

Getting from dysfunctional government to e(ffective) government: mapping a path in Sri Lanka*

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Abstract

The objective of e(ffective) government must be the delivery of citizen-centric government services of all forms – informational, interactive, and transactional – to all citizens (and relevant others) irrespective of where they live as well as the effective involvement of the citizen in governance. The desired government services do not overlap with the government activities that exist today but are constituted by the essential core that remains after reengineering, right-sizing, and focusing government in a way that would meet citizens' needs more effectively. This is important because most developing-country governments fall short of the mark on the cost-effective delivery of citizen-centric government services; many fail dismally.

In the case of dysfunctional governments such as those found in many developing countries, the process of establishing e-government must include an examination of the justification of various services being provided by the government in the first place, as

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against being outsourced or provided by public-private partnerships under regulation and other conditions necessary for achieving public objectives. A 'deregulation unit' that will carefully assess the necessity of retaining existing laws, regulations, and procedures and will screen proposed legislation and regulations against criteria of net regulatory benefits is an essential component of any e-government strategy.**

This article sketches out a path of progressing from the current condition of dysfunctionality that characterizes government in Sri Lanka to a projected condition of effective government, as embodied in the design of the *e Sri Lanka* Strategy, which was adopted in 2002 and is under implementation. It emphasizes the practical problems of achieving e-government as well as those of building the ICT (information and communication technology) infrastructure that is a precondition for transforming governance processes.

** Preliminary work on such a Unit and the enabling legislation was completed by the PIPU (Public Interest Program unit) of the Ministry for Economic Reform, Science, and Technology in 2004: see PIPU Progress Report 2002-04, pp. 20-26, available online at <<http://asia.lirne.net/index.php?p=51>>, last accessed on 12 December 2004.

Introduction

Rightsizing and reengineering will result in the elimination of many forms, approvals, ratification processes, and other similar procedures, thus simplifying the citizen–government interface. However, e-government does not simply reduce the services on offer to citizens. It facilitates the offering of novel and useful services not available earlier. Even prior to the implementation of its formal e-government plans, Sri Lanka – a country with ‘deficient e(lectronic) government capacity’ according to the United Nations and the American Society for Public Administration (UNDPEPA and ASPA 2002) – has witnessed the decentralized emergence of a number of innovative services that constitute e-government in both senses of the term.

- The results of national high-school level examinations are now released on the web and via WAP (wireless application protocol) and SMS (short message service). This replaces a system where students had to jostle with and peer over each other’s shoulders at examination results posted on notice boards. The location is now irrelevant for those who access the system.
- At the country’s two principal wholesale agricultural produce markets, the Govi Gnana System (Agricultural Knowledge System) provides up-to-the-minute price information on large television screens within the market premises over the Internet and through an automated voice system that can be accessed using fixed phones or mobile phone short codes.
- Blood donations in specific blood types are coordinated through the use of SMS over mobile phones.
- Passport applications and instructions can be downloaded from the Internet from within as well as outside Sri Lanka.
- Payments for certain services provided over the Internet can be paid for using e-money orders issued by the post office.

For the most part, the e-government services available in Sri Lanka are informational services. Interactive and transactional services are relatively rudimentary, especially where citizens (rather than businesses) are involved. Transactional services that involve computation and scenario testing are non-existent at this point.

The universal provision of e-government services in a country where most citizens lack access to the Internet or other ICT (information communication and technology)-based access

devices is problematic. Of course, this does not mean that e-government services should not be offered until the access problem is solved. As in the Sri Lankan examples above, e-government services can be used via intermediaries. For example, it was common until recently in Sri Lanka for radio stations to read out examination results in response to phone-in requests.

True e-government implies a commitment to making government services available to all citizens (and relevant others, such as tourists, permanent residents, and potential investors) irrespective of where they live. This poses a special challenge in developing countries, where despite rapid growth that exceeds previous estimates, many countries still fall short of universal access to ICT. The success of e-government rests on bridging the digital divide that precludes many citizens from access to ICT-enabled services from the government as well as others.

Barriers to e-government

There are numerous barriers to the establishment of e-government and its precondition—ICTs.

