30% being elected on a proportional representation system.
- b. Reservation of 25% of the membership for women.

These can have significant implications for an emergent LA model of governance and accountability.



3. The Intergovernmental Context and the Macro Level Framework for Accountability of Local Government Service Delivery

The intergovernmental context defines the role and responsibility of local government in the delivery of public services. It is within the context of such role and responsibility that governance and development processes function in setting the framework for governance and accountability in the delivery of assigned public services. The framework of rules and their working of the intergovernmental framework has significant implications for the way in which governance and development processes deliver at the local level. In fact, PSs are called upon to perform under de-facto conditions of centralised governance and development processes, seriously undermining demand-side accountability for service delivery.

3.1. Governing Development

The set of intergovernmental service delivery roles and responsibilities is set out Figure 2. The intergovernmental public service delivery system constitutes a centrally directed network of governance and development roles and responsibilities extending from policy formulation through program implementation to voice and advocacy.

- a. **Policy formulation, execution and oversight:** National policy is reserved for the centre in terms of the 13th Amendment to the Constitution. However, Provincial and Local levels being constituted by elected bodies with rule making (statutes and by-laws respectively) as well as taxing and spending powers, have discretion in allocating financial resources accruing to the respective bodies. These bodies thus have allocative powers implying local policy in respect

of who gets what, when, and where. Accordingly, Provincial and Local levels exercise de-facto policy making powers within their respective territorial jurisdiction.

- b. **Program formulation, implementation and service delivery:** Responsibility for service provision follows the powers for taxing and spending at the national, provincial and local levels. However, the de-facto situation is different. Development programs are conceived and formulated within the context of national policy and sector plans at the centre. Accordingly, the scope and content of provincial and local service provision are defined within the framework of national sectors and development programs.
- c. **Voice and advocacy:** Articulation of demand-side needs is rarely direct and is usually mediated through politicians or through political agents. Apart from the elected bodies at the national, provincial and local levels, institutionalised space at those levels of decision making, for voice and advocacy is absent. Accordingly, demand-side voice is either largely elite captured or informally represented. It is important to note that community-based organisations (CBOs) are community extensions of the agency delivery systems, linked to, and functioning and reporting under the oversight, if not control of the respective “parent” sectoral government agency. Their role as demand-side organizations is therefore defined by a specific service delivery relationship which is not relevant to LAs (Gunawardena; 2014).

In the context of sector defined service provision, the need for inter-sector and more inter-agency coordination has been long recognised. However, coordination mechanisms continue to function around the de-concentrated administrative units of the central government, the district and the division. Indeed, a serious miscarriage of the governance arrangements for development is that CSO links are with the de-concentrated, to the exclusion of the devolved, structures. Thus, CSOs are registered with the district or the divisional administration in terms of the Voluntary Social Services Organisations (Registration and Supervision) Act No. 30 of 1981. Provincial Councils and local authorities have powers for registration and issuing of licenses for businesses and trade respectively.

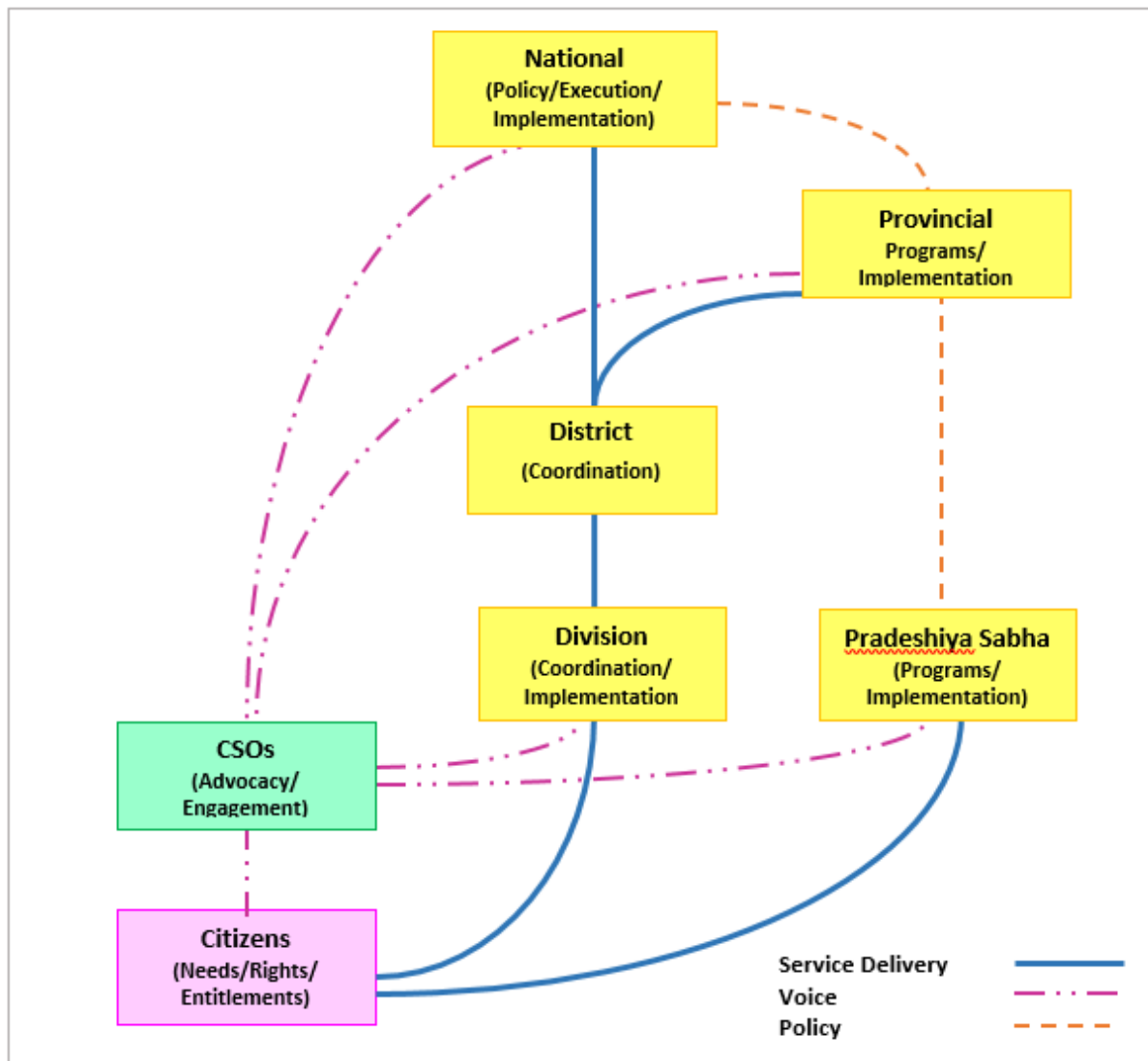
The incoherence of the service delivery system is heightened at the local level. The divisional secretariat functions as the agency for the delivery of central as well as provincial services and is the focal point for the delivery of all sectoral programs. Local authorities constitute the local elected sphere of government and are vested with regulatory as well as provider roles and functions. This brings the divisional administration into a conflicting, if not a confrontational role with the local government system, especially the PSs.

