
ABOUT THE CONFERENCE

2nd INTERNATIONAL CONFERENCE ON DECENTRALIZATION Federalism: The Future of Decentralizing States?

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Background

Local and international agencies and institutions have recognized the imperative for good governance in addressing the chronic problems of poverty and corruption plaguing countries of the third world.

Among the major strategies to achieve good governance is the decentralization of state mechanisms, institutions, and processes in order to make them more participatory, accountable, and responsive. It is within this context that many states in the third world have embarked on massive decentralization programs with the hope that it will contribute to good governance. For instance, countries such as Thailand, Indonesia, Cambodia, Malaysia, Vietnam, Korea, Pakistan, India, Sri Lanka, Nepal and the Philippines, among others have all launched various comprehensive decentralization programs and are at different stages of design, conceptualization, and implementation. Industrialized countries, such as Canada, the United States of America, Australia, Germany, Japan, likewise have their own decentralization programs.

Decentralization in governance has thus become a phenomenon worldwide. UNDP defines decentralization, or decentralizing governance, as referring to “the restructuring or reorganization of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiarity, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capacities of sub-national levels.”

During the Second Assembly of the World Movement for Democracy held in Sao Paulo, Brazil, one of the workshop outputs underlined that “A federal system, through

its pyramidal structure, provides for decentralization to sub-national units as it provides a greater opportunity than a unitary system for greater participation at sub-national levels” (Elaigwu, 2001).

A number of decentralizing states nowadays that have unitary forms of government are discussing federal possibilities, for various reasons. In Asia, the prospect of shifting from the current unitary system to a federal one is being considered in Indonesia, Sri Lanka, Japan, and the Philippines. In the Philippines, a national movement advocating a shift from a unitary system of government to a federal one got underway in November 2000. A Pro-federalist resolution was then signed by twenty-two members of the twenty-four seat Philippine Senate (Doronila, 2001). Organizations like the Movement for a Federal Philippines (*Lihuk Pideral*) are sprouting and growing. Statesmen, like Senator Aquilino Pimentel, continue to rally for a Federal Republic of the Philippines. A draft Constitution for a “Federal Republic of the Philippines with a Parliamentary Government in 2010” has already been initially prepared by the Center for Policy and Governance of Kalayaan College headed by Dr. Jose V. Abueva, and is being discussed and refined by federalism scholars / stakeholders.

With these in mind, it is interesting to note that a number of decentralization programs have been implemented within the context of a federalized structure. This dimension of the discourse on decentralization raises some very important questions. For instance, does a federal system facilitate decentralization and development better than unitary systems? Is the success of decentralization and development efforts greater in a federal rather than in a unitary system or is it independent of the government structure? For decentralizing unitary systems, is federalism the next logical step? Or would a shift be a step backward? For unitary states wanting to shift to a federal system, what are the things that should be considered and prepared before embarking on such change?

It would also be very interesting to explore and discuss how a shift to federalism would impact on sustainable human development concerns, particularly on poverty reduction, gender, human rights, and governance issues.

In October 10, 2001, the Philippines celebrated the 10th Anniversary of the passage of the Local Government Code (called Project 10.10.10). One of the highlights of Project 10.10.10 was the signing of a Covenant by International Development Partners expressing their support for decentralization efforts in the Philippines. As the clamor for a Federal Republic of the Philippines is becoming stronger with advocates claiming it will hasten decentralization and development, the holding of a Conference on Decentralization focusing on federalism would just be a logical follow-through to the 10.10.10.

This year, the National College of Public Administration and Governance, University of the Philippines (NCPAG, UP) also celebrates its 50th Year since its establishment as an Institute of Public Administration in the Philippines in 1952. One of the College's timely offerings to the nation is to spearhead, through the Center for Local and Regional Governance (CLRG), the promotion of scholarly, non-politicized, and fruitful discussion of issues that affect the administration and governance of the country, one of which is the issue of decentralizing unitary states shifting to federalism.

In January 1996, the Philippines hosted an International Conference on Decentralization participated in by more than a hundred participants from twenty different countries. It was such a success that many of the participants expressed a desire for a second conference.

It is deemed appropriate then that a 2nd International Conference on Decentralization (ICD) be conducted that would focus on the prospect or option of decentralizing unitary states shifting to a federal system.

This Conference is a very timely one. The Philippines is an ideal setting for such a conference considering the many developments, advances, and innovations done in the direction of decentralization and governance in general, and also the developments in the direction of seriously looking into the possibility of shifting from a unitary system to a federal one.

Other decentralizing unitary states, aside from the Philippines, would surely be interested and would also stand to benefit in this kind of conference.

The 2nd ICD shall also serve as the launching pad of the Asian Resource Center for Decentralization (ARCD) which aims to serve as a repository of best practices and lessons learned towards effective decentralization and also to promote information exchange among its network. As such, the network of individuals and institutions, and the materials generated from the Conference will serve as input to the ARCD, which will serve as the vehicle to maintain and enlarge such network, and to add and make available written materials pertaining to decentralization.

The ARCD shall initiate and conduct joint comparative researches among interested countries and stakeholders on decentralization. It shall also serve as a venue for sharing, dialogue and continuing exchange of ideas on decentralization among interested practitioners and scholars in the field.

The ARCD can also eventually play a role in organizing study tours and exchange visits, problem-oriented workshops and conferences, all with the general objective

of enriching the discourse on decentralization and advocating democratization and people empowerment towards good governance in the region, both at the level of theory and practice.

The International Conference on Decentralization and Federalism, and the proposed Asian Resource Center for Decentralization may be seen as one big project since both hope to enrich discourse, debate and advocacy on decentralization not only at the national level, but also at the regional and international level as well. A number of initiatives and activities tie up the ICD and the ARCD. For one, the results of the ICD shall be published and disseminated by the ARCD.

Secondly, among the preliminary activities of the ARCD that shall feed into the ICD is the initial comparative research and analysis of the decentralization experiences of the various countries in the region that are implementing decentralization at various levels and stages. Among other countries, these include, countries in Southeast Asia (Thailand, Indonesia, Vietnam, the Philippines), South Asia (Pakistan, India, Nepal and Bangladesh), East Asia (Korea, Japan, Mongolia and China). The comparative research hopes to extract some trends and patterns on decentralization and identify lessons learned from the unique experiences of the various countries.

Objectives

The general aim of the 2nd International Conference on Decentralization is to provide a forum for the exchange of ideas between decentralization and federalism practitioners and stakeholders (statesmen from national and local governments, scholars, civil society, private sector) who are exploring and studying the idea of unitary states shifting to a federal form of government as a means of hastening decentralization and development. It would be a venue to share and learn from the experiences of different countries regarding decentralization and federalism. Specifically, the conference aims to:

- 1) Look into the status of decentralization in the world in general, and in selected countries in particular;
- 2) Identify models and lessons learned for other countries contemplating or implementing decentralization as a governance reform strategy for development. These may be in the areas of human rights, poverty reduction, gender, and good governance; and
- 3) Look into the question of whether federalism is a logical next step and a viable option for decentralizing unitary states in the context of devolution.

The Conference would also be the perfect time to launch the Asian Resource Center for Decentralization.

Conference Output

- Conference papers gathered from the different country experiences shall be compiled and turned over to the Asian Resource Center on Decentralization that will also be launched during the Conference.
- A publication based on the proceedings of the Conference.
- A network of decentralization and federalism experts and students who can continue discussing on the issues raised and still to be raised regarding the theme, even after the Conference.
- Asian Resource Center for Decentralization launched.

Target Participants

The target participants are decision-makers, scholars, and individuals from all over the world who are interested in a constructive exchange of information and experiences in the field of decentralization and federalism. Participants would come from

- Established federations (i.e., U.S.A., Canada, Germany, Australia, Switzerland, Austria)
- Recent federalizing systems (i.e., Belgium, Spain, Mexico)
- New Commonwealth Federations (i.e., India, Pakistan, Malaysia, Nigeria, Ethiopia)
- Decentralizing unitary states who are interested in looking at the prospect of federalizing (like the Philippines, Indonesia, Sri Lanka and Japan, in Asia)
- Other interested countries.

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Center for Research and Information on Canada: <http://www.cric.ca/en/html/guide/federalism/federalism.html>

Forum of Federations: An International Network on Federalism: <http://www.ciff.on.ca>

United Nations Development Programme: <http://www.undp.org>

World Bank: <http://www.worldbank.org>

World Federalist Association: <http://www.wfa.org>

World Movement for Democracy: <http://www.wmd.org>

CONFERENCE ORGANIZER AND PARTNERS

The **Center for Local and Regional Governance (CLRG)** is a research, training, and consultancy institution based at the National College of Public Administration and Governance, University of the Philippines. Since its creation by the Philippine Congress thru Republic Act 4223 in 1965, CLRG has been in the forefront of local government reform advocacy. It remains true to its mandate of helping local governments become enablers of development and progress.

The **United Nations Development Programme in the Philippines (UNDP)** is the UN's global development network, advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. The UNDP is on the ground in 166 countries, working with them on their own solutions to global and national development challenges. In the Philippines, its focus is to help build and share solutions to the challenges of *Creating an Enabling Environment: Poverty Reduction through Good Governance, Empowerment of the Poor, Ensuring Environmental Sustainability, and Establishing the Foundations for Peace and Development*. It encourages in all its activities the protection of human rights and the empowerment of women.

The **Office of Senator Pimentel** has been in the forefront of the crusade for decentralization and local autonomy in the Philippines. Senator Pimentel is the principal author of the 1991 Local Government Code of the Philippines.

PARAGON Regional Governance Programme for Asia (PARAGON) is based in Islamabad, Pakistan. The three components of the PRGP are Rights and Sustainable Human Development, Peace and Development, Decentralization and Local Empowerment.

The **Forum of Federations (FoF)** is a non-profit, international organization based in Ottawa, Canada. It undertakes a wide range of programs designed to bring tangible improvements to the practice of federal governance around the world.

The **World Bank Institute (WBI)** is the learning arm of the World Bank. It designs and delivers courses and seminars aimed at reducing poverty and promoting economic opportunity and growth. The WBI's headquarters is based in Washington, D.C.

The **Institute of Public Administration of Canada (IPAC)** is a national bilingual English/French non-profit organization, concerned with the theory and practice of public management, with 17 regional groups across Canada. It provides networks and forums regionally, nationally and internationally. It is based in Ontario, Canada.

The **Local Government Academy (LGA)** is an attached agency and the training arm of the Department of the Interior and Local Governments in the Philippines. LGA is committed to its mandate to build and strengthen the capabilities of local government officials and department personnel through continuing education, training, and human resource development in support of the aims of decentralization and local autonomy.

The **German Foundation for International Development (DSE)** based in Bonn, Germany provides a forum for development policy dialogue and offers initial and advanced training of specialists and executive personnel from developing and transitional countries.

The **United Nations Development Assistance Framework Working Group on Decentralization and Governance** represents the strategic thematic area of collaboration for the UN System. It aims to enhance programming among UN agencies by sharing information and conducting joint activities that develop the capacities of local government units, to manage decentralized functions and anti-poverty programs; oversight agencies, to practice transparent and accountable administrative and financial management; and civil society, to effectively engage in various governance processes. The Asian Development Bank (ADB) chairs the Working Group and its members include the Food and Agriculture Organization (FAO), International Labour Organization (ILO), Office of the UN Resident Coordinator, UN Habitat, UN Children's Fund (UNICEF), UN Development Fund for Women (UNIFEM), UN Development Programme (UNDP), UN Population Fund (UNFPA) and the World Bank (WB).

United States Embassy Manila

Other partner institutions

OVERVIEW OF DECENTRALIZATION WORLDWIDE: A STEPPING STONE TO IMPROVED GOVERNANCE AND HUMAN DEVELOPMENT

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Introduction

Today, academics, practitioners and development stakeholders universally recognize the importance of good governance practices for alleviating chronic poverty and injustice. Simultaneously, the world has increasingly turned towards the practice of decentralization to assure democratic governance for human development.