- Lack of purchasing power on the part of citizens
- Lack of literacy – general and/or Internet
- Difficulties in connecting to the Internet or other ICT infrastructure from the home due to lack of
 - electricity,
 - computer system,
 - telephone connection (dial-up or always-on), and
 - Internet service subscription
- Inadequate ICT infrastructure in regions in the country
- Perception that there is no demand for Internet-based e-government and other services; and the lack of an infrastructure that can provide such services
- Resistance to reengineering and rightsizing.

While Sri Lanka has much to achieve in improving its electricity sector, household access to electricity is not an insurmountable barrier, as shown in Figure 1. With over 70% household penetration in 2004, it is calculated that complete coverage can be achieved by around 2012, simply by maintaining the current pace of rollout. Quality and price problems are, of course, of serious concern, with frequent blackouts and voltage spikes on one hand and some of the highest electricity prices in Asia on the other.

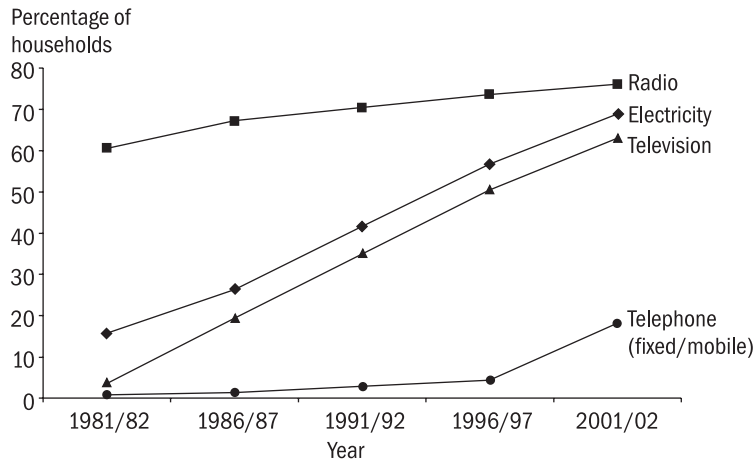


Figure 1 Sri Lankan households with radio, television, electricity, and telephones (fixed or mobile), 1981-2002

Source Central Bank of Sri Lanka's *Consumer Finance Survey 2004* (adjusted)

If the pace of the past five years is maintained, it is estimated that all Sri Lankan households can have access to telecom services by 2030. Given the technological and market innovations that characterize this sector and the regulatory improvements that have been initiated, it is not unreasonable to expect even faster rollout and earlier achievement of universal service. The Central Bank survey does not distinguish between fixed and mobile access, but it is widely recognized that fixed connectivity is a better proxy for infrastructure capable of delivering e-government and e-commerce services. Figure 2 illustrates the growth of fixed and mobile connectivity in Sri Lanka.

