

Challenges of Local Governments in Rural Development in Sri Lanka

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Introduction

Sri Lanka has been experiencing multi-level governance system from the ancient history. However, present government system consists with three tiers of government. The first tier is national level government which includes the President, Parliament and the Cabinet. The second tier is the Provincial Councils (PCs) which headed by the governor (appointed by the President) and the Chief Minister who elected by the citizens. The third tier is a Local Government Institute which was headed by the Chairperson or Mayor who elected by the citizens of the wards. Sri Lankan local government system consists with *Pradeshiya Sabha*, Urban Councils and Municipal Councils. At present, there are 270 *Pradeshiya Sabhas*, 18 Municipal Councils and 42 Urban Councils functioning in Sri Lanka. With considering world scenario, the local government institution has to play very important role in relation to rural development and service delivery at the grass root level. However, in Sri Lankan context it seems to be both aspects are neglected in practice, though, the high priority given them by rules and regulations which affiliated to the local government institutions. The paper discusses the issues based on the available literature.

This paper consists of six sections. First section is a brief introduction of the paper. Second section presents literature review on local government systems. Third

section includes brief history of Sri Lankan local government system. The fourth section discusses authority, functions and responsibilities, resources and funding sources of the local present local government system. Section fifth discusses the role of local government institutions for rural development and challenges they are facing. The section sixth presents conclusion of the paper.

What Local Government Is?

As Murray (1999:37) defined ‘local government is the democratic method of providing essential services to the local population. To the traditional key principles overarching local government i.e. democracy, political advocacy, fairness, equality and accountability, are being added local economic development, environment, customer orientation and equality’. At the present scenario the topic of ‘local government’ discuss under decentralization and it is the one of widely spread world in development literature. Whatever the expect from the local government bodies, much more evident proved that most of the decentralization efforts were not success as much expected in history due to two reasons. Firstly, lack of willingness of the central governments towards appropriate power devolution. Second, disproportionate share of the benefits has been captured by local elites (Blair, 1997:1). However, the local government bodies are essential to implement democratic practices, good governance as well as healthy economy.

Since, even relatively homogeneous countries has variation, centralized command policies are not better for managing political system in long run (Blair, 1990: 45). Therefore, it is necessary to adopt some sort of decentralization practices including local government systems to provide efficient services to local people.

Providing the examples from Europe countries Bovaird and Loffler explained the crucial situation which local government bodies faced during the period of 1980s-1990s. They have identified five major areas including political pressure from unresolved problems (crime and vandalism, economic deprivation, low quality of life of the elderly and isolation of people with mental health problem), use of information and communication technology, enormous pressure from the media, effects of globalization and improvement of various civil society with new information and communication (Bovaird and Loffler, 2002: 11). Thus, many countries has given high priority to re-arrange and strengthen the local government bodies during last two-three decades.

Recent history shows many examples for strengthening and restructuring of local government system for efficient and effectiveness service delivery, rural development and to provide customer friendly service. Though, the local patterns of modernization of local government are varied by country to country, at the international level it can be identified a specific pattern or trend towards the improvement of local level service delivery in terms of performance standards and mechanism for planning and implementation of the service delivery (Bovaird and Loffler, 2002: 01). Many countries have given precise example for that. As described by Osteria (1996:1), in 1987, the constitution of the Philippine identified the decentralization policy as a tool to achieve their democratization philosophy. Therefore, the local government was transformed into self-reliant communities and active partners in the process of national goals achievement. In addition to that, the Congress of the Philippine has enacted Local Government Code of 1991 (Republic Act No.7160) as a remedy for practically emerged problems and focusing the local bodies which considered as most important units in local level service delivery. The Britain the Labour party government has paid their attention on modernizing of local government with New Public Management elements in 1998. In accordingly they introduced standards of conduct of local politicians and officials, increased financial discretion for some authorities which meet certain criteria of excellences and community leadership (Bovaird and Loffler, 2002: 13). Given examples proved that local governments were given more and more attention all over the world during the last two decades of the 20th century with the aiming of improve the service delivery as well as reduce the budgetary allocation from central government. By the way, they have paid more attention on strengthening of local government bodies in many ways.