The first section of this paper provides the conceptual framework linking development, governance and decentralization. It also attempts to outline the relationship between federal and unitary states and decentralization.

The second section presents the state of decentralization in the world today. It also looks at various measures of democracy, governance, decentralization and current development programs worldwide in an attempt to illustrate the widespread and diverse practices of democratic governance and decentralization.

Finally, the paper concludes with some lessons and recommendations for practitioners and stakeholders including government, civil society, the private sector and scholars in the field of decentralization.

Providing Context - Globalization

It is clear that globalization has brought about incredible strides in economic prosperity. The record of human development over the past fifty years is unprecedented; with developing countries setting a pace three times faster than the industrialized countries did a century ago. The wealth of nations has multiplied exponentially. In the past fifty years, the global gross domestic product has increased sevenfold.

At the same time, the socio-economic divide between developed and developing countries continues to grow. While some can actively participate in the wonders of technological achievement and increased prosperity, one-third of the global population lives in abject poverty. It is a world of stark polarity and inequality.

Yet, globalization reaches beyond economics and trade policies. It enters into the spheres of health and education with the spread of the HIV/AIDS epidemic and the practice of "brain drain" - the exporting of experts from developing countries for technical work in developed countries. Globalization affects cultural policies as the dialogue and mix of world cultures is available virtually everywhere. It affects national security with the recent threat of global terrorism and environmental policies as the world addresses the problem of ozone depletion.

Globalization has also reached the political sphere, with dozens of nations taking significant steps toward introducing democratic principles and freedom. According to the British Department for International Development, the proportion of countries with forms of democratic governance has risen from 28 percent in 1974 to 61 percent in 1998. Moreover improved global communication has facilitated greater international solidarity in support of democratic freedoms and human rights. People everywhere are better informed about developments elsewhere, and increasingly, governments have to explain their actions and omissions to a global audience (DFID, 2000).

Sustainable Human Development and Governance

"Good governance is perhaps the single most important factor in eradicating poverty and promoting development," says Kofi A. Annan, Secretary General of the United Nations. Within this dichotomous reality of spectacular achievements and gross human distress is the ongoing struggle for sustainable human development. In our interdependent world, it is inadmissible to remain unresponsive to the existing conditions of poverty and suffering.

The Millennium Development Goals, a set of time-bound targets that express key elements of human development, have been created to guide the progress of sustainable solutions. They include halving income-poverty and hunger, achieving universal education and gender equality, reducing under-5 mortality by two-thirds and maternal mortality by three-quarters, reversing the spread of HIV/AIDS and having the proportion of people without access to safe water. These targets are to be achieved by 2015, from their level in 1990 (Vandermoortele, 2002).

In order to fulfill these development goals, practitioners have sought a new paradigm of sustainable human development that seeks to bring humanity together through a more equitable sharing of economic opportunities and responsibilities. The United Nations Development Programme (UNDP) defines sustainable human development as "expanding the choices for all people in society. This means that men and women particularly the poor and vulnerable are at the center of the development process. It also means the protection of life opportunities for future generations and the natural systems on which life depends. This makes the central purpose of development the creation of an enabling environment in which all can enjoy long healthy and creative lives" (UNDP 1997).

The Enabling Environment

It has become increasingly clear that the achievement of these development criteria hinges largely on the society's quality of governance.

Governance is broadly defined as the system of values, policies and institutions by which a society organizes collective decision-making and action related to political, economic and socio-cultural and environmental affairs through the interaction of the state, civil society and the private sector. Governance comprises the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, mediate their differences and exercise their legal rights and obligations.

The fundamental principles of *good* governance include respect for human rights, political openness, participation, tolerance, administrative and bureaucratic capacity and efficiency. It is also generally accepted that *good* governance entails the creation of effective partnerships to ensure that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and most vulnerable are heard in the decision-making process.

Ultimately, only a nation's government, civil society and private sector can facilitate this enabling environment" and the challenge is to create a system of governance that promotes these fundamental principles. For this reason democratic and decentralized governance is increasingly considered a requisite component of development initiatives.

Decentralization and Development

While a portion of this paper focuses on decentralization driven institutional reforms, in fact, decentralization is a complex process that reaches beyond structural reforms proposed in institutional frameworks. Decentralization can address poverty, gender inequality, environmental concerns, the improvement of healthcare, education and access to technology. Moreover, decentralization does not only affect government and civil service, but is conditional on the involvement of community organizations, stakeholders in the private sector, international aid organizations and citizens.

Decentralization brings decision-making closer to the people and therefore yields programs and services that better address local needs. The challenge is to ensure that all stakeholders can and will voice their opinions. As part of the decentralization process, policy makers and politicians are integrating programs to address citizen participation, promote advocacy groups, incorporate women and the poor in policy decisions, aid in poverty reduction and environmental initiatives at the local level, and encourage sub-national autonomy and creativity in addressing local needs.

While it is empirically difficult to prove the effects of decentralization on human development, there is a multitude of individual examples that help illustrate successful steps forward.

Community participation and boosting grassroots development plays a key role in the sustainability of programs and quality of life improvements. Bringing stakeholders together to define priorities for projects and programs increases interest and sense of ownership, which in turn promotes sustainability. A municipality in Brazil, Belo Horizonte, formed a municipal health council bringing together stakeholders from the community, the local and central governments. Consequently, the council was better able to prioritize the needs of the community, improve communication with all stakeholders including the private sector and increase allocated resources from the Ministry of Health in exchange for a stronger system of accountability. These achievements ultimately led to the improvement of immunization rates and lower infant mortality - top priorities defined by the council.

Supporting open dialogue and participation between the local government and civil society can ensure improved self-reliance. The Local Initiative Facility for Urban Environment (LIFE) program in Tanzania has helped strengthen the link between civil society and local governance institutions and thereby improving local capacity to solve key development problems.

Encouraging a culture of participatory democracy assists in ensuring the accountability of elected local government officials. In turn increased responsiveness

of local authorities and improved service provision assists in better revenue and local tax collection. The United States Agency for International Development (USAID) is sponsoring a program in Nigeria that aims to promote more effective participation in the democratization process. As a result of the project, more grassroots organizations are helping women learn about their rights, identify special concerns, and generate

support for their issues. As a result women are gaining greater decision-making abilities in the household, community and political arenas. Not only does this program bolster democratic processes, but also Nigerian women have gained more control over their destinies, which ultimately increases their contribution to the country's development (Jay, 2001).

Empowering and supporting women and the under-privileged helps to improve their economic conditions and make progress in alleviating widespread poverty. Simply by increasing representation for these groups by mandating that a certain proportion of representatives belonging to a certain group, helps to achieve these goals.

These are only a few examples of successful programs that link the processes of decentralization and human development.

Defining Decentralization'

While decentralization has undoubtedly gained popularity within the last two decades, it is not a new concept. The term attracted attention in the 1950s and 1960s when British and French colonial administrations prepared colonies for independence by devolving responsibilities for certain programs to local authorities. In the 1980s decentralization came to the forefront of the development agenda alongside the renewed global emphasis on governance and human-centered approaches to human development.' Today both developed and developing countries are pursuing decentralization policies.

As Robert Ebel (2001) points out in his overview of decentralization: "The western world sees decentralization as an alternative to provide public services in a more cost-effective way. Developing countries are pursuing decentralization reforms to counter economic inefficiencies, macroeconomic instability, and ineffective governance. Post-communist transition countries are embracing decentralization as a natural step in the shift to market economies and democracy. Latin America is decentralizing as a result of political pressure to democratize. African states view decentralization as a path to national unity." There are many different reasons why governments pursue decentralization and there are numerous forms and degrees that decentralization can take on.

While there are numerous political and economic reasons why governments adopt decentralization policies, scholars and practitioners have theorized about the interdependence of decentralization and size variables such as population, land area and GDP Are countries with certain demographic, or economic characteristics more likely to attempt decentralization? Indeed high-income countries are relatively more decentralized than low-income countries, and Sub-Saharan Africa has the lowest levels of local expenditure and revenue shares compared to the world. Additionally, countries with greater populations and area are more decentralized - as country size and population increases, sub-national governments are expected to play a larger role in service delivery (Ebel, 2001).

Decentralization can be defined as the transfer of responsibility for planning, management and resource raising and allocation from the central government and its

agencies to the lower levels of government. Decentralization is closely linked to the concept of subsidiarity, which proposes that functions (or tasks) be devolved to the lowest level of social order that is capable of completing them.' As the UNDP states: "Decentralizing governance is the restructuring of authority so that there is a system of co-responsibility between institutions of governance at the central, regional and local levels according to the principle of subsidiarity, thus increasing the overall quality and effectiveness of the system of governance, while increasing the authority and capabilities of sub-national levels."⁴

There are three broad types of decentralization: political, administrative and fiscal and four major forms of decentralization: devolution, delegation, deconcentration and divestment.

Political decentralization normally refers to situations where political power and authority has been transferred to sub-national levels of government. The most obvious manifestations of this type of decentralization are elected and empowered sub-national forms of government ranging from village councils to state level bodies. Devolution is considered a form of political decentralization. Devolution refers to the full transfer of responsibility, decision-making, resources revenue generation to a local level public authority that is autonomous and fully independent of the devolving authority. Units that are devolved are usually recognized as independent legal entities and are ideally elected (although not necessarily)

Political decentralization requires a constitutional, legal and regulatory framework to ensure accountability and transparency. It also necessitates the restructuring of institution and developing linkages with civil society and the private sector Simultaneously, political decentralization necessitates universal participation and new approaches to community institutions and social capital.

Administrative decentralization aims at transferring decision-making authority, resources and responsibilities for the delivery of select number of public services *from* the central government to other levels of government, agencies, field offices of central government line agencies. Administrative decentralization is often simultaneous with civil service reform. There are two major forms of administrative decentralization

Deconcentration refers to the transfer of authority and responsibility from one level of the central government to another while maintaining the same hierarchical level of accountability from the local units to the central government ministry or agency, which has been decentralized.. Deconcentration can be seen as the first step in a newly decentralizing government to improve service delivery.

Delegation redistributes authority and responsibility to local units of government or agencies that are not always necessarily branches or local offices of the delegating authority. While some transfer of accountability to the sub-national level units to which power is being delegated takes place, the bulk of accountability is still vertical and to the delegating central unit.

Fiscal decentralization is the most comprehensive and possibly traceable degree of decentralization since it is directly linked to budgetary practices. Fiscal decentralization refers to the resource reallocation to sub-national levels of government. Arrangements for

resource allocation are often negotiated between the central and local authorities based on several factors including interregional equity, availability of resources at all levels of government and local fiscal management capacity. Experience in fiscal decentralization has led to capacity building in expenditure and revenue assignment as well as the design of fiscal transfer formulas and sub-national borrowing.

Divestment is when planning and administrative responsibility or other public functions are transferred from government to voluntary, private or non-governmental institutions with clear benefits to and involvement of the public. This often involves contracting out partial service provision or administrative functions, deregulation or full privatization.

Federalism and Decentralization

There exists an extensive debate over the relationship of federalism and decentralization among development practitioners. Federalism is often accompanied by decentralization, but it is not a necessary condition for decentralization, nor is decentralization a sufficient condition for federalism (Baldi, 1999). Thereby, does a federal system facilitate decentralization and development better than unitary systems? Is the success of decentralization and development efforts greater in a federal rather than a unitary system or is it independent of the government structure? For decentralizing unitary systems, is federalism the logical next step (Baldi, 1999)?

In practice, the line between decentralization, federalism, unitary states and centralized systems becomes blurred. As Lidija Basta (undated) points out in her overview on decentralization: "There is no completely unitary state. Every state is at least composed of municipalities as decentralized units. Accordingly, the major question arises on how to differentiate among a unitary state practicing deconcentration, a decentralized unitary state and a federal state". Ultimately she argues that "the member states within a federal state dispose of original autonomy, which is not the case with the autonomy of decentralized units within a unitary state; in other words, the autonomy of member states has been established and guaranteed on a constitutional not merely legislative (statutory level) bases as it is the case with decentralized units" (Basta, undated).