The dominant partner in local governance is the divisional administration, which brings together elected political representatives from local, provincial and national levels as the primary level of political lobbying of local public decisions. At the same time, the divisional administration rather than the local authority constitutes the primary level of engagement for most CSOs. The divisional administration is the primary level of interaction between political, civil society and administrative actors in public decision making (Annexure 3).

Governing of development is heavily loaded on the supply-side. The PS is isolated on both the supply and demand sides of development. The National Policy on Local Government (2009) sought to search for a new paradigm in regards to the role and functioning of local authorities. It recognised the necessity to address reforms holistically in bringing about a unified system of governance for local

level development. However, the transformation of local authorities from the status of “dependent institutions” to that of “self-governing partners” in the multi-level system is yet to be achieved.

Figure 2: Intergovernmental Service Delivery Network



3.2. Systems and Procedures

The governance of the public sector service delivery system is thus marked by the primacy of the centre. The systems and procedures for planning, programming and budgeting have followed centralised direction and control. Planning is essentially of a sectoral nature and works more through a process of project identification. At the national level, planning is set within framework of a “Public Investment Program” (PIP), over a five-year period, taking the form of a “rolling plan”. In the context of sectoral fragmentation of planning, the scope of planning is defined by implementation of capital expenditure projects rather than planning for demand-side outcomes. This situation is replicated at the provincial level where planning is confined to allocation of spending for projects identified by provincial sectoral departments. Provincial plans are annual implementation plans. At the LA level,

planning, if at all, takes the form of community consultation in identifying small scale community infrastructure, and community needs, which are usually listed into a portfolio of “projects”. There is a significant gap in planning for service delivery outputs and outcomes at the local level. The LA budget program framework does not provide planning information.

Service delivery on the part of local authorities is defined in terms of physical structure planning for urban spaces. Overall responsibility for physical planning is assigned to the Urban Development Authority (UDA). Indeed, the situation at the national and provincial level is replicated at the local level by default where planning is in fact for urban capital infrastructure. The LAs, therefore, do not prepare plans for either physical spaces or for local “urban” services. In fact, there is a gap between sectoral plans and LA service deliveries, in the absence of a focus on urbanization, distinct from urban planning, within provincial service deliveries or in district and divisional coordination arrangements.

Systems and procedures for budgeting follow the scheme of devolution from national through provincial to local levels. They are provided for, by law at each level. At the macro level, the public finance implications of budgeting at the national and provincial levels is in respect of financial transfers provided for local authorities. The financial transfers for LAs from the centre are mediated through transfers to Provincial Councils. In turn, this is disbursed to individual LAs. The LAs do not have any role in the determination of this transfer, which is for meeting salaries and wages for cadre numbers, being approved at the national level. The LAs receive funds for capital expenditure from the national and provincial budget directly as project-based grants or indirectly through funds allocated to Members of Parliament and the Provincial Council. Thus, local authorities have little control over what funds would be received by way of financial transfers.

All local authorities have adopted the program format and object categories of income and expenditure in the presentation of the budget. This is standard practice. But what is lacking is the program information to inform standards and targets of spending. The preparation of the local authority budget is required by law to go through a consultation process through a committee structure. While some have been experimenting with participatory budgeting, such practices are yet to be up-scaled into budgeting and expenditure management systems and procedures.

3.3. Systemic Issues of Accountability, Autonomy and Adequacy

Local government service delivery is thus constrained both in terms of scope and extent. The fundamental issue is the marginal role within the intergovernmental planning and budgeting context in which local authorities are called upon to perform. It is marked by overlapping and fragmented functional assignments where central providers dominate. The governance and development issue as far as the local government system is concerned is that LAs lack institutionalised processes for engagement with the sectoral services which are channelled through the divisional administration. There is a need for more comprehensive planning and budgeting processes where demand-side needs can be addressed in an integrated manner. This situation reflects the isolation of LAs in the intergovernmental service delivery system, both in terms of scope and extent. Specific aspects of the systemic issues of LA marginalization relate to accountability, autonomy and adequacy of LA service delivery operations as discussed below.

Accountability

Accountability for local government and governance has two dimensions. On the external dimension LAs are made responsible for clarity as to development outcomes of the intergovernmental service delivery system. Such clarity would create governance space for LAs to engage with a focus on responsive and socially accountable service delivery. On the internal dimension is the extent to which the imperatives of demand-side pressures from the citizens define the development processes and service delivery systems. In turn, defining and operationalising the LA sphere of service provision responsibility is fundamental to ensuring accountability of LA governance. This has several elements.

- Defining the LA development role and responsibility

In extending distributive policies to local resource allocation functions, especially around a sustainable development agenda, identification of responsibility for LA service delivery for sustainable development outcomes is fundamental to establishing integrity of LAs in the scheme of multi-level government. Indeed, LAs constitute a marginal player in service delivery, accounting for less than 2.5% of annual government expenditure. The overwhelming area of LA expenditure is in waste management, roads and local public utilities, with a heavy urban bias.

- Ensuring a development results orientation in the provincial operating systems

The LAs lack a “local” development outcome framework. The dichotomy of recurrent and capital expenditure is an unfortunate feature in Sri Lankan budgeting practices which introduces a focus on inputs for recurrent expenditure and outputs for capital expenditure rather than an integrated set of service delivery results of the spending. At the LA level the expenditure system would therefore not be able to target development outcomes.

- Establishing institutional space for exercising voice and participation

An important gap in governance within LA service delivery system is the near absence of space for institutionalised participation of citizens in Local Government decision making processes, despite the PS purpose of creating opportunities for people to participate in development at the local level. The advisory committees written into the PS law are yet largely non-functional nor do decision-making mechanisms at the local level provide institutional space for multi-stakeholder participation. At the same time, structures of political and executive oversight of service delivery operations have so far not established citizen consultative mechanisms. The LAs have not ventured into service delivery partnerships which create imperatives for stakeholder consultation.