Brief History of Sri Lankan Local Government System

According to *Mahawansa* written in sixth century, local government system of Sri Lanka had performed even fourth century B.C.¹ At that time, local administration was carried out by the *Nagara Guttika* (City Mayor). Furthermore, country had a *Gam Sabha* (village level administrative organization) and *Rata sabhas* (regional level administrative organizations) focus on local level and regional level administration (Gunawardena, 2010). Though the *Gam Sabhas* mainly focused on agriculture, it was not directed by the Centre. These organizations functioned under village leaders who had local level administration powers as well as some judicial powers like resolving village level disputes and dealing with petty offences. It system lapse in 1818 and was resurrected with

enacting the Irrigation Ordinance in 1856 under the British Colonial system (www.unescap.org). Then the British administration had enacted Thoroughfares Ordinance No.10 of 1861. The provincial and district road committees were established under the ordinance. The British Colonial administration had taken steps to establish Colombo and Kandy Municipal Councils under the Municipal Council Ordinance No.17 of 1865, but with the ex-officio basis (partially elected and nominated). Under this system Government Agent (GA) appointed as the Mayor. Furthermore, the British administration had established the ‘Sanitary Boards’ for small towns in 1892 and ‘Local Boards’ in 1898 with the chairmanship of GA. This system had changed after the implementation of Donoughmore Constitutional reforms in 1931. The Donoughmore reforms recommended establishment of an organization for local government as one of the Executive Committee of the new State Council, with a Minister in charge. A new Act was enacted in 1936 for the Colombo Municipal Council. After that, the act was adopted to the Kandy and Galle Municipal Councils and established the Municipal Councils in the respective areas (Ministry of Local Government and Provincial Council, n.d.).

There are some other important events related to present local government system which occurred during the British Colonial period such as enactment of Village Committee Ordinance in 1871 and reestablishment of village committees, enactment of Urban Councils Ordinance No 61 of 1939 and established the 27 urban councils enacted the Town Councils Ordinance No.3 of 1946 and established the town councils in 1946. The name of ‘Village Committee’ had changed as a ‘Village Council’ (*Gam Sabha*) in 1940 and it had functioned till 1980 when it replaced by the district development councils. However, in 1987 the government had taken steps to establish another village level local government institution which called ‘*Pradeshiya Sabha*’ due to inherent weakness of District Development Councils. At Present, there are 330 local government institutions [Municipal Councils (18), Urban Councils (42) and *Pradeshiya Sabhas* (270)] are functioning in Sri Lanka.

Responsibilities of the Local Government Institutions

The local government is one of devolved subject to the Provincial Councils in Sri Lanka. Under the Constitutional provisions, PCs have general co-ordinating and supervision power including power of dissolution of the local government institutions. Basically, local government institutions have been functioning under the Municipal Councils

Ordinance No. 29 of 1947, Urban Council Ordinance No. 61 of 1939 and *Pradeshiya Shaba* Act No. 15 of 1987. According to List I of Ninth Schedule of Thirteenth Amendment to the Constitution of Democratic Socialist Republic of Sri Lanka, though PCs are established as a second tier government in between national and local level, local government authorities will have the powers vested with them under existing law.

When PCs were established, the Constitutional provisions were made with expecting that PCs would pass statutes and make arrangement to legally transfer the functions and responsibilities to the local government institutions. However, in generally, provincialization of supervision of local government bodies did not realize above expectation, except for few statutes passed by the PCs on the local government administrative matters (Amarasinghe, 2010, UNDP, 2009, Gunawardena, 2010). Provincial Councils started to implement some of their function through Divisional Secretariats instead of take support from local government authorities.

Other mandatory functions and responsibilities of the local government institutions are governed by the Municipal Council Ordinance, Urban Council Ordinance and *Pradeshiya Sabhas* Act. The local government authorities have social services such as public health, maintenance of public roads, public parks, playgrounds, markets and management of environment. Article No. 3 of *Pradeshiya Sabha* Act of 1987 refers to its functions and duties as follows;

“The *Pradeshiya Sabha* constituted for each shall be the local authority within such area and be 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 within such area.”

Other two local government authorities; Municipal Councils and Urban Councils entrusted with same duties and functions within their geographical boundary. Following subjects are main areas of local government authorities entrusted by their respective laws.