Some consider federalism "a special case of decentralization: a system in which public sector decisions can be taken at various levels of government - a compromise between a unitary state and complete decentralization" (Ebel, 1998). Under the unitary systems, the subnational units function largely as the administrative unit of the center. One government dominates the fiscal decisions, which may include granting some devolution or deconcentration with authority. Thus some local autonomy can emerge even in unitary states.

In a federal system, different independent governments make public sector decisions and provide greater opportunities than a unitary system for citizen participation at sub-national levels. A federal system is expensive and institutionally complex. It requires high levels of cooperation and capacity at the sub-national levels to ensure the enhancement of good governance. The argument then is that a federal state is more apt for deconcentration since the administrative and political structures are already in place. Additionally, the center does not control member state officials in a federation, whereas sub-national governments in unitary states can operate only within the legislative powers that are assigned to them by the center. Therefore the workability of decentralization depends on the good will of the unitary central government, instead of relying on existing constitutional divisions of power (Basta, undated).

The counter arguments to federalism include the following: federalism can aggravate

ethnic differences and promotes separatist movements, it may promote unequal development of regions when universal equal development is necessary, federalism is sometimes ineffective and inefficient, particularly in developing countries with a non-existent or under-developed infrastructure.

The loudest arguments against federalism have been recently expressed in reference to Sri Lanka. Sri Lanka is a small multi-ethnic, multi-religious and multi-lingual country, in the process of adopting a comprehensive "Devolution Package" to amend the Constitution and adopt a federal system. Some argue that the pursuit of a federal state will only aggravate the anti-democratic and separatist elements within the country and put statehood at risk. Given the current situation, many believe that only a strong center can promote development and economic growth. Additionally, it is argued that fragmentation of the state would lead to units too small to be economically viable, environmentally sustainable and geographically homogenous. In effect, certain regions would be deprived of natural resources such as water. Ultimately some sources conclude that there are no convincing economic, political or developmental reasons to divide Sri Lanka into nine federal states.'

Exploring Decentralization Worldwide

Given the many impetuses for implementing decentralization policies and varying types and degrees of decentralization across countries, it is inherently difficult to compare a single notion of decentralization. In fact, as pointed out previously, the lines between the types of decentralization and existing governmental systems become quite blurred in practice. To accurately summarize the degree of decentralization in a country, one must simultaneously consider the political, fiscal and administrative issues at all levels of government as well as local council elections, participatory budgeting practices, local government's borrowing powers and tax collection capacity, the prevalence and role of NGOs and advocacy groups, community organizing and freedom of voice.

While categorizing and comparing decentralization across countries is a challenging task, it is important for monitoring and evaluation purposes. A better understanding of changing governmental systems and the effects of decentralization on service delivery; socio-economic status and institutional arrangements will allow for crossnational learning and improved approaches to development.

Currently there is one existing source and two sources that are being developed to assess and compare decentralization indicators (Ebel, 1998):

- Government Finance Statistics which are particularly helpful when evaluating fiscal decentralization but do not provide details on own-source revenue or expenditure autonomy;

An Overseas Economic Cooperation and Development (OECD) survey on Fiscal Design Across Levels of Government; and

- Fiscal Decentralization Indicators Project currently being developed by the World Bank

Additionally, governance indicators and democracy and freedom indicators are

helpful in providing context for decentralization. Sources such as the United Nations Development Programme Human Development Report for 2002, which is dedicated to the issues of Deepening Democracy in a Fragmented World and the United Nations University initiated Global Survey on Governance help obtain a broader understanding of the extent and effects of decentralized governance. While currently the most often used measures in assessing decentralization are sub-national shares of revenues and expenditures and local government elections, it is important to pair these empirical measures with qualitative assessments of governance indicators for a fuller picture of the impacts of decentralization.

Democracy, Governance and Decentralization

In the year 2000, 120 of the 192 countries included in a Freedom House study were democracies. At the brink of the new millennium, over 58 percent of the World's population was living in a democracy. In contrast slightly more than 33 percent of the population was living in an authoritarian regime (39 states), a oneparty state or military dictatorship in which there are significant human rights Violations. Sixteen states or 8 percent of all states had "restricted democratic practices."

While the number and percentage of democracies in the last 50 years has increased dramatically from twenty-two, so has the number of authoritarian regimes (from ten). Given the accelerated spread of democracy, one should remember that this shift has not always been a peaceful one, and democracy itself has no guarantee for human rights and freedoms. Additionally, the increase in the number of regimes for an increased commitment to the spread and strengthening of democratic governance.

LOCAL GOVERNMENT IN ASIA
AND THE PACIFIC:
A COMPARATIVE ANALYSIS
OF FIFTEEN COUNTRIES

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Introduction

By year 2025, most Asians will be urban dwellers. With most of its value added economic activities and populations located in urban areas, how well cities function as system will determine the future of Asia. While Asian and Pacific economies and societies are undergoing rapid transformation, government structures and systems in most countries of the region have been slow to change and respond to the challenges. To meet the challenges of the twenty-first century new paradigms based on partnership between local governments and the civil society, including the private sector, are required. This requires a fundamental re-evaluation of the form and nature of local governance in Asia and the Pacific.

Living in Asian Cities (ESCAP 1996) and the World Charter of Local Self Government propose the principles of subsidiarity and proximity in reforming governance structures to meet the challenges of the twenty-first century. In other words, decisions should be taken at level closest to citizens and only tasks which cannot be carried out effectively at the local level alone should be referred to higher levels. Institutional and governance reform must be accompanied with reform of the civil service and by extensive development and astute management of human resources.

Most countries of the region are undertaking reforms aimed at decentralizing and devolving government functions to the local level. To assist policy makers and researchers in undertaking this task, ESCAP, in partnership with the Asian and Pacific Section of the International Union of Local Authorities (IULA-ASPAC), the Korea Local Authorities Foundation for International Relations (KLAFIR) and the All India Institute of Local Self Government (AIIILSG) initiated a study of local government systems. Country reporters carried out the study in fifteen countries of the region, namely: Australia, Bangladesh, China, Fiji, India, Indonesia, Japan, Kyrgyzstan, Malaysia, New Zealand, Pakistan, Philippines, Sri Lanka, Republic of Korea and Thailand.

The individual country reports have been published electronically and can be found as searchable files on the ESCAP Web site at <http://www.unescap.org/huset/lgstudy>. To appreciate the functioning of local government in any one country or the region as a whole the reader is referred to the reports. Individually and collectively they provide a unique and valuable snapshot of local government in fifteen countries in which nearly half the world's population live.

Since the preparation of the reports, Pakistan, Indonesia and Thailand have undertaken considerable reforms in their local government systems. Some of these reforms are reflected in this paper. ESCAP plans to comprehensively update the reports from these three countries as well as prepare reports on local government systems of Cambodia, Nepal and Vietnam by the end of 2002.

It was felt, however, that a comparative analysis that discussed local government issues outlined in the reports needed to be published separately in print. The intention of this analysis is to draw issues in local self-government from the country reports. For the most part this analysis rests in the country reports as the country authors have presented them. Extracts from the country reports included in this chapter are shown between quotation marks. Where it is not obvious, the country is cited in parenthesis. Every attempt has been made to retain the fidelity of the individual styles and perspectives. With few exceptions, theoretical perspectives or other views from the academic literature have not been introduced.

This report is structured to provide a brief background to the countries before moving into the crux of the chapter. Following that examination of issues an Agenda for Action has been drawn from the discussion.

Backgrounds of Local Government

All countries have long indigenous histories of local governance, although not necessarily institutional forms of local government. In the Republic of Korea the long history has its foundations in "informal, voluntary institutions for the purpose of increasing mutual help among people and the formation of community ethics and mutual help system." Although some suggest it may not have been strong, there have been basic forms of local self-government in Kyrgyzstan for a very long time. Current initiatives for local democracy can be seen as a return to those historical roots. Over many centuries, local government in Sri Lanka "included judicial functions such as dealing with petty offences and reconciling disputes." Today, as is common, judicial functions have been transferred to higher levels of government. Mutual help, ethical foundations, justice and reconciliation are all features of governance.

Occupation by colonial powers in Asia and the Pacific left legacies of centralized Administrative rule more suited to command, maintenance of law and order and revenue extraction rather than governance and participation at the local level. Inherently, colonial models of administration were imposed on local communities mostly with disregard for their historical systems of governance. As the Bangladesh report points out, "the major objectives of the British in India were twofold: a) maximization of land revenue collection; and b) maintenance of law and order. Naturally the British as an imperial power, had little understanding of and interest in indigenous local self-governing institutions." A highly centralized form of local government developed in the Philippines under three centuries of "tutelage and colonial administration" of Spanish colonial rule. This century under U.S. local government administration in the Philippines was "Filipinized." Even in those not colonized present local systems have been either influenced by the colonial powers in the region or, as in the case of Fiji, authority was ceded to the colonial power. Local government in Thailand, for example, was based on models derived from Germany, the United Kingdom of Great Britain and Northern Ireland, France and at a later date from the United States of America.

This decentralization of administrative authority was not necessarily detrimental. After independence, most countries strove towards nation building and rapid industrialization that needed centralization. Without exception, all fifteen countries represented here have initiated local government reform. Issues driving the reform include public sector efficiency, democratization and changing political-economic regimes to mixed (China) and market (Kyrgyzstan) economies. The ground is fertile for new paradigms of local self-government to grow. In many ways these trends are new ones, but represent a return to roots of local governance that for the most part are centuries old.

One of the characteristics of local government this century has been the renationalizing of local government following independence. Local government has been reshaped by respective national identities.

Box 1. Post-Independence Local Government

Australia: The Constitution provides that: "There shall continue to be a system of local government (...) under which duly elected or duly appointed local government bodies are constituted with responsibilities for acting for the better government of those parts (...) The manner in which local government bodies are constituted and the nature and extent of their powers, authorities, duties and functions shall be as determined by or in accordance with laws of the Legislature."

Bangladesh: Since independence in 1971 a number of attempts have been made to tinker with the local government system. Changes have been made from time to time in terms of the nomenclature of tiers of local government but almost nothing to strengthen local government institutes. The structures of local government system remained more or less the same. In 1996 a four-tier local government structure was adopted.

China: The thirteenth National Congress of the Communist Party of China decided in October 1987 to reform the political system accompanying economic reforms. Five years later, it decided to carry out political reform and construct socialist democratic politics with Chinese features.

Fiji: After independence the ordinances governing towns and townships were consolidated and administration was transferred to elected councils.

India: A Rural-Urban Relationship Committee, set up by the Government of India in 1963, pointed out that local government can no longer remain merely instruments of political education and civic conscience, but have to become institutions for the promotion of

social and economic development of local community as well as an integral part of the National Government. Thirty years later the Seventy-Fourth Constitutional Amendment Act, 1992 has given effect to these by providing more power at the local level.

Indonesia: Local government was recognized from 1945 in the constitution.

Japan: Unlike most other countries in this report, local government has constitutional recognition guaranteeing local autonomy and is in the midst of a "third wave of reform" involving regional top down devolution. "Democratization became priority with the end of the war (...) The new Constitution promulgated in November 1946 treated local self-government as an indispensable element of democracy and guaranteed local self-government as a system with a chapter devoted especially to the subject. A Local Autonomy Law further bolstering these reforms was enacted and took effect along with the Constitution in 1947. Thus the foundations of the present system of local self-government took final form.

Kyrgyzstan: Following the break up of the Soviet Union the Government determined that the republic would become a democracy. While initially the emphasis was on building national institutions, the government is now paying attention to local self-government. The President has made it clear that local self-government is a cornerstone of democracy: "it is necessary to ensure and preserve humanitarian values. To preserve those, we need to work as a country and there is only one way to reach the goal - through the self-government institutions."