Autonomy

Defining the area of competence in regards to the service delivery role and responsibility, is fundamental to ensuring relevance of LA governance, which is at the core of its devolution content. However, the content of LA service deliveries must be defined within the framework of “National Policy” on all subjects and functions which is reserved as a central function. It would then imply that an area of competence should be defined within the framework of national policy for the formulation of service delivery programs in respect of LA subjects and functions. It is only on the basis of such an

area of competence that LAs can engage with de-concentrated agents delivering centrally formulated programs in a manner that empowers LA autonomy in service delivery.

- Defining the area of competence of the LA service delivery system.

What is involved is the demarcation of the respective areas of sectoral service delivery at the central, the provincial and the local levels. The 13th Amendment guarantees powers and functions of LAs. Unfortunately, the LAs have defined their competences by default through a standard set of program functions and spending within the framework of specified duties and permissive functions.

- Providing for complementarity between national, provincial and local service deliveries.

Defining the area of competence in turn requires establishing complementarity between national and provincial service deliveries. This requires “unbundling” sectors in order to clarify service provision responsibilities of the centre, the provinces and the local, as this is a major area of ambiguity and confusion. Thus, service provision involves, inter alia, policy-making, regulation, investments, and operations. Each function has several differing aspects and therefore determining which aspect should be associated with national, provincial and local responsibility is important in order to establish a positive-sum inter-dependence and complementarity. Such interdependence of service provision has fundamental implications in institutional arrangements for planning, and budgeting in the implementation of respective functional responsibilities.

- Working out program partnerships in sub-national service delivery.

Establishing competence would then involve working out program partnerships between national, provincial and local service deliveries. On the one hand, the subjects and functions assigned to the national, the provincial and local, complement each other. At the same time emerging challenges of sustainable development tend to create national concerns that are inter-sectoral and local demands that are community oriented. Therefore, while it is necessary to take account of what functional aspects of service provision would be better undertaken at which level of government, as far as the LAs are concerned, program partnerships would define a clear area of competence for service delivery rather than being locked into a national sectoral framework.

Adequacy

The third aspect of the systemic issue of LA marginalization is adequacy of engagement in service delivery. Adequacy of engagement should be grounded on inter-governmental fiscal relations that does not infringe on or restrict the autonomy to determine the relative priorities in the provision of public services in the province.

Fundamental to ensuring responsiveness of LA governance and service delivery is the adequacy of its engagement in terms of the scope and extent to which local needs are addressed and met. The substance of LA autonomy, in the final analysis, is constituted by the ability of the LA service delivery system to respond to local needs in bringing about a progressive improvement in the livelihoods of the people. It concerns the resource allocation role and responsibility at the LA level and the creation of a policy environment for consolidating the financing of local development results towards inclusive development. Adequacy of engagement is then defined by a positive-sum national-provincial-local

resource allocation relationship as well as consolidated approaches to financing local level development.

- Policy engagement with the national and provincial levels

Fundamental to the integrity of provincial devolution is the recognition of partnership between the national, provincial and local levels. There are several constraints to the LAs participating as a responsible and an accountable partner. The practices that have emerged around the operationalisation of national policy, have control over LA staffing and limits to discretion embedded in the arrangements for fiscal transfers, which undermine the basis of LA partnership and engagement in the multi-level system of government. The policy engagement with the national and provincial must therefore, be grounded on rules of engagement that define accountability on all sides.

- Enhancing LA access to resources

The multilevel system has marginalised financing of LA service delivery. The LA expenditure has consistently accounted for less than 3% of annual government expenditures. This reflects the fiscal space available for LAs and the pattern of centre-province expenditure relativities.⁶ It is this situation that fragments resource allocation at the sub-national level between devolved and de-concentrated spending.

- Private sector – Civil society service delivery partnerships

The translation of the political and economic advantages of devolution into a system of LA service delivery was not demonstrated in the governance systems that were established. Thus, following the centre, the LA decision making had no space for participation and partnership of the private sector and civil society. While it is strategic for the LAs to work with private sector and civil society in expanding the area of service delivery from a governance perspective, it is necessary to close the gap with its key stakeholders, especially the civil society.

⁶ Gunawardena and Kelly (2013)



4. Re-visiting the Governance and Accountability Framework for Local Government Service Delivery: Innovating Responsive Local Government Service Delivery

Despite being democratically elected, LG functions and performs within a centralised public sector policy and program framework. While a state requires a central capacity and capability to perform its steering role and function in formulating public policy that address public interest, top-down command and control bureaucratic systems of government have proved inadequate to meet imperatives of legitimacy, responsiveness and inclusion. Thus, the public administration paradigm has transitioned to notions of NPM largely focussing on the organisation and organisational results. This has been based on applications of private sector management systems on the one hand, and those of Governance on the other, with a primary focus on the political aspects of inter-organisational processes of public policy management. This transition has been incoherent in Sri Lanka, resulting in a public policy milieu that continues to be dominated by elements of centrally directed traditional public administration. The challenge of innovating responsive local government is to move towards a governance approach to managing development which provides institutional space for integrated engagement of government, civil society and the private sector actions in redefining the context and content of LG.

4.1. The Institutional Context of Local Government, Governance and Accountability

The context and content of LG has been defined historically by a static program framework⁷, within a hierarchical system of policy implementation relations across the levels of government and administration. Furthermore, LG performs within a system of central oversight and control, defined by the powers of “supervision of the administration”, now vested in the PCs, as well as the system of fiscal transfers that does not incentivise efficiency⁸. The fiscal status of LG makes it a marginal player in service delivery.

Table 3: Intergovernmental Fiscal Relativities (2014)

| | Central (Rs. Millions) | % | Provincial (Rs. Millions) | % | Local (Rs. Millions) | % |
|---------------------|----------------------------------|----------|-------------------------------------|----------|--------------------------------|----------|
| Revenues | 1,195,206 | 94.2 | 59,133 | 4.7 | 14,988 | 1.2 |
| Expenditures | 1,795,865 | 87.3 | 216,824 | 10.5 | 43,278 | 2.1 |

There are several context factors that have contributed to a static marginal role of LG.

- a. While a local authority is vested with own resources through a local fund, local authorities face severe resource constraints demonstrated especially by the share of capital expenditure. The major service provision role and function of local authorities remain the operation and maintenance of existing assets and services with limited fiscal space for improving the quality and quantity of services.
- b. Further, the PS program framework defines a specific set of service delivery outputs, rather than a place-based approach to delivering on its mandate of “comfort, convenience and welfare” of its citizens.
- c. National and provincial providers function through the Divisional Secretariat providing development services without any reference to the PS. Hence even though mandated to provide for the “comfort, convenience and welfare of the people, LAs do not have a clear area of accountability for broader thematic areas of development such as livelihoods, poverty reduction, empowerment of the vulnerable, and human resource development.
- d. The PSs do not have bottom-up governance capacity in terms of citizen networks to engage with the central and provincial providers on the demand-side in delivering on local needs and preferences.