1. Drainage system
2. Healt clinics
3. Pre-schools

4. Playgrounds and public parks, public bathing places
5. Drinking water schemes
6. Libraries, conference hall and community buildings
7. Public markets
8. Street lights
9. Bus Stands
10. Solid waste management
11. Public roads (Class D and E)
12. Lavatories/public toilets
13. Arbitration
14. Seizer of stray cattle
15. Ayurvedic medical dispensary
16. Other welfare activities
17. Pollution caused by factories

However, *Pradeshiya Sabahas* can involve in some extra subject areas in terms of rural development and poverty alleviation with comparison of Municipal Councils and Urban Councils. For example, in addition to above mentioned subject areas, Sections 18 and 19 of the *Pradeshiya Sabhas Act*, provides powers to spend on public health, housing, relief of distress, local works, experiments in agriculture and animal husbandry, promotion of religion and culture, organize employment programmes, promote rural women's development activities, integrated development of selected villages, community development projects and provisions of relief to poor people. However, *Pradeshiya Sabhas* do not engaged many of above subjects due to lack of finance and human resource as well as recentralization practices of the Centre and Provincial Councils.

In addition to that, there are two other decentralization process caused to limit local government functions and minimize their role in rural development and poverty alleviation. First, Divisional Secretariat system which act as coordinator of Central Government Ministries and agencies including *Samurdhi* Authority (major poverty

alleviation programme of the government which was commenced in 1994) at a local level and geographically coincide with local government authorities. The Divisional Secretariat system is a de-concentration administration system established under the Transfer of Powers (Divisional Secretaries) in 1992 at sub district level. These officers headed by Divisional Secretaries which belongs to Class I officer of Sri Lanka Administrative Service and directly responsible for the Ministry of Public Administration and Home Affairs. Since Divisional Secretariat system has a vital role to play on poverty alleviation and rural development, the role of local government institutions subject to be limitation (UNDP, 2009, cited in Lahiri, 2001 in USAID, 2005).

Second, some of the local government authority's functions have been retransferred to some other delegated authorities, para-statal agencies, boards or co-operations such as The National Water Supply and Drainage Board, The National Housing Development Authority and The Urban Development Authority etc. These agencies belong to centre and serve the people directly or through local government authorities. Therefore, local government authorities have to depend on these delegated agencies to perform their own functions and serve their electorates. Furthermore, these delegated agencies directed by Central Government policies and political interest rather than interest of local government. Therefore, practically these agencies are influenced by Parliament or Provincial Councils members rather than local government members or chairperson in terms of decision making and implementing projects (Gunawardena, 2010).

Finally, some other Central Government agencies have been undertaken some of subject areas such as social services, housing, distress and relief, religious and cultural activities and youth, women and children's affair though they are under the jurisdiction of local government authorities. There is an increasing trend for central agencies to spend local infrastructure directly or through Divisional Secretariat as wishes of Central Government politicians. As Gunawardena (2010) has mentioned, even though finance for these project is spent through Local Government authorities, they do not have discretionary power to take decisions on where and what purposes they have to spend such money.

Resource and Funding Sources

Local government finance consists of four main sources viz inter governmental financial transfers (block grants for salaries disbursed by the Financial Commission through PCs, provincial specific development grants transferred by PCs and local development funds allocated by members of parliament through PCs), assigned sources of revenue, user fees and borrowings. The main sources of assigned revenue includes stamp duties, court fine, rents of property vested with the authorities, penalties and tax on certain business and professions, sales of land, undeveloped lands, restaurants, hotels, lodging houses, vehicle and animal tax and other charges such as licenses fee, charges levied the council by virtue of the respective Ordinance or Act or any other written law etc.

Local Government authorities have to power maintain their own fund in accordance with their respective laws. The Section 158 of Urban Councils Ordinance, Section 129 of *Pradeshiya Sabhas* Act and Section 185 of Municipal Councils Ordinance provide legal provisions to maintain Local Government funds. These funds consist of money derived from assigned revenue by respective laws. The fund operations by the local government authority in accordance with budget prepared and passed by the council for the next successive year.