Malaysia: The British heritage was strong, but over the years, local government authorities have evolved into a system that has its own identity, characteristics and laws that reflect the national socio-economic and political environment. Local government suffered in the turbulent years after independence; it was placed under the state list and during subsequent years of confrontation with Indonesia, elections were suspended.

New Zealand: Government Policy Statement stipulates that: "As the main principle, local government should be selected to undertake responsibilities or functions only where the net benefit would exceed that of other institutional arrangements. Subsidiary principles are to be applied including functions to be allocated based on appropriate communities of interest, operational efficiencies to be achieved, clear, non-conflicting objectives, trade-off of objectives ,to be explicit and transparent and clear and strong accountability mechanisms."

Pakistan: Ironically, local government has been strong under military regimes, not under --ocratic elected ones. The current military government has made sweeping local government reforms

making local governments and local elected officials more powerful than ever before in country's history.

Philippines: Developments towards decentralization and devolution occurred in response to -_e camor for self-rule. Article 10 of the Constitution stipulates that: "The Congress shall enact a local government code that shall provide for a more responsive and accountable local government structure instituted through a system of decentralization with effective mechanisms of recall, initiative and referendum, allocate among different local government units their powers, responsibilities and resources and provide for (...) matters relating to the organization and operation of the local units."

Republic of Korea: It took nearly 50 years before the promises of local autonomy were fully realized with the election in 1995 of both local council members and chief executives.

Sri Lanka: Local government continued to be influenced by the legacies of British colonial rule until 1980. Extensive attempts of decentralization have been undertaken since 1987. Tiering of local authorities is not a common practice. Instead, they are being regularly upgraded or redemarcated.

Thailand: Did not gain independence from a colonial power. Rather it gained independence from an absolute monarchy. Since then it has taken nearly 70 years in which Thais have struggled to find an acceptable constitution. The present constitution calls for decentralization and empowerment of local governments. However, many of the reforms called for in the constitution are yet to be implemented.

Issues for Local Self-Government

This section discusses issues in moving to increased local self-government. They have been grouped under three general headings: structural (or institutional) arrangements; local governance; and local capacity. For clarity these have been further subdivided. The general pattern of the sections is to raise issues from the country reports, discussing points as they arise.

Structural and Institutional Arrangements

Issues of finance, administration, legislation and central-local relations provide the structural and institutional frameworks within which local self-government is played out. These can either facilitate its operations or impede it. Here we address each of those issues in turn.

Finance

The ability to control their finances must be a mark of local self-government. Among the countries examined here, New Zealand comes closest under the terms of its new financial management legislation. For the rest there are varying degrees of dependency on central allocation and control of financial resources.

For some countries there are simply not enough financial resources to provide their communities with anything beyond the basest essentials. The bulk of expenditure by Fijian local government, for example, is spent on maintenance with few funds available for new work or major reconstruction. Present financial resources seem to be barely keeping the system alive. While local government in Bangladesh may have power for local determination, it lacks the financial resources. Similarly, Philippine local government has considerable administrative autonomy, but central government retains control of the "purse strings". Central governments can delegate as much as they like, but it is meaningless without commensurate financial resources. Malaysian local governments, on the one hand, have considerable discretion, but on the other hand, it is little more than rhetoric as they have insufficient funds to do anything even when they have the discretion. At the local level in Indonesia the proportion of expenditure of development or capital works, as against maintenance, is increasing. But expenditure on capital works rather than maintenance can be deceiving. Too often it is classic political aggrandizement where local politicians would rather build monuments as expressions of their time in public office than undertake necessary maintenance work. The end result is that the existing infrastructure is run down at the expense of the new.

Other countries, while still not having an abundance of funds, are able to provide higher level services. Australian councils are moving from the early pioneering days providing basic infrastructure - transport, sewerage, water and electricity - to providing higher levels of service; for example, arts and culture, recreation spaces. This ability to provide higher levels has been

matched with demands for greater flexibility and discretion to choose what services to provide. In New Zealand and Australia it has also been matched by greater requirements for accountability of both revenue and expenditure. The four elements of the new regime in New Zealand provide an important model of practice: 1) accountability; 2) operating guidelines; 3) responsibility for outcomes; and 4) prudence. One of the important elements is :- t local governments must explain to the public why they are incurring the expenditure. With autonomy comes greater responsibility and accountability and some local governments do not want that responsibility and accountability, preferring to leave it to higher levels of government.

Involvement of central governments in the collection and subsequent distribution of revenue varies, as do the motives. In China the central government has expanded the financial capacity of local authorities. The country report implies that this increases central funds, presumably because the increased local funds reduce the amount of central funds needing to be allocated. Even though they have this increased capacity their budgets still need approval from higher levels of government. Indonesian experience suggests that central governments collect those taxes that are easiest, leaving local government with the most difficult.

In Japan there is an interesting inverse relationship between revenue collection and expenditure. Collection of the tax revenue is 2:1 in favor of central government but through fiscal transfers the expenditure is reverse 2:1 in favor of local government. This unique sharing of revenues comes from the strong belief that local government :he cornerstone of democracy and as the level of government closest to the people should get a greater share of revenues to meet their needs.

Local taxes are divided into two categories: prefectural taxes, comprising prefectural inhabitants' tax and automobile tax, and municipal taxes, comprising city planning tax and municipal inhabitants tax. In addition to these taxes, collected directly by local governments, local governments in Japan are entitled to receive 32 percent of the revenue from national income tax, corporation tax, and liquor tax, 24 percent from the consumption tax and 25 percent from the tobacco tax. These allocations are considered to be independent and guaranteed sources of revenue for local governments and no restrictions are placed on their use. Moreover, in case of emergencies or natural disasters the Ministry of Finance also provides subsidies through the Ministry of Home Affairs. Independent, sizable and relatively stable sources of revenues allow Japanese local governments to plan long-term projects and meet the needs of their residents.

Box 2. Major Sources of Local Government Revenue

Australia: Grants and general or special purpose payments of Commonwealth and State governments amount to 23 percent of local government revenues. Other

sources include tax on immovable property, fees and fines, net operating surplus of trading enterprises and interest.

Bangladesh: Taxes, rates, fees and charges levied by local bodies, rents and profits accrued from local bodies' properties and sums received through its services. Government grants and loans raised by local bodies and international project funding are additional sources of income. Holding taxes is the most important source of income, while loans and voluntary contributions are rare.

China: Local taxes (e.g. on income, license plates and real estate), shared taxes (e.g. on products, buildings and income) and non-tax revenue (e.g. from bonds and credits, assets and set quotas).

Fiji: Revenues generated from land tax (town rate) and other local incomes such as grants-in-lieu, rental fees, market and bus station fees, business license fees, building fees and parking fees. In addition, most councils raise loans from the local capital market. Financial grants from the central government are very rare.

India: Tax revenue (properties, octroi, professions and vehicles), non-tax revenue (issuance of licenses and services provided), grants-in-aids and state/central government loans/borrowings.

Japan: Local taxes (e.g. on enterprises, properties and automobiles), local allocation taxes (contribute to balance local government revenues and guarantee a standard level of service provision), national treasury disbursements or grants-in-aid and local government loans.

Kyrgyzstan: Revenues, credits and subsidies, local taxes, fees and charges as well as other revenues. The main local tax is the land tax. Other taxes include hotel, health resort and retail tax and tax on private service industries.

New Zealand: Ranging from property rates, user charges, fees, some central government financial assistance, fuel taxes and returns on investments. The rating and charging powers have been provided for in law since 1988 and remain an important source of local tax revenue for local government.

Malaysia: Rents and fees for services, grants/subsidies given by State or Central Government and local taxation (assessment rate). In addition, some local authorities receive grants-in-lieu of rates. Other sources might include miscellaneous forms of charges and fees (licenses, payment for various forms of services, rental penalties and compounds and interest).

Philippines: Allotment of internal revenue share through local tax collection, shares of local governments in national wealth exploitation, shares of earnings of government agencies or government-owned/controlled corporations engaged in the utilization and development of national wealth, local government borrowings and issuance of bonds, debentures, securities collateral notes.

Republic of Korea: Self-generating revenues and grants from central and upper-level governments. Both categories are broken down into categorical grants, revenue sharing grants (meant to strike a financial balance) and shared taxes (e.g. on liquor, telephone and excessive land ownership).

Sri Lanka: Rates, taxes, duties, fees, fines, penalties and other charges as well as sums realized by sales leases or other transactions, revenues derived from properties and grants from other government levels.

Thailand: Tax collection (e.g. on housing and land, value added tax on goods and services and specific business taxes), fees, licenses and fines, revenues from properties, public utilities and local government enterprises, donation, grants and subsidies from the central government and loans.

Similarly, under the new constitution in Thailand, local governments receive 10 percent of Value Added Tax (VAT) collected by the central government, in addition to their existing sources of revenues. However, even with the new constitution, Thailand's governance structure remains strongly centralized, with the Central governments controlling most of the taxes in the country and distributing grants to local governments at its discretion.

What appears to be an interesting twist, the Kyrgyzstan state administrative unit H-Idget that is referred to the local council for approval. Once approved, state administration implements the budget. This suggests a higher level of government administers a budget approved at a lower level.

The strategies for strengthening local financial capacity outlined by the Malaysian Minister of Housing and Local Government are interesting:

- § restructuring local authority revenue sources,
- § greater autonomy to revise taxes,
- § deregulation and privatization,
- § enhancing federal and state support,
- § greater community support and participation.

Revenue sources will be addressed in more detail later in this chapter. Suffice to say here that a fundamental weakness in all these systems is that local revenue is so dependent on fiscal transfers in some form. Such dependency is subject always to the vagaries of central governments. The ability to raise local taxes will need to increase for effective local self-government, but present provisions are inadequate. One of the most common forms of revenue is local property taxes. One of the shortcomings of these is their dependence on the ability of the local property owners to pay them - and the experience of Fiji highlights that difficulty. Another shortcoming - as evidenced in Australia - is the interference of central governments by capping or pegging the annual increases in property tax that can be applied. Alternatives such as Octroi, VAT, and GST now in Australia can be more reliable. These will be canvassed later.

Administration

Administrative reform is widespread in the region. This seeks to improve the efficiency and effectiveness of local authorities as mechanisms of service delivery. Three types of reform emerge from the country reports: sharing of administrative responsibility; separation of powers; and integration of civil services.

Several reports discuss the separation of powers between the local council (political/ legislative arm) and the local administration (executive arm). The separation can take two forms: 1) where the locally elected council is required to appoint a general manager who in turn engages an administrative staff and council is prohibited from interference (e.g., Australia) or 2) where the general manager/commissioner (or equivalent) is an officer of the central civil service with responsibilities to higher level of government (e.g., the separation of the deliberative and executive wings of the municipal corporations in India).

Some countries have vertically integrated civil services. Indonesia is an extreme case where the recruitment, appointment, dismissal, suspension, salary, pension, halfpay and other matters concerning legal status of a provincial and local public servant is done in line with the directives laid down by the Minister of Home Affairs. Vertical integration can provide stability and career paths for local government personnel but it can also lead almost axiomatically to central control. There are instances, such as in India's corporation cities, where the commissioner has stronger allegiances to higher government than to local legislative arm of council. In contrast Australia has deregulated its public sector labor markets, especially in local government, to allow greater movement of staff in and out of the public and private sectors and within different levels of the public sector.

None of these reforms seems to reflect the autonomous right of a local community to determine its own destiny. It is a transfer of administrative responsibility, which can always be retracted, rather than moves towards greater local governance. Bangladesh provides an interesting perspective on place management. While the unitary system of administration has functional departments, the Divisional

Commissioners act as place managers (that is, they supervise and coordinate the work of the divisional and district administrations) and yet citizens are faced with serious lack of coordination. The Bangladesh Government's response to a proposal for a metropolitan government for Dhaka illustrates central government response to pressure for local autonomy: establish a committee "control by committee." Central governments are not evidencing widespread commitment to reform if it moves beyond administrative improvement.