Thus, governance and accountability constraints marginalize LG in providing for the mandate of “comfort, convenience and welfare” of the citizens.

⁷ The LA program framework was designed and introduced over five decades ago defining a standardized set service delivery functions constituting a uniform approach to LG role and functions.

⁸ Fiscal transfers to LG provide for staff salaries in respect of centrally approved positions and numbers.

4.2. Drivers of Change in the System of Service Delivery

There are fundamental issues about the legitimacy and relevance of LAs in their development role and function of local government. Despite LAs being about a political system with public authority and elected decision makers, there has been a tendency on the part of the bureaucratically dominated public sector system to write-off the local elected system precisely because of its “political” nature. Indeed, LAs are perceived as constituting a separate system rather than the primary level of service delivery, because of the dominant role and parallel presence of the Divisional Secretariat as the viable alternative for service delivery engagement on the part of national and provincial providers. In the discourse on public service delivery, the context of LAs as the units of democracy closest to the citizens and hence of territorial identification as far as citizens are concerned on the one hand and decision making (through taxing and spending) on the other, have been marginalised by political economy drivers of the centralised delivery system. Despite several contextual factors that can redefine the role and function of LAs, there is a crisis of legitimacy and relevance as far as the LA system is concerned, as discussed below.

- a. While the system of elected local government in Sri Lanka traces its indigenous roots to traditional community organisations, LAs as units of local democracy have not been able to establish viable community networks whether as outreach or citizen engagement agents. Establishing community networks has remained an enduring challenge of local government, whether de-concentrated or devolved. Community-based organisations have been agency specific outreach mechanisms and have contributed to fragmentation rather than consolidation of community voice and engagement. In the absence of community networking, LAs have remained institutions of local government rather than of local governance.
- b. Whereas the devolution of power to PCs offered institutional space to mainstream LAs through service delivery partnerships with the provincial service delivery system, the two levels of elected local democracy chose to be linked through administrative control and oversight of the local elected decision making. Indeed, it is noteworthy that the scheme of devolving the oversight and control of LAs also provided for the enhancement of their powers by the PCs. Three decades of devolution has not delivered on the opportunity to strengthen LAs in any of the provinces, mainly due to the primacy of political competition rather than governance imperatives of development cooperation between the provincial and local elected systems.
- c. The core imperatives driving post-independence political and administrative reform failed to take account of elected local government in addressing either issues of conflict or of development, and indeed, of approaching reform in a systemic manner. During early post-independence period the focus was on administrative reform with coordination at the sub-national level as the primary concern. During later times, the primary focus was on the ethnic conflict without much concern about the implications for issues of service delivery. In fact, Sri Lanka would seem to have missed out on the institutional fundamentals of the “governance” discourse, the primary focus being on procedural reforms to the neglect of institutional underpinnings of governance change.
- d. While the initiative at formulating a Local Government Policy (2009) is noteworthy in defining a meta-governance framework for LAs, it remained a non-starter, precisely because of the

questions of capacity to engage in a reform exercise extending to the de-concentrated channels of service delivery. In this context recent reforms introduced to the LA system can provide opportunities for significant governance reform that would be driven by community partnerships in local democracy. These are:

- i. The re-introduction of wards as units of local representation with members of LAs being elected to represent a ward. The re-introduction of the first-past-the-post system along with the proportional election of members can take LAs on to a new level of community engagement.
 - ii. The introduction of a quota for representation for women. While it brings in a gender dimension potentially challenging the working of the male dominated LA decision-making system, it could bring about a new dimension of community engagement for LAs.
 - iii. The increase in the numbers of members of LAs, though perceived as a wasteful measure can produce positive results if positioned within positive-sum community engagement context.
- e. Thus, it would seem that the experience with local democracy lacked positioning within a holistic governance and development agenda, both being addressed separately in time and space. The Sri Lankan experience is replete with ad hoc initiatives at reforming governance and development. The approaches to planning, budgeting and implementation moving through comprehensive approaches to a primary concern with “projects” signified the fragmentation. In this context, the adoption of the Sustainable Development Goals (SDGs) Agenda provides opportunity for moving to a holistic governance and development approach in defining the role and function of the LAs.

4.3. Re-visiting Reforms for Local Government Systems and Processes

As noted above, reform of the elected local government system does not add up to a holistic governance and development approach. Indeed, elected local government is positioned between the proximity to citizens and the distance from the centre. Therefore, LAs must realize and represent the will and preferences of the people in a collective manner. In this regard the role and responsibility are defined and regulated by the centre by a legal framework as well as regulation and oversight by the provinces. Thus, LAs derive their legitimacy and relevance both from bottom-up and top-down perspectives. The Sri Lankan situation is one where the institutional space available to respond to bottom-up demands are severely restricted by top-down programs, crowding the space due to development outcomes assigned for LA delivery. This space is the same for all LAs, whether MCs, UCs or PSs being regulated by a standard program framework rather than being open to discretion in responding to citizen needs.

The concurrent functioning of devolved and de-concentrated service delivery systems creates issues of governance in regards to accountability for public services. Accountability, defined as the obligation of public power holders to account for or take responsibility for their actions, has both supply and demand sides, and is seen as a driver of effective service delivery, good governance and citizen

empowerment (Malena and McNeil: 2010). The dominant paradigm of public sector accountability in Sri Lanka has so far been centrally oriented systems and procedures for the audit of budgetary spending, which is essentially internally focussed in terms of process and compliance. Current practice designed as a supply side exercise, is agency-based and output focused rather than outcome driven, with an ad hoc reporting system (Gunawardena: 2017). It is in this context that demand-side measures to hold public power-holders accountable have been introduced and piloted by non-government organisations. These include applications in participatory budgeting, citizen report cards, community score cards etc.