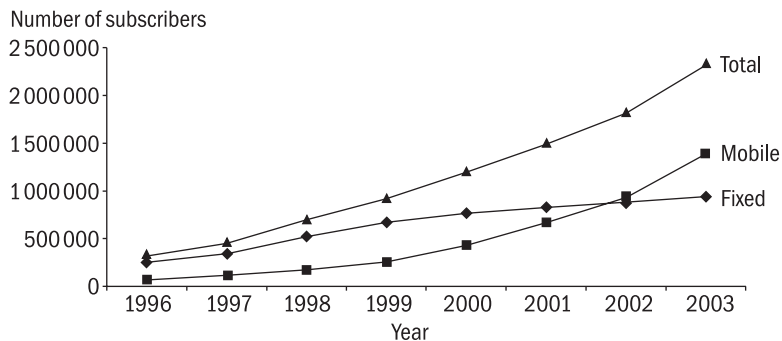


Figure 2 Growth of telecom connectivity in Sri Lanka, 1996-2003

Source Telecommunications Regulatory Commission of Sri Lanka

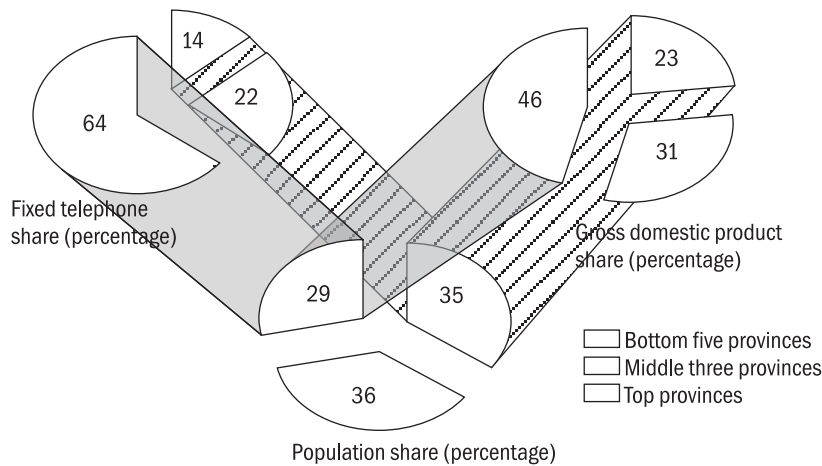


Figure 3 Skewed distribution: provincial share of population, gross domestic product, and fixed telephone connections

Sources Telecommunications Regulatory Commission of Sri Lanka and Central Bank of Sri Lanka

Sri Lanka experienced fixed telephony growth rates that were consistently among the top 10 in the world after the 1996/97 reforms that saw the partial privatization of the incumbent, the entry of two fixed-access competitors and several significant regulatory actions by the strengthened regulatory agency. However, the network has not expanded fast enough and it has not expanded across the country. The waiting list for fixed connections from the incumbent was 380 000 at the end of 2003, amounting to 43% of the number of fixed subscribers. Most of these were in provinces other than the Western Province, which has 29% of the population; 46% of the GDP (gross domestic product), and 64% of the telephones. In contrast, the bottom five provinces have 35% of the population, 23% of the GDP, and 14% of the telephones (Figure 3).

The backbone network that directly affects the costs of serving the rural areas and the quality of the connectivity is also skewed against the rural areas. In the absence of fibre or microwave, the 150 000-plus mobile users in the post-conflict areas in the North and the East are served using expensive satellite links. The quality of the non-fibre backbone of the fixed incumbent is so poor in some parts of the country that users are compelled to use the more expensive mobile connectivity to use the Internet.

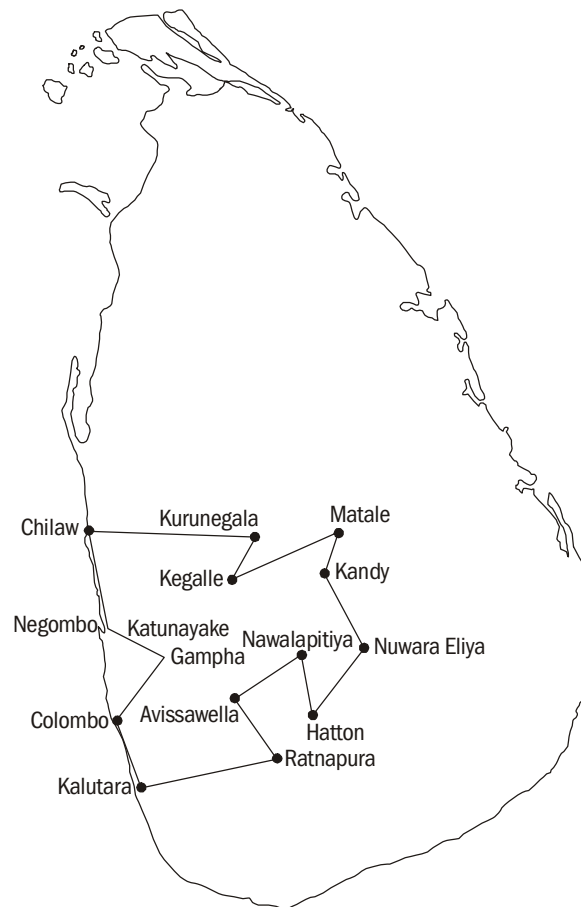


Figure 4 Unwired Sri Lanka: fibre backbone, end-2003

Source Sri Lanka Telecom Ltd

In Sri Lanka – reputed for its high literacy rate – literacy *per se* is not a major barrier, though ICT literacy can be. The cluster of issues relating to availability of content relevant to Sri Lankan users in languages they can understand is dealt with below.