A key manifestation of this lack of commitment to reform local government is the plethora of organizations and agencies, either central or sub-national, often with overlapping or conflicting mandates, that have been created to manage large cities. In Bangkok, for example, there are seventeen different agencies that address different issues within the city and often do so without coordination. In India, a city may have a municipal corporation (elected local government), a development authority (responsible to the state government), a cantonment board (answerable to the Ministry of Defense), a water and sewerage authority (responsible to the state government), in addition to state line agencies and federal government departments each with its own programs and plans. Because they are governed by different laws, at the state and federal levels, and because of political conflicts, particularly if the local government is controlled by a party opposed to the state government, coordination is often not undertaken.

The reporter in Malaysia raises an important issue when identifying two roles for local government as "provider of services" and "facilitator of socio-economic growth." The old paradigms were more suited to the provision and regulation of services. They engendered a propensity for the appointment of staff as agents of, in most cases, higher levels of government. As privatization increases as a public management policy, as for example in Malaysia, local governments become enablers, facilitating socio-economic growth. Their regulatory functions also shift to regulation of activities in private markets. As enabling local governments, these new roles demand new mechanisms to ensure transparency and accountability to communities. Parastatal quangos and the like, without directly elected membership, will not ensure accountability to the community. In fact, it may result in less transparency than the old paradigms. The challenge is to achieve balance between the need to foster efficient and effective operations of private sectors while ensuring

appropriate levels of community control. The evidence in these reports suggests that further work needs to be done.

Legislation

Local government in all countries operates from a legislative base determined by higher legislatures. In some cases this is the central government, in others it is the state legislature (parliament) that determines the powers, authorities, duties and functions of local government. What is evident from the country reports is considerable expectation of comprehensive reform on one hand, but reluctance of central government to effect significant change, on the other hand.

Perhaps the most advanced is the Comprehensive Philippine Local Government Code of 1991. In Bangladesh the Awami League Government is contemplating increased empowerment of local government, although there is a lack of enthusiasm in parliament to actually devolve power. There were opportunities in 1990 and 1997 for significant recognition of Fijian local government, but these were not taken up. Typical of central governments they established a commission of review. The Fijian Local Government Association has made a submission to the Commission calling for autonomy enshrined in the Constitution. At the time of writing the outcome is not known. In a national referendum in 1988 the Australian people rejected a proposal to recognize local government in the country's constitution. This interest could re-emerge in the current debate as to whether Australia should become a republic. In the meantime significant changes occurred in the 1990s extending discretion, but not relinquishing control. Indian urban local bodies are looking expectantly for comprehensive reform.

When it comes to major legislative reform, including constitutional recognition, the question must be asked as to who is driving the demand for change. Given the opportunity, Australians rejected the opportunity; and voting is compulsory in Australia. The opportunities were also not taken up in Fiji. It is interesting to note that it was after a long struggle by academics and public administrators that local autonomy was codified in 1991. In a country of people power it appears not to have been the community at large who pressured for reform. In any event, as the Indian country report insightfully points out, constitutional recognition will not necessarily make for "vibrant and effective institutions of democracy."

Box 3. Legislative Framework for Local Governments

Australia: Local government is not recognized in the constitution. Local Government Acts have been legislated by each state parliament and amended significantly in the 1990s. Generally the move has been away from prescriptive legislation to provide more

enabling frameworks that leave councils with some degree of discretion to initiate their own policy directions.

Bangladesh: In 1996 a Local Government Commission was constituted that came up with a Local Government Institutions Strengthening Report in 1997.

China: The national Constitution and related laws.

Fiji: Local government is not recognized in the Constitution. Legislation covering municipalities was streamlined with the enactment of the Local Government Act in 1972. Besides this Act that was amended in recent years, local authorities are charged with responsibilities under a range of legislation.

India: Seventy-Fourth Constitutional Amendment Act (1992) seeks to provide more power and authority to urban local bodies. It is the first serious attempt to ensure stabilization of democratic municipal government through constitutional provisions. The Twelfth Schedule of this act lists the functions of urban local bodies and specifies its powers and responsibilities.

Japan: Local Autonomy Law (1947), was recently amended to create a core city system to boost the administrative authority of cities that have relatively large capabilities and scale as social entities, enable them to carry out government as close to the residents as possible as well as a wide-area cooperative system to cope effectively and efficiently with diversified wide-area administrative needs and improve the system to accept transfer of authority from the state.

Kyrgyzstan: Legislative acts regulating self-government are the Constitution, including local self government as a notion and a principle, its laws and presidential and governmental decrees, determining its financial basis, the powers and functions of local self-government and its relationship with state structures.

Malaysia: local Government Act (1976) regulating the powers, duties, responsibilities and focal authorities.

New Zealand: Government Policy Statements (1987) leading to local government reform in 1989. The main principle of this reform was that local government should be selected to undertake responsibilities or functions only where the net benefit would exceed that of other institutional arrangements. Besides, subsidiary principles

were to be applied, including functions to be allocated on appropriate communities of interest, operational efficiencies achieved, clear and strong objectives, trade-off of objectives to be explicit and transparent and clear and strong accountability mechanisms enhancing local governments' performance.

Philippines: Local Government Code (1991); a comprehensive document on local government touching structures, functions and powers, including taxation and intergovernmental relations.

Republic of Korea: Local Autonomy Law.

Sri Lanka: Municipal Councils Ordinance, Urban Councils Ordinance and Pradeshiya Sabbhas a ew statutes passed on to the management of local administrations, most of their major cities are governed under these three laws.

Central-local relations

Local government systems in all countries have different histories but their similarity in the end is marked. They all must relate to higher levels of government, either state or provincial level, or to national governments. The higher levels, by and large, dominate relations.

Being a line agency of higher levels of government does not of itself constitute local self-government. As pointed out in the Korean report, even freely elected councils does not mean self-government if all the local politicians do is administer central commands. Central control, even to the determination of local authorities themselves, is marked in Sri Lanka. Local dependency on centrally allocated funds reinforces the respective weakness and strength of the two levels.

There are signs of increasing strength at the local level and cooperation between the levels. In China, for example, local government is increasingly playing a part in local economic development and some local governments are beginning to exercise influence on central government. In general there is a co-dependency and complementarity in central and local government relations in Japan. Rapid urbanization and growth of the metro-cities such as Bangkok, Tokyo and Manila has given them special status, receiving particular arrangements. Sheer size of a city, however, does not guarantee special treatment. It is more likely the relative size of the city's local government. Sydney, with a population approaching 4 million, receives no special treatment, largely because metropolitan Sydney has 40 local governments, some with populations as little as 20,000.

States and provinces can get in the way of local-central relations. This may be due to overlapping responsibilities, such as in Thailand, or, as in Malaysia, the states retain control even where the central government directly funds local governments. Sri Lanka for example, has gone from being a unitary state, with local governments enjoying considerable autonomy to becoming a federal state, with the newly created provinces being responsible for overseeing local governments. To consolidate their hold on power, provincial legislatures have eroded many of the powers and autonomy previously enjoyed by local governments.

There is another side, the capacity of local government to fulfill its side of the relationship. Some local politicians show little inclination to build stronger relations. In Fiji there is potential for significant political cohesion but local politicians are not responding. Attaining greater freedom from central control will not remove the need for accountability, in fact it should result in greater accountability to the respective local community. This increased accountability to local communities is an important outcome of local government reforms in Australia and New Zealand.

Box 4. Government Structure

Australia: At the Commonwealth level, the government consists of a Prime Minister, ministers, a Parliament made up of a House of Representatives and a Senate, several departments and numerous statutory authorities, boards, commissions, etc. The judicial system includes a High Court, Federal Court, Family Law Court and other judicial bodies. State and Territory governments have a similar structure and consist of a Premier, ministers and Parliaments mostly consisting of two houses. At local government level councils composed of councilors and headed by a mayor and a city manager are in charge. Since federation in 1901 there is an operational multi-party government system. Contrary to local government elections, voting in X11 Commonwealth and State or Territory elections is compulsory.

Bangladesh: Unitary form of government divided into six Administrative Divisions headed by a Divisional Commissioner. Each Division is sub-divided into Districts with a District or Deputy Commissioner as Chief Administrator. Districts are divided into sub-districts. The Divisional level is the highest tier of administration after the national level, whereas districts are the focal points in the administrative system. Local government is entrusted to elected municipalities in urban areas and to elected Union Councils in rural areas. Four of the largest municipalities have been given metropolitan status of city corporations and are run by elected mayors. In addition some urban centers are under military Cantonment Boards.

China: The People's Congress is the supreme organ of state power and its permanent organization is the Standing Committee that exercises legislative power. The local People's Congresses at different levels are the state power organs at local level. The State Council is the supreme administrative organ of the state and the executive organ of the supreme organ of state power. People's Courts at different levels are the judicial organs. The People's Courts at local levels, Special People's Courts and Supreme People's Courts exercise judicial authority. The Supreme, Local and Special People's Protectorates at local levels are the organs of law supervision of the state. Local governments are the administrative organs of state under the leadership of the State Council and are divided in autonomous governments of nationality regions and governments of special administrative regions. The organizational system of local government is divided into provincial, city, county and village level.

Fiji: The Constitution provides for a multi-party parliamentary system of representation at national

government level with a President as Head of State and a Prime Minister heading the government. Parliament has two chambers; the Senate and the House of Representatives. Communal constituencies elect parliamentarians whereas members of the Senate are nominated. The Prime Minister and other ministers, each heading their own ministries, form the Cabinet. Local government is administered through elected municipal councils, comprising of elected councilors representing major political parties active at the national level and headed by an elected mayor as well as rural local authorities.

India: Central government consists of a President who has the power to summon or prorogue the House of Parliament or the House of the People, Parliament (the supreme legislative body), the House of the People and the Council of States. Local government consists either of municipal councils or municipal corporations. Both urban local bodies consist of councilors and are headed by a regularly (re) elected mayor, are supposed to be formed as democratic institutions based on the principle of self-government and to represent people's desires and strengths.

Japan: The Diet is the highest and sole legislative organ, comprising of a 500-member House of Representatives and a 252-member House of Councilors. The representatives from both houses are selected through election. The Cabinet is the supreme executive body and is collectively responsible to the Diet in the exercise of its executive power. The Judicial branch is made up of the Supreme Court and several high courts, district courts, summary courts and family courts. Local governments, consisting of prefectures and municipalities, are classified as ordinary local public entities, whereas special wards, municipal co-operatives, property wards and local development corporations are classified as special local public entities and have limited responsibilities.

Kyrgyzstan: The national government structure is divided into three branches: the executive, legislative and judicial branch. The executive branch is headed by the President who is the head of state and comprises the government and its local state administrators. The legislative branch comprises Parliament that consists of two houses, the Legislative House and the House of the People's Representatives. The judiciary comprises the Constitutional Court, the Supreme Court, the Supreme Arbitration Court and smaller courts and judges. Local self-government is implemented through elected local councils, comprising of elected deputies and headed by an elected chairman, their executive bodies and through direct

referendums, people's assemblies, meetings, conferences etc.

Malaysia: Parliament is bicameral consisting of a House of Representatives and a Senate. The Cabinet is a council of ministers leading the ministries and corresponding departments and agencies. It is chaired by the Prime Minister and consists of an unspecified number of members of Parliament. The Cabinet is the highest coordinating executive body collectively responsible to Parliament. At state government level, the hereditary Ruler is supreme, acting on the advice of the State Executive Council that is chaired by the Chief Minister. All states have unicameral elected legislatures. The Executive Committee is the Federal Cabinet equivalent at state level and is the highest coordinating body. At local level government, district councils, headed by a district officer, and municipal councils are in charge. Both authorities fall under the exclusive jurisdiction of state governments.