The search for a new paradigm in regards to the role and functioning of local authorities was addressed by the National Policy on Local Government. It recognises the necessity to address reforms holistically in bringing about a unified system of governance for local level development. Indeed, the national policy framework on local government is clear regarding the role and responsibility of the primary tier in the multi-level system. However, it is the process of transformation of local authorities from the status of “dependent institutions” to that of “self-governing partners” in the multi-level system that is at issue. The policy framework has far reaching implications for the transformation of the nature and scope of democratic governance at the local level. Yet, it does not posit a model of its form and content especially in its external task context, which is defined not only by regulatory oversight, but importantly by the dominant presence of the de-concentrated arm of the Divisional Secretariat. The policy also sought to establish the necessary institutional and legal framework and build a supportive environment for achieving the highest feasible level of effective local self-government as an integral sphere of service delivery within the multilevel system.

The fundamental lesson arising from the experience so far is that establishing local government as the primary tier of democracy and development cannot be addressed in isolation. The needed changes should in fact be addressed in tandem as integral components of a systemic transformation rather than ad hoc administrative acts of the centre. Capacity building for improving public service delivery in local government institutions should take note of these systemic constraints in the design of interventions to improve their responsiveness. A focus on creating institutional space for citizen engagement in decision making processes of LAs as well as policy and program space to engage in the larger service delivery system is needed if local government is to move towards becoming institutions of governance.

The initiatives at change in moving from being a unit of government to an institution for governance has been ad hoc and driven by donor projects. These initiatives have adopted the route of social accountability in moving towards better governance and development effectiveness through citizen empowerment with regards to improving service delivery. They have focused on citizen engagement in the public finance management (PFM) cycle of LAs and have mostly concentrated on budgeting (participatory budgeting), and to a lesser extent on planning (identification of community projects), monitoring, and assessing (citizen report cards/community score cards). These initiatives have been selective in the specific application of the tools and the LAs where they were introduced. While the assessment of these applications is not the purpose of this paper, the following issues arising from the application of social accountability tools in Sri Lanka, especially in the context of the structure and process of PS operations (Annex 4) are pertinent.

- a. The tools of social accountability do not address the external task context of PC oversight and supervision of the administration of LAs. This external task context sets the proximate institutional compulsions of supervision and control in terms of incentives to which LA performance responds. The oversight and supervision regime make for compliance rather than innovation in LA governance of development processes.
- b. The selective nature of the application of tools does not contribute to a systemic transition from the compliance focus to a co-creation orientation in LA engagement in service delivery. The social accountability initiatives have addressed a specific step in the decision-making system rather than follow through the process of service delivery.
- c. The social accountability applications have addressed the issue of accountability in isolation from the issues of autonomy and adequacy in responding to the demand side of service delivery. The social accountability applications can become at best routinised being locked into the limited program space available to provide for the quantity and quality of LA service delivery.
- d. Accordingly, questions arise as to the scope of social accountability engagement in scaling up across LAs in terms of moving from an input-based expenditure management focus to an outcome-based performance management orientation.

4.4. Innovating Responsive Local Government Development Processes

Despite the imperative of citizen-centred local governance in responding to the demand-side of service delivery in an integrated manner, the reality at the local level is a polycentric institutional system with little reference to the LAs. Thus, the citizens are required to claim their rights and entitlements in terms of public service deliveries from an institutional system with parallel accountabilities to local, provincial and national levels of government involving a multiplicity of duty-bearing stakeholders and rights-holding citizens, with no clarity in accountability. Enhancing access to improved public services at the local level is as much a governance issue, in that claiming rights to services can take place only if institutional space is available for citizens to engage with the local government system in the first instance. Hence there is a need to redefine the institutional framework for local governance to become an arena for co-creation, redesigning development processes so as to provide for civic engagement as partners in co-producing outcomes of human wellbeing (Torfing et. al: 2016; Vooberg et. al: 2017).

In order to become relevant to the local communities, it is necessary that LAs come out of their isolation from the mainstream of service delivery to be able to address development needs holistically and inclusively. The current public sector institutional context is not likely to be supportive of a significant expansion in the role and functions of local government authorities. The recognition of the geographic specificity of LAs argues for a grounding of their functioning and performance in a demand-driven governance context in repositioning them for an integrative development role and function. Thus, LAs must be embedded in an active place-based bottom-up endogenous localism rather than being the passive recipient of top-down sectoral outputs. It involves designing a framework for

interactive engagement between vertical and horizontal partners in redefining the context of LA governance and development processes.

Innovation in the LA service delivery should address three critical context factors that marginalises LAs. The first is about the development processes at the local level. Their fragmentation across top-down sectoral outputs restricts the LA development role to a set of specific activities rather than contextualising such activities within the framework of broader thematic outcomes. The second is about changing the bureaucratic service delivery regime to one of learning in co-creation of development processes. The third is about transitioning the accountability framework within which service delivery takes place from one of top-down compliance to one that is an inclusive bottom-up policy learning.



5. Local Government, Governance and Responsive Service Delivery: Empowering Inclusive Development

Positioning of LAs in the governance of public service delivery suffers from policy and program incoherence, failures in collective action at the local level, and asymmetries in the working of principal-agent relationships of LA service delivery operations. While the LAs deliver a set of basic services providing for some of the essentials of a decent living environment, the larger development question is whether they add up to the provision of a guarantee of welfare and wellbeing of the people. In fact, the legal framework for elected local government assigns political and administrative authority for democratic oversight through a local council and popular participation in providing for welfare and wellbeing of the people. However, as noted in the foregoing sections, LA development role and responsibility are severely constrained, both internally and externally. In its external context, it is constrained by fragmentation in development policy and processes, leading to isolation in the polycentric service delivery system at the local level, and in its internal context, it is constrained by processes that distance and disempower the electors from the decision-making process. As such, there is a resultant gap between principles and practice of the governance and development role and responsibility of LAs. In this context, three key areas of policy engagement in re-positioning LAs to enable them to address imperatives of inclusive development are discussed in the subsequent sections.

5.1. Integrating Fragmented Development Processes

The public service delivery system is fragmented across multiple lines, notably across sectors as well as the devolved and de-concentrated. There is also fragmentation across rural and urban. As a result, there is an absence in the unity of development focus at the local level and hence of the LAs. The rules of practice entrench fragmentation as the way in which local development processes work. Clearly, there is a need for a unified approach to local level development that will inform all service delivery actors of respective roles and responsibilities around a set of thematic development outcomes. What is available at present is a system of agency-based service delivery outputs. As a result, the contributions of respective agency-based service deliveries to broader development outcomes are hidden and hence performance can be assessed only at the output level and not the broader outcome level. A focus on outcomes is necessary to ensure that development is more broadly shared.

