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* 'Asia Pacific region' as used here includes East Asia, Southeast Asia, South Asia, Oceania, and the Russian Far East.

Is There Room for More Social Responsibility in Asia's Business and Economic Turn Around?

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Abstract

This article provides an overview of Corporate Social Responsibility (CSR) and its impact on social development with a special emphasis on Asia. One underlying argument that it makes is that, although many of the CSR interventions being applied globally are relatively "new" to Asia, CSR, when operationally defined as "corporation-community collaboration (CCC) towards social development," becomes a vintage concept familiar to generations of Asian entrepreneurs and the communities they serve. However, in spite of its long history, Asian corporation-community collaboration in social reform is an under-studied area of policy research and attention even in recent CSR conferences and publications in Asia. From Bangladesh in South Asia to China in East Asia, currently, heavier emphases by scholars and practitioners is being accorded to global and regional-level CSR issues such as human rights, environmental and health concerns, worker welfare, corruption, and social safety nets as well as firm-level CSR issues such as board governance, ethical fund management, shareholder accountability, corporate restructuring, and corporate citizenship. The article attempts to move beyond the over-exposed CSR motivations into an examination of new trends within relatively old frontiers. It also tries to create a social dimension to the already overflowing financial and economic stories about CSR. The article also discusses the role of governments in CCCs.

I. Introduction: CSR and Asia

In East Asia, Confucius said, "If one's actions are motivated only by profit, one will have many enemies."

In North America, Chase National Bank CEO George Champion pointed out that: "Business must learn to look upon its social responsibilities as inseparable from its economic function."

Thousands of years apart, these parallel thoughts emerged from two continents, across from each other in the Pacific region.

Interestingly, Corporate Social Responsibility (CSR) is one of the panaceas prescribed by an emerging "school" of academic institutions and international consultants who seek to propel firms and economies out of the current world business slump. Broadly, CSR is seen as the antidote to market lethargy and corporate decay. Moreover, this school sees CSR as the shock therapy needed to resuscitate the private sector and revive it as an engine of growth and progress, especially in transitional economies. In East Asia, the miracle-turned-crisis situation provided the perfect operating setting for these "doctors of management," most of whom came from the West, to perform surgical CSR procedures and prescribe corrective CSR dosages for both domestic and multinational firms (see Reder, 1994; Economist Intelligence Unit, 1997; Dunong, 1998; Emerson, 1998; Wu and Chu,

1998; Richter, 2001; Li and Batten, 2001; Asia Africa Intelligence Wire, 2003, among others). Four major Asian CSR conferences in 2003 also attest to this.

The infusion of CSR interventions into the business and economic bloodstreams of Asia has shown a certain degree of pervasiveness especially in the current era of intense globalization, from the boardroom to the supply chain, from corporate headquarters to regional subsidiaries, from business models to operations applications, from assembly line workers to frontline clients, from the rights of humans to the rights of the environment. As a result, CSR is becoming a popular reinventing and reengineering tool of the 21st century particularly in business circles. Not surprisingly, as CSR potions took effect and Asian economic recovery came into sight, a plethora of research and conferences have emerged sharing "best practices" culled from successful experiences. In contemporary Asia, CSR is not only being touted as a cure-all but also a potent concoction that could help sustain reforms and prevent future outbreaks of organizational infections and managerial dysfunction. A paradigm shift in terms of revitalized business practices is being felt in the Asian neighborhood.