New Zealand: Central government is based on a unicameral parliamentary system. The electoral system is known as mixed member proportional representation allowing electors to have a party vote and an electorate vote that are used to select a total of 120 members to Parliament. Local government is executed through regional, unitary and territorial authorities as well as single purpose authorities, united, regional and district councils and community boards. Community boards are set up by councils and are composed half of elected councilors nominated by the city/district and half elected by the local electorate. In unitary and territorial authorities the mayor is elected at large. Regional councilors elect one of their members as the chair, most of them by postal ballot.

Philippines: National government consists of the executive branch headed by the President, the legislative branch and the judicial branch. The executive consists of cabinet secretaries, the national bureaucracy and the military. The legislative or Congress comprises a 24-member Senate and a 220-member House of Representatives. The judiciary consists of a Supreme Court, the Court of Appeals, Regional Trial Courts and special courts (juvenile, family or sharing courts). The political sub-divisions of the state are provinces, cities, municipalities and barangays (villages).

Republic of Korea: Presidential multi-party system that is democratic in nature with a separation of powers between three branches of national government: the legislative, the executive and the judiciary. The President is directly

elected by the people and has a wide range of powers. The executive consists of boards, ministries, offices, administrations and outer bureaus. The legislature has one chamber and is called the National Assembly, consisting of 250 elected and 259 appointed members. The judicial consists of a Supreme Court, a Court of Appeals and Trial Courts as well as of special, juvenile and family courts. Local government is divided in upper-level and lower-level local government. The first are autonomous local authorities with relatively broad territorial jurisdiction, whereas the second are basic level local authorities. Local councils are freely elected.

Sri Lanka: The democratic system of government is governed under a federal Constitution. The legislative power of the people rests with Parliament whose members are elected on a political party basis, while the President, elected from the total electorate, exercises the executive power. Parliament exercises judicial power through courts and other tribunals for sovereignty purposes. However, the Supreme Court, the Court of Appeal and other courts are free from outside interventions and maintain judicial independence. Political sub-divisions at other levels of governments include Provincial Councils and elected Local Authorities such as Municipal Councils, Urban Councils and Rural Councils headed by a nominated mayor or a chair person and comprising of member-committees.

Thailand: Parliament consists of two chambers; a 500-member House of Representatives and a 200-member elected Senate. The House of Representatives consists of 100 proportional representatives and 400 Members of Parliament directly elected from 400 constituencies. Central administration comprises the Office of the Prime Minister, 13 ministries and 36 ministers constituting the Cabinet. Provincial governors, district officers and sub-district chiefs are in charge of provincial administration. Local urban government is executed through the Bangkok Metropolitan Administration, Municipalities governing urban centers in the provinces and the City of Pattaya. Rural-based local governments include the Provincial Administrative Organization, the Tambon Administrative Organization and the Sukhapiban Administrative Organization.

Local Governance

The previous section addressed issues of structure and institution. Central control over local government is characterized by financial control, in some cases, appointment of senior staff and local politicians, determination of powers and functions of local authorities and strained relations between the levels of government. In this section the focus changes to that of governance. Autonomy has two dimensions: administrative and financial autonomy, and autonomy of governance. Administration can be delegated, as an agency function, but governance, particularly local self-governance, must have a local or grassroots basis. Local governance is ultimately about control. It is the ability to reach decisions locally outside the control of a higher level of government. Local governance is discussed in terms of local autonomy; local elections; and civil society and participation.

Local autonomy

The proposed World Charter of Local Self-Government is based on principles of autonomy, subsidiarity and proximity. Articles 3 and 4 of a draft released for discussion in May 1998 outline the concept and scope of local self-government:

Article 3. - Concept of local self-government

1. Local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population
2. Councils shall exercise this right or assemblies composed of members freely elected by secret ballot on the basis of direct, equal, universal suffrage and which may possess executive organs responsible to them.

Article 4 - Scope of local self-government

1. Local authorities shall have full discretion to exercise their initiative with regard to all matters that are not excluded by law from their competence nor assigned to any other authority.
2. The basic powers and responsibilities of local authorities shall be prescribed by the constitution or by law. However, this provision shall not prevent the attribution to local authorities of powers and responsibilities for specific purposes.
3. In accordance with the principle of subsidiarity, those authorities that are closest to the citizen shall generally exercise public responsibilities. In the

same spirit, any allocation of responsibility to another authority must be based on the requirements of technical or economic efficiency.

4. Powers given to local authorities shall normally be full and exclusive. They should not be undermined and may not be limited by another authority except as provided for by law;
5. Where a central or regional authority delegates powers to them, local authorities shall be given discretion in adapting their implementation to local conditions.
6. Local authorities shall be involved in due time and in an appropriate way in the planning and decision-making processes for all matters which affect them.

In these terms New Zealand local government seems to have the greatest autonomy where central government has transferred substantial powers and responsibilities to the local level. In Australia the system is often characterized as "the Commonwealth collects and holds all the money, the states hold all the power and local government is left with all the problems." The Government of the Republic of Korea is reluctant to transfer power and maintains control on local affairs even to the extent of cars and lunches. Currently in China, local autonomy is of subordinate autonomy, typical of not just command economies. That is, lower levels of government must complete tasks derived from higher levels of government and what local autonomy they exercise can only be within the guidance of those higher levels. This is different from the concept of subsidiarity where local autonomy is excepted only where it has been excluded by law from their competence or assigned to any other authority. In the Philippines a highly centralized system developed under Spanish colonization. "Filipinization" of the national government was undertaken during the colonial government of the United States of America. In 1991 the national government moved toward local autonomy and decentralization. The central government has a role of policy formulation and setting standards together with the power of general supervision. Central government has the power of dismissal, but can only proceed to do so on the basis of a favorable referendum. Local government in Sri Lanka is supposed to be a democratic administrative unit under national policy and provincial management supervision, but lacks autonomy.

Of interest to this study is not only the fact of the transfer of power from higher to lower levels of government - or the resistance to transferring such power - but the motivations and process. Whereas Japan views local government as essential to democracy, New Zealand local government has achieved independence and autonomy through the managerialist reforms of the New Zealand economy, based on principles of efficiency and subsidiarity. Subsequent independence and autonomy arose firstly, by making local governments directly accountable to their local communities through annual planning processes, and, secondly, through withdrawing central funding, forcing dependence on local funding. Importantly, while central government retains oversight of local government's stewardship roles, it does not have the power to either dismiss a council or run one. As the country report points out, now that all the microeconomic reform is behind them, the challenge as New Zealand sees it is to create a vision and future

for local government. Management strategists would suggest that the vision should be developed first and then the necessary change implemented. But in New Zealand's case it has been the reverse. Like Victoria (Australia), change was short, sharp and widespread. The question is, would that change ever have happened with the more rational approach? One suspects that without the rapid change there may have been much talk but little actual change.

These motivations: promoting effective local government, answerable and responsive to the needs of the local population and promoting grassroots democracy are not contradictory. In fact the new local government system in Pakistan, uses the principle of subsidiarity to ensure that decisions are made at the lowest level possible and that services are provided at the level where these are most economically or technically feasible.

Privatization-corporatization

A most important aspect of local autonomy is the trend to the transfer of power from local authorities to other parastatal (semi-government) agencies, through corporatization, or through privatization. Corporatization refers to the reshaping of a publicly owned organization to operate on private sector corporate principles. Corporatized public agencies are often called parastatals. Privatization refers to the transfer of a function entirely to the private sector. This can be by contracting out with the local authority maintaining some control mechanisms or "getting out" of the function entirely, leaving provision of goods and services to the marketplace.

Privatization and Corporatization are most pronounced and advanced in New Zealand, with Australia moving down a similar path, although, at this stage, not at the same pace or as dramatically. What has been described as its "Great Experiment," the New Zealand reforms started centrally with the principle that "the state was to deliver policy and goods and services only where market failure demonstrably existed." Where the state was to remain a deliverer, - i.e. those policies, goods and services not transferred to the marketplace through privatization - corporate principles were to prevail. At the local level corporatization has been more common where the local government becomes more market-oriented, policy and trading arms are separated, wholly owned government trading enterprises are established and activities are contracted out to private companies. Accountability is required to the local community rather than central government through rigorous consultation and reporting.

Australia's national and state governments have pursued policies of privatization and corporatization, although, with the exception of the state of Victoria, privatization has been less common. Local government is, however, becoming more corporate, particularly with the introduction of the purchaser/provider model. These reforms are reinforced by the national competition policy that requires market contestability on the

provision of goods and services. One Australian local government researcher has described the Victorian experience:

Victorian local authorities, in particular, have been forced to competitively tender many of their services. To operate in this competitive environment, local authorities have established internal business units that lodge tenders to perform work for their council in competition with external organizations. It has not been uncommon for

an external contractor to win over the internal business unit. Not all external contractors are from the private sector, nor are they always Australian organizations. In several instances the winning contractor has been a business unit of a New Zealand council. Many of these changes have not been universally welcomed, such as the downsizing of the local government workforce. Some have argued that withdrawal from service delivery by local authorities has enhanced local business opportunities. Others have lamented the impact that workforce downsizing has had, especially in smaller communities (Aulich 1997).

But these trends are not confined to these two countries. The Malaysian government is pursuing a policy of deregulation and privatization, including "deregulation of building control by giving this task to professional bodies or privatizing cleaning and maintenance works of parks to private contractors." In pursuit of a more marketdriven, customer-oriented and corporate approach Malaysia is introducing corporate management techniques: total quality management, Client's Charter, ISO 9000. In Sri Lanka some local authority functions have been even handed over to Government owned and operated Boards/Corporations/Statutory Authorities that directly serve the local community. Local leaders have lost influence on central government, but studies indicate that the public prefers these government corporations to manage public utilities such as water and electricity. The situation with the Fijian villages in the urban areas provides an interesting twist on privatization. Because the villages do not pay municipal rates and councils make only ad hoc arrangements, they look to private contractors to provide services such as garbage collection.

Corporatization and privatization have important implications for local selfgovernment in that they may provide for local decision-making but not necessarily local governance or local democracy. As discussed earlier, where there are local committees of parastatal organizations, membership usually reflects special interests and expertise rather than the community as a collective of people. Membership is mostly appointed rather than elected from and by the community. These trends towards committees and trusts, albeit with local membership, reflect prevailing managerialist approaches. This is the "culture of technical control" that stresses information, not judgement. Decisions are delegated to groups of technical experts or those with special interests. Their role in decisions is important but will not inevitably reflect wider community opinion and values. This may be local decisionmaking, not necessarily local governance.

Local elections

Article 3 of the draft World Charter of Local Self-Government stipulates the right of local election.

(Draft) Article 3 - Concept of local self-government

1. Local self-government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population.
2. This right shall be exercised by councils or assemblies composed of members freely elected by secret ballot on the basis of direct, equal, universal suffrage and which may possess executive organs responsible to them.

The certainty of that right of election of local councils or assemblies varies across the region. In Kyrgyzstan "local *Keneshes* are elected by their citizens on the basis of a general, equal and direct elective right, through a secret vote," although leadership of state administrations and Bishkek city are under ultimate control of the President of Kyrgyzstan. "Political participation is the core content of the people's participation" in China where communities elect their respective congresses that in turn select the administrators for the country towns, counties, cities and provincial levels. In Bangladesh increasingly local representatives and mayors of metropolitan cities and large municipalities are elected directly by the people.

Several issues emerge in relation to local governance. Firstly, there is the provision for special places reserved for women. Women in Bangladesh can stand for open seats or those reserved for them. Similar provisions apply in India. Secondly, there is the degree of central control on who is elected. Elections in Fiji are centrally controlled administratively and politically, run by the Electoral Commission that decides the number of councilors for council as a whole and for the wards. India has a dual system involving elected and nominated councilors. For each Municipal Corporation or Municipal Council the community directly elects the prescribed number of councilors. These councilors in turn nominate additional councilors on the basis of their "special knowledge or experience in Municipal administration." This dual system avoids problems of decision-making being in the hands of elected representatives who may have no expertise in the area. It also avoids the corollary of technocracy where decision-making is left to experts who may have no sense or interest in the values and interests of the local community. Malaysia has "Malayanized" local government, moving away from the inherited British model into a more centralized system with limited devolution. Councilors are appointed by the government to sit in the local councils. "Even though the state government [appoints] them, the councilors may be viewed as representatives of the area from where they hail or representing various business communities or interest groups."