However, the design of an institutional mechanism for integration of agency-based development outputs and processes into an outcome-based unified service delivery system is inherently complex. The current context of local service delivery is not characterised by an integrated planning, budgeting, and monitoring system. Budgeting at the local level takes place only at LAs, whereas for all other service deliveries planning and budgeting takes place at the national or provincial levels. This would mean that the responsibility of primary service delivery at the local level is one of implementation. An institutional mechanism for anchoring fragmented sectoral service deliveries in an integrated local level planning, financing (rather than budgeting) and monitoring system is hence necessary to make agency service delivery outputs relevant and accountable to achieving broader human development needs and outcomes.

5.2. Governing Local Government Service Delivery

Public sector governance requires institutional conditions that allow government at all levels to be accountable (supply-side) as well as the ability of citizens to hold governments accountable (demand-side). While they are mutually reinforcing, internal and supply-side mechanisms for accountability are not sufficient to ensure responsiveness and accountability of service delivery systems. At the same time, demand-side accountability requires appropriate institutional conditions in government for governance and development processes to include civil society and citizens (Ackerman:2003; Brinkerhoff and Wetterberg: 2015; Fox: 2015). An approach to accountability based on a provider-client relationship reduces governance and development to discrete processes at service provider agencies. Thus, governing local government service delivery requires moving accountability from one that is structured as a relationship between the provider and the client to one defined by an inclusive relationship between multiple actors mutually informing policy making and policy implementation in public governance (Osborne:2009). At the same time, it is necessary to move from accountability at the output level to ways of bring about accountability for development results at the outcome level, so as to allow governance systems and processes to engage with broader development themes. Then, accountability is a proactive process occurring both horizontally and vertically in holding local government accountable for their plans of action, behaviour and results.

These accountability imperatives of governing local government service delivery extend from one of co-producing public service values to one of co-creating the design of systems and processes.

5.3. Re-configuring Citizen Engagement for Inclusive Development

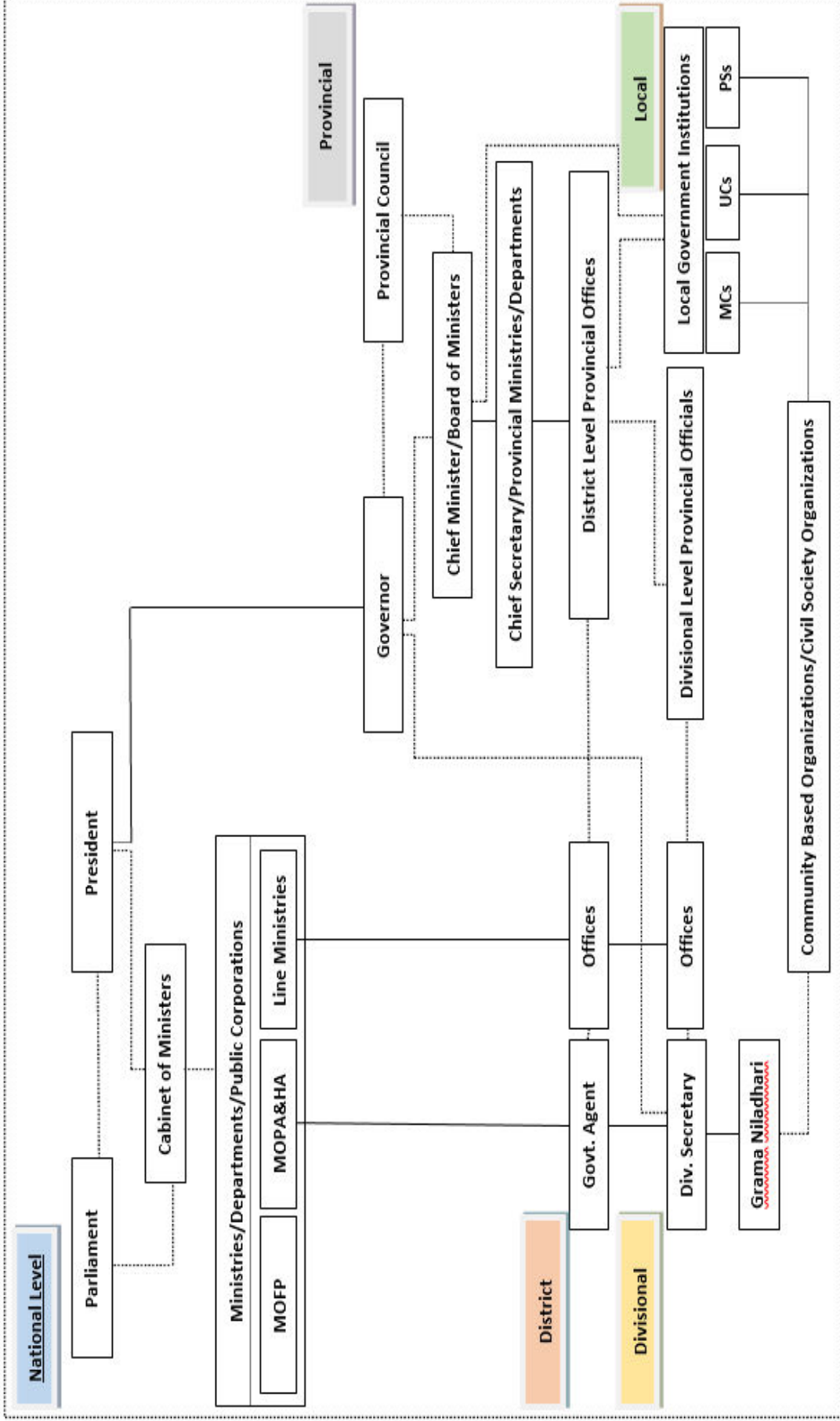
Fostering development that is more broadly shared require institutional processes that are representative and inclusive with the aim of enabling citizens to participate fully in society, economy and polity. This requires enhancing the relative power of citizens in their engagement with government. In turn, it concerns the institutional context in which public decisions are made. Where the institutional processes do not provide for deliberative engagement of the multiple stakeholders, there is distinct likelihood of economically and politically powerful interest groups that block development policies and outcomes that are intended to benefit the poor and vulnerable groups.

Institutions are the formal and informal rules and norms that organise social, political and economic relations (North:1990). Then, it is necessary that the design of institutions provide for deliberative space where people can effectively engage with, and influence policies which directly impact their lives. However, the governance issue of inclusive development is about the space available for citizen engagement through participation and deliberation in the setting of the local development agenda. In this regard it is necessary to distinguish between participation and inclusion, as two different dimensions of citizen engagement. The difference needs to be understood as, that absence of *inclusion* creates and reinforces divisions in the processes of *engagement* (Quick and Feldman;2011). Thus, the case for re-configuring processes of citizen engagement to be inclusive, participatory and deliberative is compelling in transitioning LAs to become governance institutions.