***e Sri Lanka* initiative: overcoming the barriers**

The *e Sri Lanka* Initiative is a comprehensive strategy for addressing the country's ICT challenges. Based on work done by stakeholder groups in the context of a Competitiveness Initiative funded by the United States Agency for International Development in 2000–02, the *e Sri Lanka* Initiative was formally

announced by the Government of Sri Lanka in November 2002. Following extensive planning and the launch of some pilot projects, the 53-million-dollar credit agreement with the World Bank was finalized in September 2004 (World Bank 2004). It is to be implemented by a Ministerial Committee and a National Task Force, with the assistance of the ICT Agency, a newly created implementation unit, designed on the lines of the private sector.¹

The *e Sri Lanka* Initiative includes programmes on reengineering government, human resource development, market development and investment promotion, an e-society fund, and an information infrastructure programme. For current purposes, the reengineering government and information infrastructure programmes are the most important. Under the infrastructure work, it was realized at a very early stage that the key to building infrastructure that would benefit the currently underserved populations was to remedy the unsatisfactory telecommunications regulatory environment. The government prioritized regulatory improvements in the following areas.

- Market entry
- Management of scarce resources, especially frequencies
- Interconnection
- Competent enforcement of competition and regulatory rules.

The extensive work done (Appendix 1) was slowed down by the political turbulence associated with the 2004 elections, but it is likely that the process will be taken to completion in the context of implementing *e Sri Lanka*.

Even assuming that the regulatory environment is improved, it would be necessary to address the reasons why the existing operators did not so far meet the demand that has been documented in the underserved areas. The primary reason can be identified as a capital cost problem, in that the costs of providing service in these areas – including building the backbone – are seen as higher than elsewhere. The perception that revenues may not be adequate is also a reason. The capital cost problem will be addressed through a least-cost subsidy auction, wherein the government will identify a set of outputs (broadband connectivity to 100 Vishva Gnana Kendras dispersed across Phase 1 areas of

¹ Details at <www.icta.lk>, last accessed on 12 December 2004.

the Deep South and North East) for which it will offer to supply a least-cost subsidy through an auction. The operator who asks for the least amount – because it is efficient and/or because it is willing to invest the highest amount of private capital – will win the auction and obtain both the subsidy and the associated RTN (Regional Telecommunications Network) license. While the actual network design is to be decided on by the successful bidder, the reference network developed by the consultants assisting the ICT Agency with the licensing process more than double the backbone capacity in the country. It is expected that the licensing will occur in around early 2005.²

The problem of inadequate revenues is partly one of perception. It has been shown repeatedly that rural people spend a greater proportion of their disposable incomes on telecommunications services than their urban counterparts. Nevertheless, the *e Sri Lanka* Initiative provides a solution. The tele-centres that will be established by the ICT Agency as well as existing private communication bureaus will require bandwidth. A voucher scheme under development will stimulate the use of these centres. The sale of communication capacity to the centres and bureaus as well as the offering of other telecommunications services under the RTN license will provide the required revenues.

It is recognized that the tele-centres must offer useful and relevant content in local languages. Given the paucity of such content in Sinhala and Tamil, an objective behind the emphasis on e-government services was the encouragement of the development of relevant content in the official languages. It was also envisaged that effective e-transaction mechanisms would be developed for government purposes, which would then be used for general purposes. Credit cards and similar methods are not viable in Sri Lanka, because under 2% of the population has credit cards and under 1% uses Internet banking (CBSL 2004). The University of Colombo has already, with support from the ICT Agency, developed an e-money order mechanism that allows for some low-cost online payments from government post offices. Based on this ‘pump priming’ activity, it was thought that e-commerce and other forms of Internet usage would develop in a decentralized manner.

²Details at <<http://www.icta.lk/insidepages/programmes/RTNs.asp>>, last accessed on 12 December 2004.