Thirdly and fundamentally, there is the matter of dismissal or withdrawal of the right of election. Ultimate political control was illustrated in Fiji when elections were suspended after the military coup in 1987. Pakistan provides a picture of hope for a return to election against a reality of central reluctance to do so. To quote the country report:

If we look back at the history of local government, interestingly, elections have only been held by Pakistan's two military authoritarian regimes, that of Ayub Khan and Zia ul Haq (and now by the current military government of General Musharraf). Since all other avenues for public participation were closed under these dictatorships and elections to the national and provincial assemblies not allowed, perhaps local body elections were the ploy used by the dictators to allow the public some minimal recourse to participation. Interestingly though, under both the military regimes, elected local bodies played a very useful and productive role in many areas of the lives of people. With the return to democracy, however, when elections to the national and provincial assemblies were held, elected local bodies lost most of their importance and their role and potential was severely undermined by elected representatives of the higher tiers of government. This is despite the fact that a very large number of members of the national and provincial assemblies had previously been elected to local councils when other forms of representation did not exist. Moreover, patronage and grants to members of the provincial and national assembly, bypassing local governments, helped further weaken the position of local government. Possibly, by realizing the potential of effective local government, representatives of higher tiers of government, many of whom had themselves experienced the power of this lowest tier and had hitherto played a prominent part at the local level, felt threatened by the possibility that this level of government would undermine their new roles and privileges.

Civil society and community participation

Local self-government is more than structures and instruments of government. It includes the engagement of citizens in voluntary associations, networks, alliances and other forms of connection that contribute to local governance. To cite the draft World Charter again:

Article 10 - Participation of citizens and partnership

1. Local authorities shall be entitled to define appropriate forms of popular participation and civic engagement in decision-making and in fulfillment of their function of community leadership.
2. Local authorities shall be empowered to establish and develop partnerships with all actors of civil society, particularly non-

governmental organizations and community-based organizations and with the private sector and other interested stakeholders.

Demands for participation

There are two sides to demands for participation. On one side there are arguments that citizens should participate in the affairs of state. Its importance is emphasized and promoted as a democratic right or, as in China, participation "is the expression and essential character of the socialist democratic system." On the other side, as evidenced in Bangladesh, "civil society groups are now coming forward to begin action and invite/encourage local governments to participate with them." This has been in response to the inaction or incapacity of local governments to develop innovative approaches to problems. Likewise, increased public participation in Japan has been a response of citizen action.

Much of the debate about participation presumes that people will participate. Such presumption may be misplaced. For example, an unsuccessful attempt was made to engage citizens more closely through Community Development Councils in Colombo. You can provide mechanisms for people to participate but you cannot make them do so. The Sri Lanka reporter laments that "it is sometimes disheartening to note that popular participation ends after elections, making way for the traditional stronger member participation." It may be that citizens do not necessarily want to participate but demand the right to be able to participate if they choose. In other words, they want the right to participate but accept no responsibility to do so.

Geography and population are also important features that shape participation. As is the case in Fiji, the close proximity and ready access of local communities to their national politicians may, to some extent, negate the need for local civil action. In marked contrast, Indian local politicians face daunting tasks of engaging such large populations. The large areas and huge population mean that participation through small groups may be the only effective mechanisms for engagement of citizens.

Civic groups

The Malaysian report identifies four general features of participation: consultation, direct involvement, power sharing and community action. The emergence of a larger middle class has given rise to a proliferation of interest and pressure groups and non-governmental organizations, voluntary welfare-oriented organizations, citizen watch groups, consumer and neighborhood associations and environmental protection societies. For their part, such groups seek to contribute to issues pertaining to urban management such as environmental pollution, beautification, improving the quality of life of residents and preserving the heritage of the community. Malaysian governments capitalize on this by promoting and supporting community driven programs such as the "Love Your River Campaign." Communities are loaned equipment such as lorries and provided with refreshments in return for their selfhelp on

maintenance and routine services. As evidenced by participation in slum improvement projects in Bangladesh, especially by women, it is easier to engage people in identifiable projects than to convince them of more general concepts of participatory democracy.

Japanese governments have recognized that as society has grown more complex and people's thinking and sense of values become increasingly diverse they must take the initiative to look to new ways to engage their communities. Not only can they not rely on old ways, the onus is on the authorities to generate innovative mechanisms for building partnerships with the civic society. In the face of a lack of participation local authorities are all too ready to blame the apathy of local communities rather than acknowledge the deficiency of their own outmoded techniques.

Equipping for participation

Central governments espousing participation as a basic element of democracy, the latest techniques being available and civic groups emerging, are no guarantee of successful participation. As pointed out in the Thailand report they provide only the potential for engagement. No amount of institutional structures will ensure meaningful participation when "the general public by and large have little knowledge about local government" and the education system at all levels produces graduates with little or no knowledge of "the functioning, the problems and the general affairs of local government." Not only should governments devise innovative techniques of engagement, they must also equip their communities to participate. This is an important element in the formation of the community's social capital. Having said that, the evidence of these reports indicates widespread reluctance of higher levels of government to equip citizens to engage with them.

Box 5. Techniques for Participation

- . Direct engagement in the cities can be through task specific non-governmental organizations concentrating on and fighting for certain developmental or remedial issues (India);
- . Less direct engagement can be through mechanisms such as media and letters to newspapers, posters and books (India);
- . Formal attempts at engagement have been through the ward system with members acting as public auditors of the development process (India);

The most practical way for local communities to engage is through the so called bottom up planning mechanism (Indonesia);

Symposiums or informal gatherings are held in each area, questionnaire surveys are undertaken and people are encouraged to voice their opinions and ideas. (Japan);

Advisory community boards operate in New Zealand with dual roles. They provide a more approachable engagement for people daunted by large organizations. They also maintain, on behalf of the community, a watching brief on the performance of the local authority;

Direct participation takes the form of social consultation and dialogue; writing letters and visits to state organs; worker and staff congresses (China);

Citizen petition, resident voting, resident request for audit and investigation, participation in committees, etc. (Korea);

An important feature of participation in the region is the referendum or similar form of direct democracy;

A court of governance (Articles 276-280) where the conflicts between citizens and the state and their officials are settled. Parliamentary Ombudsman will be established to receive complaints and petitions. An independent anti-corruption commission will be also created by the parliament to conduct investigations (Thailand); and

Direct participation is possible formally through referendums, polls, petitions, attendance at committee meetings and informally through media, community action groups (Australia).

Equipping for participation

Central governments espousing participation as a basic element of democracy, the latest techniques being available and civic groups emerging, are no guarantee of successful participation. As pointed out in the Thailand report, they provide only the potential for engagement. No amount of institutional structures will ensure meaningful participation when "the general public by and large have little knowledge about local government" and the education system at all levels produces graduates with little or no knowledge of "the functioning, the problems and the general affairs of local government." Not only should governments devise innovative techniques of engagement, they must also equip their communities to participate. This is an important element in the formation of the community's social capital. Having said that, the evidence of these reports indicates widespread reluctance of higher levels of government to equip citizens to engage with them.

Participation by disadvantaged groups

In the preamble to the draft World Charter the conviction is stated that gender equality and social inclusion must go hand in hand with local democracy and participation and that these goals are mutually reinforcing. On the basis of these country reports progress on both gender equality and social inclusion has not been great.

Inclusion of indigenous peoples in local self-government is an issue in Australia, Fiji and New Zealand, although inclusion is what may well be the deeper issue. Native Fijians already enjoy special status under the auspices of the Great Council of Chiefs. For Australian aborigines and New Zealand Maoris it may be more a matter of self-determination than inclusion in the vestiges of ruling colonial institutions. In a particular way the multicultural composition of Australian communities places additional demands on inclusion.

Several countries have specific provisions for election of women, others are working towards that. One of the sweeping changes introduced by the Indian SeventyFourth Constitutional Amendment Act of 1992 has been the "reservation of onethird seats for women and weaker section in municipal bodies." Pakistan makes provision for separate representation of non-muslims, peasants and workers. The election of women in Bangladesh so far has been indirect. The present government's Local Government Commission has recommended election of women representatives (in reserved seats) directly by the people at all levels of local government.

Gender balance and social inclusion may not be attained easily. In Sri Lanka the relatively excessive cost of electioneering has meant gross underrepresentation of poor people. A stronger economy and consequent rises in income are seen as part of the solution, permitting more people to fund

an election campaign. Attaining gender balance may confront cultural issues. In Sri Lanka between 1991 and 1999 the already minuscule representation of women fell. Reasons for this include "their reluctance to compete with men of different political parties, expensive nature of the present system of proportional representation, cultural background where women are reluctant to be involved in conflicting political situations, among others. The hectic campaigns are also not to the liking of women."

Local Capacity

It is all very well to contemplate new roles for local government - and changing paradigms from service provision to facilitators of growth - but such enthusiasm must be tempered with the realities of some local governments, especially smaller ones, to actually do anything more. It is difficult to envisage a local authority "being a facilitator, pacesetter and regulator of socio-economic development in order for them to contribute effectively towards the nation's competitiveness" when it is unable to provide even basic financial accounts. (Malaysia) The experience in Sri Lanka is the same. Although the law has given wide powers to "create a sustainable and habitable environment in the urban/city areas" local authorities do not have the capacity to achieve that (Sri Lanka). So too in Pakistan where despite the legislative and organizational provision for local government to play an extensive role the reality is that beyond basic services of garbage, road maintenance and street lighting, very few functions of "local councils are actually carried out" (Sri Lanka).

The Bangladesh report, citing Professor Ahmed, highlights the ineffectiveness of "participatory decentralized administration." It failed in Bangladesh not because of excessive central control but local incapacity. Local authorities were incapable in three areas: weak administrative capacity, limited financial and human resources and little public participation (Ahmed, 1997). Administrative capacity and public participation have been addressed earlier. Here we turn our attention firstly to human resource management.

Human Resources

The critical need for human resource development is acknowledged in all countries represented here. Starting points and methods of developing their people varies between countries. The discussion here is divided into three parts: appointment, training and retention.

Appointment

Methods of appointing staff range from tightly controlled and systemic such as operate in China to the deregulated labor markets of Australia and New Zealand. Chinese local cadres are managed through the communist party committee system, including appointment and supervision to "overcome bureaucracy, to correct unhealthy tendencies and to serve for the people wholeheartedly" (China). At the opposite end of the spectrum Australian and New Zealand councils appoint the Chief Executive Officer but all other staff are employees of the CEO. Other countries fall between these two ends of the spectrum.

There is a mixed arrangement of elected and appointed officials in Bangladesh. While the government does not " earmark " officers exclusively for local government, some civil servants and technical staff will be seconded for specified periods, normally three years. As part of the reforms in Sri Lanka, local government personnel were absorbed into the provincial service, becoming officers of the Provincial Public Service. Regarded as a better system than the previous local government service, the change also permitted transferability between local authorities. Regardless of the improved system, Sri Lankan local authorities still lack senior officials in functions such as finance, administration and engineering.

Some Fijian councils typify a problem faced by many smaller councils: the inability to attract and retain competent staff. Attempts to address this include staff sharing between councils and taking advantage of volunteer consultant services. In Fiji this operates under the Australian Executive Services Overseas Program (AESOP) funded by the Australian government. "This scheme provides a skilled volunteer, usually a retired professional from Australia, for a short period to assist in solving specific problems. The recipient council is required to provide accommodation and a nominal living allowance" (Fiji). Another method of overcoming the deficiencies of local staff is to privatize or contract out the particular function.