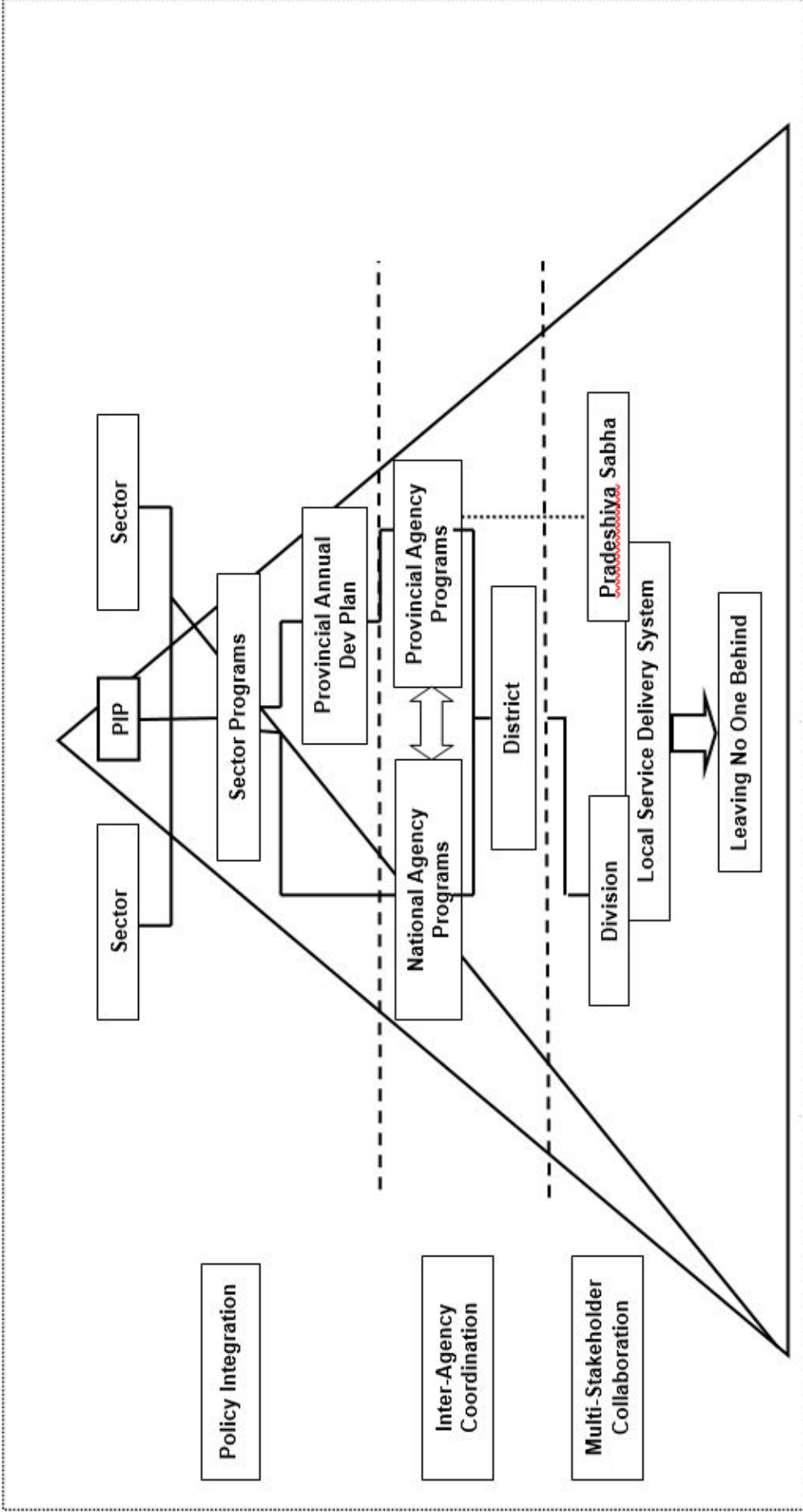
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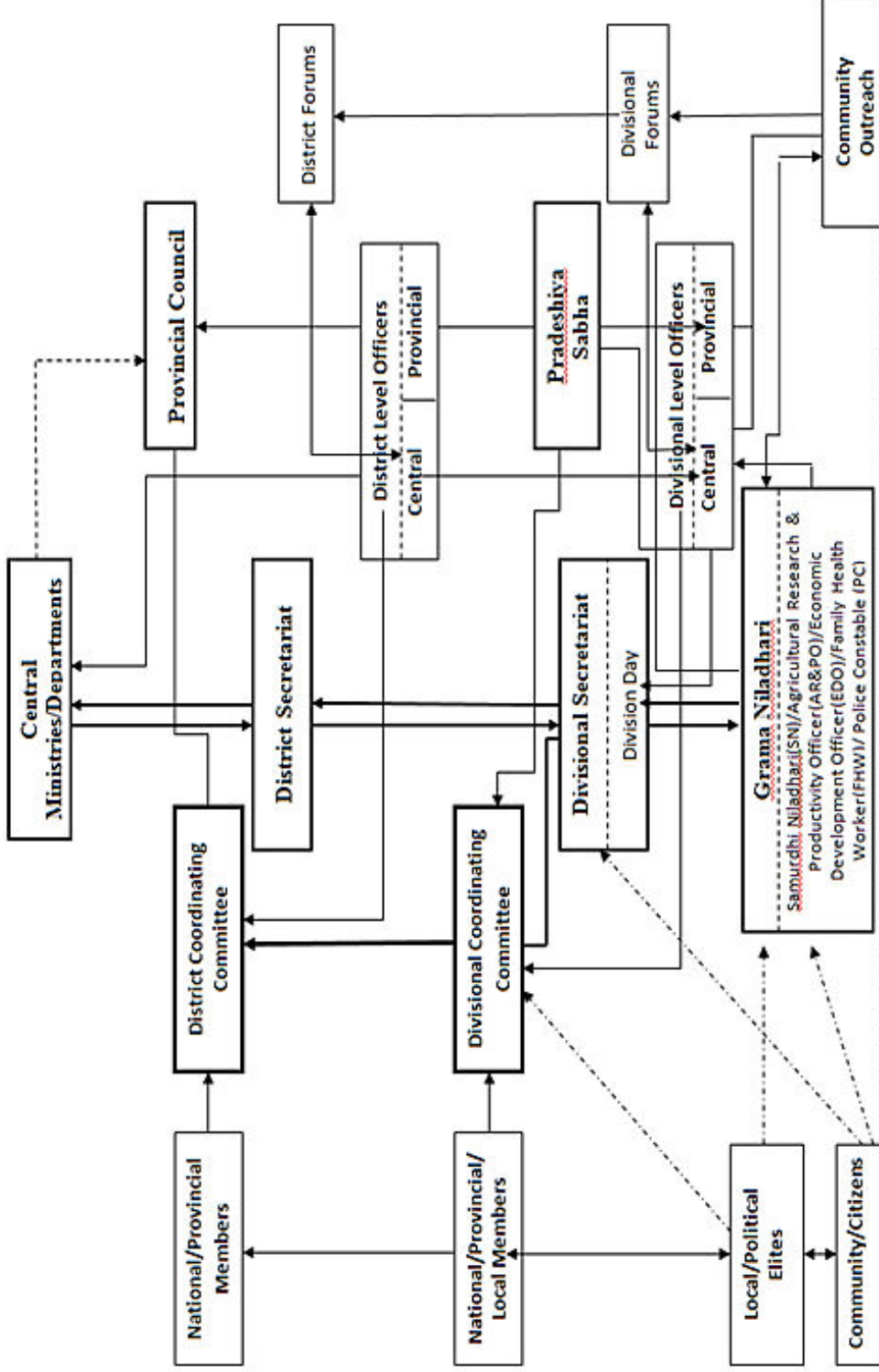
Annexure 1: Structure of Government Administration in Sri Lanka