Though local governments have number of own revenue sources, its' importance depend upon urbanization situation of local authority (Gunawardena, 2010). Stamp duties and court fines contribute for around 17 percent of the *Pradeshiya Sabhas*' revenue. Property tax contributes for around 15 percent – 25 percent of the local authorities' income in Urban Councils and the more urban *Pradeshiya Sabhas*. Similarly, more rural *Pradeshiya Sabhas* generate income around 15 percent – 25 percent through renting of their lands, market stalls and fairs (USAID, 2005). In addition to small contribution of their own income source, around 10 percent of the local authorities' income comes from Decentralized Budget allocation of Members of Parliament (Gunawardena, 2010) and more than 60% from government transfers (USAID, 2005). In this situation, external income is the most important source of local government authorities. The data on Table 01 and 02 present the contribution of income source and expenditure of local government authorities in 2008.

Table 01: Financing of Local Government Institutions -2008

Local Government Institution	Source of Revenue					
	Total Receipts (LKR Mn)	Revenue Transfer from Centre	Stamp Duty	LLDF Borrowings	Other Transfers from Govt.	Other Receipts
Municipal Councils	10,987,634	55.7%	13.6%	0.5%	23.7%	6.5%
Urban Councils	3,339,551	39.9%	9.0%	4.5%	24.9%	21.6%
<i>Pradeshiya Sabhas</i>	11,875,290	23.0%	17.2%	1.3%	23.6%	35.0%
Total	26,202,475	38.8%	14.7%	1.4%	23.8%	21.3%

Source: Gunawardena, A., 2010

Available data proved that local government is spending around 2 percent (12,424 out of 474,121 millions in 2003) of the total government expenditure (Central Bank Annual Report, 2004 and Finance Commission cited in Institute of Professional Public Administrators, 2007, Finance Commission, 2004 cited in USAID, 2005). Even though expenditure of entire local government system is lowest, when compared to the government expenditure, these entities highly depend on central government transfers for their revenue. The percentage of government transfer varies by location as well as type of authority. It was calculated that, external sources of finance contributes to 45 percent, 60 percent and 77 percent of the Municipal Councils, Urban Councils and *Pradeshiya Sabhas* revenue respectively (Gunawardena, 2010). While, higher portion of the revenue goes for the salaries and other recurrent expenditures (55 percent – 86 percent), less portion (14 percent – 45 percent) goes for the capital expenditure including capital and local level development activities. Of those recurrent expenditure, local government entities spend 31 percent – 53 percent for their staff salaries (Table 02).

Table 02: Expenditure of Local Government Institutions -2008

Local Government Institution	Total (LKR Mn)	Current Expenditure (% of Total)			Capital Expenditure (% of Total)
		Personal	Other	Total	
Municipal Councils	9,279,812	52.90	33.47	86.37	13.63
Urban Councils	2,677,904	43.51	27.39	70.90	29.10
<i>Pradeshiya Sabhas</i>	11,005,957	30.95	24.57	55.22	44.78
Total	22,963,673	41.28	28.35	69.63	30.37

Source: Gunawardena, A., 2010; 211

There are several challenges and difficulties facing local government institutions in terms of finance and other resources. First, as discussed earlier, higher portion of the local government revenue is central government transfers through PCs. Consequently, it makes uncertainties such as delays in relief of funds occur. Second, as a result of provincialization, there are delays in transferring stamp duties and court fines collected by PCs to relevant local authority. Those uncertainties and delays badly affect on service delivery in terms of both quantity and quality. Third, lack of competencies and weak management do not help to improve own source income (USAID, 2005). This lack of competence especially harmful for financial management including budgeting, local tax assessment and collection and other own resource income generation. Forth, since reviewing of property rates cause to make unpleasant political situation for the governing party, respective persons do not like to touch these areas though it is a most potential area for the improvement of local authorities own income generation (Gunawardane, 2010, www.unescap.org, USAID, 2005).

The total approved cadre of staff employed by Local Authorities in Sri Lanka is 44,061 (www.localgovforum.lk). With regarding human resources, it has to play a weak role because elected members and managers have little power over management of human resources in accordance with law and regulatory frameworks. The Local Government Service Commission abolished from 01st September 1993 and the local

government posts were absorbed to the respective Provincial Public Service Commissions. Furthermore, staff grades clerical and related post and technical posts were absorbed into parallel services and posts in Government services. Since then, Provincial Public Service Commission were involved in new appointment, transfers and promotions over the local government staff.