How can dysfunctional government beget e-government

Perhaps one of the most fundamental barriers to e-government is resistance to reengineering and rightsizing of government. It is widely recognized that dysfunctional institutions have staying power; they are entrenched by powerful incentives and constraints. Fears of job loss and changes in terms of employment could cause current government employees to resist the reforms necessary for e-government. Also, the loss of rent-seeking opportunities by the introduction of more transparent procedures and elimination or reduction of government discretion is likely to create resistance to change.

There are two principal approaches to government reform. The first is a comprehensive planning-based approach that relies on inter-ministerial committees and the like for implementation and rests on common standards and coordinated action. The second is the enclave strategy where small manageable islands of government are reformed in the hope that they can be linked up subsequently. The former has many advantages, but in the real world of developing-country dysfunctional governments the chances of success are slim. The enclave approach, while appearing to be sub-optimal, is what has actually worked in these imperfect conditions.

Experience with geographic enclaves – such as tourist zones and export processing zones wherein specific geographical areas with adequate quality infrastructure services are carved out, as well as with functional enclaves such as investment promotion bureaus and regulatory agencies, where relatively more competent (and better compensated) staff provide one-stop-shop services – have demonstrated the efficacy of the enclave model. Unfortunately, it does not mesh with the vision of seamless government promoted by government reform visionaries such as the authors of *The Connected Republic* (Badger, Johnston, Stewart-Weeks, *et al.* 2004). In this vision gradually realized within the governments of reform leaders such as the US, Australia, New Zealand, and Singapore (UNDPEPA and ASPA 2002), a citizen can enter through any door and be served. The seamless interface made possible by ICTs will shroud the silo structures within which real government works.

It is possible to avoid some shortcomings of the enclave approach by implementing it in parallel with the comprehensive

approach. Light may be shed on the interplay between the comprehensive planning-based approach and the enclave strategy by looking at how Charles Lindblom sees the relation between ‘drastic change’ (analogous to the comprehensive approach) and ‘incremental improvement’ (analogous to the enclave strategy).

Do I believe that the political and social world is in such good shape that it needs only incremental improvement? Indeed not. ... Do we therefore need drastic change? Indeed we do. Given, however, the existing political structures of the ostensible democracies, there is little hope of getting it except through long glacial sequences of incremental changes. ... Wars and catastrophes aside, it looks as though anyone who wants drastic change will do best to promote rapid incremental change cumulating into drastic change. His prospects are poor, but ordinarily worse if he takes any other route. Incremental policy making is weak, often inefficacious, inadequate to the problem at hand; and the control over it often falls into the wrong hands. It is also usually the best that can be done. Such a view of incrementalism, not the buoyant view of it that commentators often attribute to me, is not at all difficult to reconcile with the critical writing on democracy and market (Lindblom 1988).

Islands of good governance face two principal dangers. First is the external danger that the surrounding ocean of bad governance will reclaim the inchoate landmass. The policy solution is independence, whereby the ability of external actors to influence events within the island, is legislatively and otherwise constrained. Deriving from the very remedy is the internal danger that the relative absence of controls and accountability will cause the island to deviate from the principles of good governance. As has been extensively discussed in relation to the independence and legitimacy of regulatory agencies (Samarajiva 2001) building independence though procedural legitimacy rather than simple reliance on legislative provisions, in most cases using ICTs, is the best safeguard against dangers, external as well as internal!

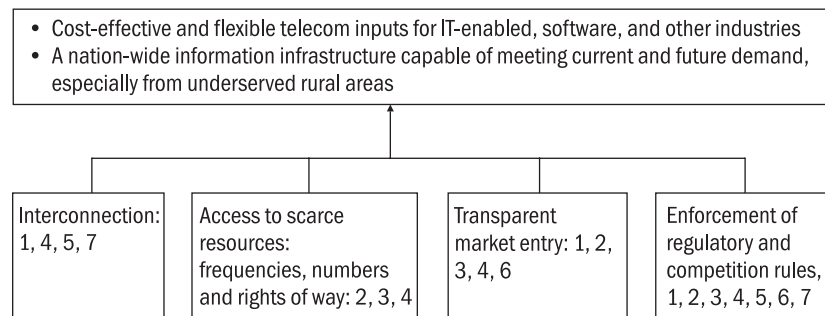
Appendix 1 Telecom sector reform strategy, 2002 *