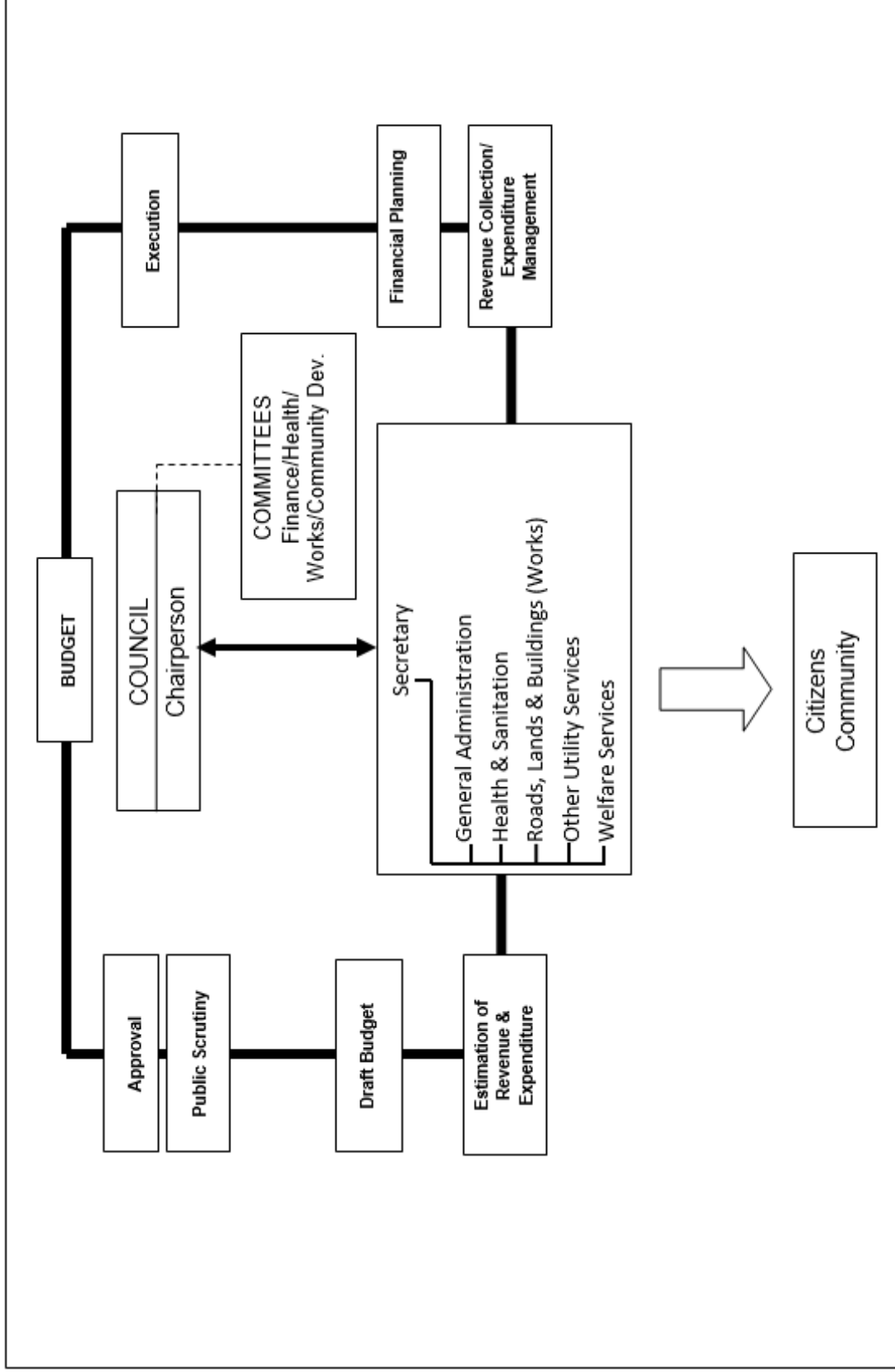
Annex 2: Institutional Context for Local Service Delivery Planning



Annex 3: Local Service Delivery Relationships



Annex 4: Structure and Process of a Pradeshiya Sabha



This study takes off from a series of surveys carried out by the Centre for Poverty Analysis (CEPA), on the delivery of public services by the Pradeshiya Sabhas in Monaragala, Batticaloa and Mullaitivu Districts. These surveys were undertaken using the electronic Citizen Report Card (eCRC) methodology as a tool for assessing access, quality and satisfaction of actual users of public services as well as a tool for social accountability of the service providers. This analysis positions the findings of these eCRC surveys within the macro context of public service delivery in Sri Lanka. Its primary aim has been to understand governance issues and implications arising in this context, relating to the nature and scope of the institutional space available at the micro level for elected local authorities in responding to development outcomes at the grassroots level. Furthermore, the study has been undertaken with a view to identifying thematic areas for research and policy engagement in bringing about inclusive development at the local level. The study closely examines the macro-Level framework, issues, and implications for accountability of service delivery by local government, while discussing key considerations for policy engagement for re-positioning local authorities to address imperatives of inclusive development.