On the other hand, Central Government determines the overall staffing matters of approval carders including salaries and other conditions of employees. Therefore, since 1980s, around 25 percent of the approved positions of local government authorities are vacant in any given time (USAID, 2010, Democratic Socialist Republic of Sri Lanka, 1999). Consequently, local government authorities have to hire employees as a casual basis paying from their own income sources. As USAID (2005) research findings reveal, between 10 percent -20 percent of the local authorities employees had been hired as a casual employees mainly for garbage collection, street cleaning or road maintenance projects etc. Therefore, in addition to financial constrains local government authorities face lack of human resources.

Role of Local Government in Rural Development

Local government authorities can function in wide areas including rural development such as establishment and maintenance of economic and social infrastructure and environmental management. In addition to that, as discussed under responsibilities of local government institutions, *Pradeshiya Sabhas* have been given more powers to involve in rural development and poverty alleviation in many subject areas such as public health, housing, relief of distress, local works, experiments in agriculture, employment programmes, rural women's development activities, integrated development of selected villages, community development projects and relief to poor people, development of rural markets, *pola* markets (fairs) and market infrastructure .

It is clear that even local government authorities have several areas to implement their powers and responsibilities most of them are not directly related to alleviation of income poverty, but some of them are directly related to reduce other faces of poverty (such as improve health and sanitation, education, and other basic infrastructure). Local government authorities involved in reducing income poverty through facilitating stall, huts and spaces for fairs or shopping complex for the sellers in the electorate. The weekly fairs, help low income groups or small farmers to obtain selling facilities of their products

and commodities, specially in the rural areas. According to law, there is a provision for organize employment programmes for electorate. However, it is difficult to find implemented programmes instead of involvement of local government authorities to provide vocational training programme, specially, for women and youth. Some of them are implement thorough private-public partnership.

The Indian Ocean tsunami in 2004, hard hit over 1,000 km in total and lost 37,000 human lives. More than 100,000 homes were destroyed. Fifty seven local government authorities were virtually destroyed and another 33 were suffered from significant damage (USAID, 2005). The local government authorities play a vital role in post tsunami recovery programmes in Sri Lanka (USAID, 2005, UNDP, 2006). Though elected members as well as officials and other workers were affected from tsunami disaster, they have done invaluable job in immediate after the tsunami recovery and continue to recovery and rebuilding programmes with the directly cooperate with international and national aid agencies. They were engaged in removal of debris, rebuilding roads and culverts.

On the other hand, local government authorities role has been limited due to finance and human resource constraints, establishment of Central Government special agencies or delegated institution for special subject areas. Most of the Provincial Councils did not taken steps to make rules for transfer power from province to local government authorities. The Central Government and PCs use Divisional Secretariat system as their arms of field level rather than local government authorities. Therefore, most of the local government authorities has been playing limited role in poverty alleviation and rural development sectors.

Conclusion

Sri Lankan had experienced own local government system over the centuries and lasted in 17th Century. Present local government system evolved in the period under the British rule. These entities have power on maintain their own fund. They have number of own sources of revenue, but amount collected from these sources are insignificat. Since local government authorities mostly depend on central government transfers they do not have economic autonomy. Furthermore, their political autonomy are limited by some of the laws and political culture. Local government authorities (Municipal Councils, Urban Councils and *Pradeshiya Sabhas*) are given vast area of responsibilities specially social

services, rural development and environmental management. *Pradeshiya Sabhas* responsibilities and function area has expanded Under the *Pradeshiya Sabhas* Act of 1987, including poverty alleviation and rural development activities. However, direct involvement of poverty alleviation is limited in local government authorities due to a number of reasons such as constrain of financial, human and physical resources, establishment and implementation of Divisional Secretariat system in 1992, establishment and has given more power on the subject of local government institution to para-statal organizations, provincialization practices and administrative and political culture of the country.

As a whole, though local government empowered by their acts and ordinance towards rural development activities as well as social works their activities are limited by the practical situation of the country. At the present most of these institutions are limited to collect tax and duties including property tax, collecting garbage in urban areas, maintain some rural roads, issuing road certifications for buildings, maintaining fairs and small libraries in some areas.

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