In Malaysia it is clear that the recruitment process is crucial. Emphasis is given to recruiting the right staff for the job. Staff may be engaged on: permanent and pensionable; permanent and non-pensionable; temporary (for specific periods or on a month-to-month basis); contract; and supernumerary. An extension of this is the promotion system where prior to permanent promotion a person must serve in the higher position in an acting position to prove their capability. Clearly the aim is to ensure that local government employs the right people from the start.

Training and equipping

Just as appointing good staff is essential, so too is their ongoing training and equipping. This is particularly so during periods of paradigm shift and major reform.

Box 6. Focus of Local Government Reform in Malaysia

- . Provision of customer-oriented services;
- . Improvements to systems and procedures;
- . Greater use of information technology;
- . Strengthening relationships with the private sector;
- . Improvements to the organizational structure and human resource management;
- . Enhancing accountability and discipline; and
- . Enculturation of values and excellence.

New paradigms of local self-government will demand people with new knowledge and skills. This will place undue pressure on local authorities, such as some in Bangladesh that are still trying to redress deficiencies in their existing knowledge and skills base. Or, as in Pakistan, that due to resource constraints, training facilities have been closed, "which means, that at least for the lower cadre, training opportunities are few and far between" (Pakistan).

Malaysia is addressing these new challenges through its governmental reforms entailing "continuous capability and capacity-building efforts, reforms and innovations and [a] willingness to learn from others" (Malaysia).

These reform efforts are intended to create excellence in the public service based on the core values of quality, productivity, innovation, integrity, accountability, discipline and professionalism.

Malaysia is not alone in emphasizing development of core values. Ethical behavior and employee discipline is part of the Japanese human resources development system. China, too, acknowledges the importance of raising the standards of both political and professional competence of its cadres. This is achieved through both on- and off-the-job--training.

One of the outcomes of 'a deregulated, market-driven approach to human resource management, such as that operating in Australia and New Zealand, is that training is more problematic. Local government training in Australia remains fragmented and voluntary. Attempts at encouraging local councils to invest comprehensively in education and training have not been successful. Vertically integrated systems such as that operating in Malaysia, Bangladesh and India allow for national approaches to education and training. India has several renowned national training institutes that provide training for both elected and executive personnel. In Malaysia, the

local government sector is part of the national training program through the Public Services Department, through its Training Division and the National Institute of Public Administration (INTAN). Although INTAN has national responsibilities there are other specialized training institutions, and local authorities are, nonetheless, "encouraged to set up their own training units and develop their own training programs as part of the human resource development effort." Fiji has a Fiji National Training Council for ongoing training to which all local authorities contribute a levy equivalent to 1 percent of their annual payroll. The Fiji Institute of Technology provides formal education in the disciplines needed by local government.

Moving to greater local autonomy will demand greater education and training of the elected arms of local authorities. Some training institutes, like those in India, have a long tradition of training for elected personnel. It will be important that other countries provide similar resources. One recent study found that despite the considerable effort put into public sector management training some doubt the benefits. "A possible political reason is that training is a safe response to big problems as varied as poor bureaucratic performance and the political legitimacy of the incumbent regime. Training is a technical, non-threatening and widely popular answer to these political problems. All stakeholders will embrace training and extol its virtues whereas many may offer resistance to restructuring or more participatory modes of management" (Turner and Hume 1997:117). They go on to say that "staff development and training sections of government organizations are frequently weak politically, understaffed and perceived to be at the margins of the organization" (Turner and Hume 1997:118). Turner and Hume make a telling point about the future of training. They argue that:

While training has disappointed, there is not a feasible alternative to it. The future tasks would seem to be more attention to diagnosing what training is required, orienting training to client service, continuing experimentation with training delivery systems, a move away from over-academic and Western-derived syllabuses, a greater concern with outcomes (not outputs) and a recognition that training is not a discrete activity but is one of several interrelated components for organizational change and administrative reform (Turner and Hume 1997:118).

Retaining

Just as vertically integrated systems allow for national approaches to training, so too those systems have inherent mechanisms for retention of staff. Employment security is maintained in Japan through its "principle of life-time employment and as equality of opportunity" law (Japan) although adherence to lifetime employment principles seems to be fraying in the current economic circumstances. Employees of local government in the Philippines pursue careers within a tenured system governed by the Civil Service Commission and the applicable provisions of the

Local Government Code. The Malaysian system could be characterized by: recruit good staff, train them, promote them on the basis of demonstrated competence at higher levels and retain them by restricting horizontal movement between authorities. There are moves to change this unpopular system on nontransfer between local authorities without loss of seniority.

Benefits of these "closed" systems include job security and identified career paths. They also can help small councils to retain good staff who, in an "open" system, would most likely move on in response to better job prospects or higher incomes. A cost of this "closure" is its inherent conservatism and insularity.

Moves to deregulate the labor markets in New Zealand and Australia have diminished security of tenure but strengthened equal opportunity laws. While officers have lost the security of remaining in their employment - unless they are dismissed for corruption or gross incompetence - they have the security that they will be considered for any new position on their merits. Inherent in such marketdriven approaches, however, is the prospect that larger, richer authorities will attract the best staff. In deregulated markets the notion of public or civil service is lost. Where movement between the public and private sectors is encouraged, long-term careers in the public sector gives way to pursuit of personal careers. If that is seen as negative, the positive side is the introduction of new knowledge, skills and, importantly, new perspectives derived in the private sector.

Revenue Sources

It is abundantly clear from these reports that the perennial problem for almost every local authority is a shortage of funds. Currently, the main sources of local revenue are:

- . Fiscal transfer from higher levels of government;
- . Loans and borrowings; and
- . Local taxes.

For moves to greater local self-government to be effective additional revenue must be found for local government. Australia had a brief episode of guaranteed 1 percent share of national revenues but has since returned to the old systems of grants to local governments. Guaranteed shares of national revenue are favored by large states and local governments, while the less populated states and local governments favor the balancing provisions of the granting system. Similarly, Japan and Malaysia provide systems of cross-subsidization from strong to weak local governments. Achieving balanced fiscal distribution is a strong force within central governments. In the Philippines the Local Government Code ensures an equitable share of revenue generated in their area of national revenues. Such codification not only provides

The main argument of this study has been that in the current and foreseeable future of globalization of economies, trends towards greater political freedoms, the advent of the information age requires the reform and strengthening of local governments systems to meet existing and emerging challenges. This would require comprehensive and concerted efforts based on action research: learning from and building upon existing systems, as well as understanding innovative practices in other countries and adapting them to local needs.

Issues for Action and Examination

The fifteen country reports show that local government reforms are needed in several areas. The following issues have been extracted from the analysis to comprise an agenda for action on local government reform.

Local autonomy

The key issue in reforming local government systems to meet the challenges of globalization is determining the appropriate level of government to which functions and powers need to be devolved. In undertaking local government reforms, governments need to consider the following issues:

- Principles of autonomy, subsidiarity and proximity should be promoted in keeping with the World Charter on Local Self-Government;
- Strategies for pursuing these principles will need to proceed within the national context and motivations; and
- One of the most significant challenges facing local governments will be to reinvent their roles in the rising trends towards privatization and corporatization.

Legislation

The country reports show that in many countries local governments are formed or disbanded at the whims of higher levels of governments. This is detrimental to the development of local institutions. Local governments are the cornerstones of Democracy and governance reforms should take this aspect of local government into consideration in the process of reform. Legislative reforms should ensure that:

- In accordance with the principle of subsidiarity, local governments, as they are the levels of government closest to the people, should be allowed to generally exercise public responsibilities. Any allocation of governmental responsibilities to another authority or level must be based on the requirements of technical or economic efficiency.
- Basic powers and responsibilities of local government are prescribed by the constitution or by law.

The role of local governments needs to be clearly specified: whether local government is to be predominantly the provider of services or regulator and enabler of the private sector to provide services. This determination of the role of the local government has considerable implications on the administrative structures of local government.

Central-local relations

Country reports indicate that except for a few countries most have highly centralized systems of government, with either the central or the provincial/state level governments exercising extensive control over local government. This has resulted in weakening the institution of local government. Reform would include overcoming the reluctance of central governments to relinquish power. Governments should ensure that:

- Responsibilities provided to local governments are accompanied by full powers and resources to meet those responsibilities and that these are not just line agency functions but aim towards true local self-government.
- When authorities or levels of government other than local government are entrusted to carry out certain functions because of technical reasons or economies of scale, powers and responsibilities are clearly defined. In many instances partnerships of power sharing between the levels of government are more productive than just separation of powers.
- Local governments clearly understand that attaining freedom from central control must not be pursued as a means of reducing public accountability. In fact, steps should be taken to make local government more responsive and accountable to the local population.

Administration

Local government administration is another key aspect of reforming local governments. Administrative reforms are needed in three areas, namely: division of powers between the local legislative and executive branches, reform of the administrative structure of the executive branch, and, coordination with other governmental authorities and levels. The following principles should be followed while undertaking administrative reforms:

- While determining the structure of local government, a balance is maintained between the legislative and executive branches of local governments. The legislative branch should have appropriate powers to hold the executive branch accountable, particularly when the executive branch is appointed as is the case with the city-manager system.
- Administrative reforms should aim towards making local governments more accountable and responsive to the local population rather than to higher levels of government.

Higher levels of government control and interfere in local government affairs through various administrative measures. In some countries this includes deputing staff from higher levels to serve in key position in the local government for specified periods of time. This undermines the continuity, efficiency and transparency of decision-making in local government administration. Local governments should be enabled to explore new administrative arrangements and staffing options.

Local government finance

One of the key components to strengthen local governments is local government finance. Governments must make a commitment to:

- . Study ways and means to increase the income of local governments, that are independent and reliable.
- . Develop mechanisms, which ensure greater local financial autonomy, as well as, responsibility and accountability to local communities.
- . Provide more attention to develop and adequately maintain infrastructure.

Human resources

One of the key constraints to good governance at the local level is the lack of qualified human resources. Human resources capacities of local governments need to be strengthened concurrent to institutional capacity-building. Human resources development is dependent on three factors: recruitment of appropriate staff, training to build their capabilities, and retaining their services.

Appointments must be related to the specific functions of the local governments and must be made transparently and on merit. The country reports provide examples of different approaches which might be examined by the countries.

- . Just as appointing good staff is essential, so too is the ongoing training and equipping. Local governments, particularly smaller local governments, often do not have the capacity for training their staff. Collective training mechanisms either through local government training institutions or through local government associations should be strengthened.
- . Greater education and training is needed for elected members of local governments.

Local governments should not only appoint good staff and provide ongoing training and development, they must instigate mechanisms to keep good staff. The reports provide some examples of how various countries have addressed this issue. These need to be examined in greater detail.

Public participation

Another prerequisite for good governance is public participation in decision-making and public oversight over government functions. The country reports show that, at the local level, the level and extent of public participation varies considerably. Some countries allow full participation while others do not allow any participation. The country reports also show that there are several channels of participation. The most common and traditional system is the fully or partially elected local council. In some countries organized civil society groups interact with local governments on issues of interest to them. However, the existence of a civil society is not a guarantee that healthy and inclusive public participation will take place. Systems need to be devised to provide all groups in society a voice in decision-making.

One common feature of all local governments seems to be the low number of women and minority representatives in local councils. Another issue seems to be the representation of the urban poor in the local councils. Countries may wish to consider the following recommendations while examining policies to increase public participation at the local level:

- Other countries could consider taking the lead provided by India and Bangladesh in reserving special places for women, minorities and disadvantaged groups in local elections.
- Dual systems of elected (political) and nominated (technical) councilors are worthy of consideration.

- Central governments espousing participation as a basic element of democracy, if applicable, and civic groups emerging are no guarantee of successful participation. Instead they should devise innovative techniques of civic engagement and equip them to participate.
- Social inclusion and gender equality are major issues that need to be researched in greater detail.