This article provides an overview of CSR and its impact on social development with a special emphasis on Asia. One underlying argument that it makes is that, although many of the CSR interventions being applied globally are relatively "new" to Asia, CSR, when operationally defined as "corporation-community collaboration (CCC) towards social development," becomes a vintage concept familiar to generations of Asian entrepreneurs and the communities they serve (see Carroll 1977; Aquino, 1981; Dhiravegin, 1985; Cox et al., 1987; Harivash, 1990). However, in spite of its long history, Asian corporation-community collaboration in social reform is an under-studied area of policy research and attention even in recent CSR conferences and publications in Asia (see emphasis in Kawamoto, 1977; Takeuchi, 1978; Singh et al., 1980; Krishnaswamy, 1986; Mahmud, 1988). From Bangladesh in South Asia to China in East Asia, currently, heavier emphases by scholars and practitioners is being accorded to global and regional-level CSR issues such as human rights, environmental and health concerns, worker welfare, corruption, and social safety nets as well as firm-level CSR issues such as board governance, ethical fund management, shareholder accountability, corporate restructuring, and corporate citizenship (see Chowdhury and Kabir, 2000; Gescher, 2002; Holland, 2002).

Moreover, CSR is not the only development concept that is evolving in theory and practice. The content and context of social development itself, including its policies and processes, are also experiencing marked changes. Asia is a mix of countries experiencing varying degrees of westernization, democratization, modernization, and globalization. These processes have made Asia a region of contrasts and, at times, extremes. On the one hand, there are Asian sub-regions where some of the *nouveau rich* countries of the world reside, particularly in the northeast. On the other hand, there are Asian sub-regions where some of the poorest countries in the world are located, for instance in the south. Another underly-

ing argument of this paper is that in both rich and poor neighborhoods, one could find local Asian firms from SMEs to family-owned conglomerates, which have grown and expanded over the years of their operation with simultaneous heavy involvement in community projects like creating access to health care, safe drinking water and sanitation. In the latter case, local firms have had to "breathe and eat social development" every day for decades since poverty seems to be omnipresent (see Collins, 2000).

The research presented in this article attempts to move beyond the over-exposed CSR motivations into an examination of new trends within relatively old frontiers. It also tries to create a social dimension to the already overflowing financial and economic stories about CSR. To achieve this, the paper has been divided into four sections and responds to a series of guide questions:

The first section examines the context of Asian business-civil society interaction from the "miracle period," through the "crisis years," and into its "recovery trajectory." The discussion, in general, will focus on the varying areas of CSR concerns from boardroom to ground level social development issues using company-community collaboration (CCC). In particular, it focuses on these research queries: How are corporations addressing not only their own basic and strategic needs, but also the overall needs of the society, in particular those of the local communities? Which forms of CSR interventions have been applied for promoting community development in Asia? How has social development been enhanced by CSR?

The second section elaborates on company-community collaboration in particular, including: What are the benefits for companies and communities who collaborate? Who are the CCC stakeholders? What mix of assets do they bring to the CCC? What commitments can they make? What kinds of partnerships can be developed between corporations, government and communities in the context of CSR? Is government still needed in CCCs? What role will it play?

The third section expounds on the internal and external barriers or "disincentives" to Asian CCC formation, especially the issue of trust and the appropriate role of government in business-civil society partnerships. It builds on the findings from the 2002 INDES/Japan Program Workshop on "Citizen Participation in the Context of Fiscal Decentralization: Experiences from Latin America and Asia," held in Tokyo and Kobe, Japan. Particularly, it asks what the obstacles and opportunities are inherent to Asian communities' participation in CSR activities and to, in effect, contributing more fully to social development.

The final section concludes with policy, research, and practical lessons on overcoming these Asian CCC challenges. What types of policies could be implemented to effectively promote and facilitate such collaborations and participation from the community to the international levels?

II. Contextual Trends: Asian Business, Social Development, and Modes of CSR

It is difficult to examine current CSR practices in Asia without situating country experiences in the dynamic context of Asian business-civil society interactions from the miracle period, the crisis years, and into the current recovery trajectory. In this section of the paper, the general discussion will focus on the varying areas of CSR concern from boardroom to ground level social development issues using company-community collaboration (CCC).