- 1.0 The overall sector policy objectives are embodied in the *e Sri Lanka* policy read in conjunction with *Regaining Sri Lanka* [overall economic policy]. The overall vision is that telecom constitutes a foundational stage in the ICT value chain; that good performance in telecom will yield even better performance up the value chain, making Sri Lankan industries, including but not limited to IT-enabled services, more competitive; and that constrictions in telecom will hold back development in many sectors of the economy. The key telecom objectives are as follows.
 - 1.1 Cost-effective and flexible telecom inputs for IT-enabled software and other industries that can create employment as well as exports
 - 1.2 A nation-wide information infrastructure capable of meeting current and future demands, especially in underserved rural areas
- 2.0 *e Sri Lanka* infrastructure actions (Vishva Grama Programme) are intended to supplement the overall competition-centred policies that result in tele-densities of approximately 5 in both fixed and mobile telephony by 2003. In light of the necessity of not distorting the market in the urban areas and focusing limited resources on the underserved populations, *e Sri Lanka* will, in the first instance, use least-cost subsidies to mobilize the private sector to build RTNs (Regional Telecommunications Networks) in the north-east quadrant and the Deep South Quadrant, each with a population of around 1.5 million. The policy environment within which the RTNs will flourish will also be the optimal environment for national operators serving the urban areas, current as well as future. The key components of this environment are as follows.
 - 2.1 Interconnection
 - 2.2 Fair, prompt, responsive access to scarce resources, primarily frequencies, numbers, and rights of way
 - 2.3 Transparent market entry policies and
 - 2.4 Effective enforcement of regulatory and competition rules.
- 3.0 The international consultancies that were commissioned since late 2002 constitute building blocks of a strategy to

* Coordinated by the Public Interest Program Unit of the Ministries of Policy Development and Implementation and Economic Reform, Science and Technology

establish such a policy environment. In addition, several tasks were undertaken in house, to supplement the ongoing work. The diagram below illustrates the contributions.

- 4.0 Different firms selected through competitive processes undertook the work, but the overall close coordination by PIPU ensured the coherence of the overall strategy. The work was subject to the supervision of the *Regaining Sri Lanka* ICT steering committee, was coordinated by the Telecom Regulatory Commission and the State Counsel team assigned for the telecom sector, and conducted in an open manner with public consultations and stakeholder meetings.



Appendix 2 Contributions of consultancy contracts to policy objectives, November 2003

Consultancy outputs

Output	Contributing consultancies
Increase connectivity	1, 2, 4, 5, 6, 7, 8
Facilitate international liberalization, resulting in increasingly lower outgoing charges	1, 3, 4, 5, 7
Remove barriers to international connectivity for call centres and corporates	1, 7
Efficiently manage frequencies for Regional Telecommunication Networks and others; prepare ground for effective market entry	2
Improve access to rights of way	4
Minimize difficulties from numbering plan	3
Improve competition enforcement	1, 2, 3, 4, 5, 6, 7
Formulate new market entry policy	1, 2, 3, 4, 6
Deregulate	1, 2, 4, 5
Improve credibility of regulation, including enforcement	4, 5, 7

Note The primary instruments of increasing rural connectivity are the Regional Telecommunication Networks funded through the *e Sri Lanka Initiative*.

Source Public Interest Program Unit, Ministry for Economic Reform, Sri Lanka

Key to consultancies

- 1 Interconnection framework and external gateway operator licensing, October 2002–March 2003
- 2 Frequency management assessment, December 2002–June 2003
- 3 Numbering plan implementation assessment, January–March 2003
- 4 New telecom legislation, including deregulation of prices, frequencies, equipment approval, February–April 2003
- 5 Asymmetric regulation guidelines, August–November 2003
- 6 Market analysis, August–November 2003
- 7 Competition proceedings, in procurement
- 8 Rural connectivity units for subsidies, in procurement

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