In particular, the research presented here describes how Asian corporations address their strategic business needs, but also the overall needs of the society, especially those of the local communities. How have Asian community organizations participated in economic development, community development, social service delivery, public policy dialogues and the decision-making processes through CSR interventions? Have local and foreign firms been able to contribute directly to community development in Asia beyond the "traditional" philanthropies, like supporting the arts, promoting football tournaments, donations to churches, funding educational scholarships, etc.? Have Asian business firms been able to provide communities with development assistance beyond financial capital? Have Asian business executives gone beyond Lions Club, Elks Club, Rotary Club memberships and their annual tree-planting, weed clearing and beach clean-up activities to be actively involved in sustainable village development? Is Asian CSR bringing wealth and social safety nets from the Asian boardroom to the Asian backyard?

Historically, the inter-relationships between and among business, government and society in Asia are more than 4000 years old. Merchants from the Arab peninsula, Central Asia, South Asia, Northeast Asia, and Southeast Asia have been exchanging goods for centuries, traveling across vast land routes and treacherous sea lanes. During these thousands of years, trade and commerce have been regulated and controlled by Asian empires, kingdoms, sultanates, and dynasties located in their respective seats of power in China, Japan, India, Korea and Southeast Asia's Srivijaya, Siam, Malacca, the Majapahit empire, the Khmer empire, and the Sukhotai kingdom. Asian civilizations flourished. Business and government practices were intertwined with the teachings of Hinduism, Buddhism, Confucianism, Taoism, and other Asian spiritual and philosophical sages and elders. Later on, Islamic and Christian proverbs and insights also found their way into Asian business practices.

The fusion of business-government-society values became the basis for ethical relationships and community giving not only between individual and society, citizen and government, but also between buyers and sellers. For instance, Confucius, in one of his famous one-liners, said, "If one's actions are motivated only by profit, one will have many enemies." While in India, Buddha philosophized on the social compact between business and society in the following quotation: "Look back at your business and life, at their end, and honestly say that the years of doing business have had some meaning. We should be able to look back and see that

we have conducted ourselves and our business in a way that had some lasting meaning and which left some good mark on the world." We begin and end this paper with these two Asian quotations.

Capitalism replaced feudalism in the global economy of the 20th century. European colonizers gave their Asian colonies independence and the United States of America emerged as the new power in the Asia Pacific region. America promoted the tenets of capitalism in Asia with its capitalist headquarters in the Philippines, its prized Asian commonwealth possession. In line with capitalist ideals, Northeast Asian countries implemented import-substitution industrialization (ISI) policies which allowed them to move from agriculture-based businesses to heavy industries that gave them a comparative advantage with the west. Korean *chaebols* like Daewoo and Hyundai and Japanese conglomerates such as Honda, NEC, Toyota, Suzuki, and Mitsubishi were the results of these economic policies. Later on, export-oriented industrialization (EOI) policies supported by both domestic firms and multinational companies further reinforced the capitalist structures that were introduced in Asia.

Investments combined with research and development to create high value added manufacturing, and the consumer rich electronics sector, especially, became key. The results were Asian televisions, computers, VCRs, cameras and radios produced by Sony, Toshiba, Acer, Panasonic and Samsung that out-performed even their western competitors such as IBM, Compact, Zenith and Magnavox. A diversified source of financial capital also grew as the demand for funds to fuel investment and trade increased. Japanese, Korean, Taiwanese, Hong Kong, Singaporean and Indian banks worked in tandem with western financial institutions to support businesses in the region (see Selwyn, 1992; Sekimoto, 1994; Wokutch and Shepard, 1999).

A. The Asian Business Miracle Period (1965-1996)

> In the *Art of War*, Asian philosopher-strategist, Sun Tzu said: "A leader who takes on the role of the commander, without understanding the strategy of warfare, invites defeat."

> In *Capitalism and Freedom*, distinguished U.S. economist Milton Friedman called CSR a "fundamentally subversive doctrine in a free society. In such a society, there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud."

Are Chinese sage Sun Tzu and U.S. economist Milton Friedman in intellectual harmony? Apparently yes, since in Asia especially during its "renaissance" years, Sun Tzu's appeal extended beyond the military realm into the world of business. Because business by definition deals with competition, Asia's business leaders claimed that Sun Tzu's principles are ideally suited to competitive business situations. Because business, like warfare, is a contest of wills, dynamic and fast-paced, based on both morale and machines, dealing with the effective and efficient use of scarce resources. And as with Milton Friedman's ideals, many business people across the globe found value in Sun Tzu's teachings. *Sun-tzu ping-fa* (Sun

Tzu's *The Art of War*) although written more than 2,000 years ago, is still one of the most important works on the subject of Asian military and business strategy today. Penned by Sun Wu, Chinese general to the state of Wu, *The Art of War* was intended only for the military elite of his time period. However, Sun Tzu's teachings would later be absorbed by others of influence—from the fearless samurai in feudal Japan to the shrewd business leaders of the 21st century.

Hence, a long period of robust economic and business growth preceded the implementation of ISI and EOI policies in East Asia. Disciples of Friedman's school of thought argued further that companies are only liable for social development through the many taxes they pay to government. Firms should not allow themselves to be distracted from profit maximization. If business wishes to contribute beyond what it gives to government for social spending, companies could also opt to channel philanthropy to not-for-profit organizations and foundations that will allow them to write off their contributions against their tax liabilities.

The Asian corporatist model of growth created Japan, Inc., Korea, Inc., Taiwan, Inc., Singapore, Inc., and Hong Kong, Inc. Businesses were able to influence policies through deliberation councils like Japan's Ministry of International Trade and Industry, the Singapore National Wages Council, the Vietnam Chamber of Commerce and Industry and the Malaysia Business Council. Government's role was to create the physical infrastructure for the smooth operation of business, like roads and bridges, transportation, communications, airports, ports, terminals, special economic zones, and techno parks (see Campos and Gonzalez, 1997; Campos and Taschereau, 1997). However, sub-contracting the work to businesses created opportunities for public-private sector collaboration. Public-private partnerships through build-operate transfer (BOT) schemes became the key and this approach eventually helped breed Asia's business tigers and dragons.

During this Asian economic miracle period, CSR strategies concentrated on tackling social development issues such as human rights, political rights, labor and employee rights, occupational health and safety, and women's rights issues at the firm level but mostly at the national levels of operations or governance (see Roberts, 1994; Shrvastava, 1995; Sethi and Steidlmeier, 1995; Naya and Tan, 1996). Business provided tax-deductible philanthropic support directly to community beneficiaries on their own by sponsoring charities, raffles, beauty pageants, sports events, training, art exhibits or through civil society groups like religious organizations, hospitals, churches, temples, mosques, orphanages, elderly homes, homeless shelters, food banks, unions, schools, and clan and ethnic associations (see Rufino, 2000).

In the late 1960s, a group of 50 Philippine CEOs took on the challenge and formed Philippine Business for Social Progress (PBSP) to finance community and social development projects. In Thailand, at the height of the miracle, a network of local and international hotels and restaurants led by the Pan Pacific formed a consortium that launched the Youth Career Development Program in 1995. PT Astra International (Indonesia) tied up with Toyota (Japan) to

provide student scholarships, help small entrepreneurs run car maintenance classes, and provide teaching aids for schools. This intra-Asian business philanthropy partnership also financed the restoration of Borobudur, Indonesia's most famous temple.

However, these were not large-scale efforts since many companies continued to adhere to Friedman and Sun Tzu's principles of business—social development was not the responsibility of corporations. Genuine socio-economic initiatives were curtailed by repressive regimes in the Philippines, Indonesia, Malaysia, Singapore, Korea, Taiwan, Thailand, Sri Lanka, Pakistan, Bangladesh and China. Governments were afraid that citizens would think that they were not doing their work—providing public services, welfare, and social development. The trickle down of wealth from business through the taxes the business sector paid to government went toward rural development and poverty reduction.

B. The Asian Economic Crisis situation (1997-2000)

During the height of the East Asian crisis, concerns about the relative size and magnitude of graft, corruption, and the lack of transparency, predictability and rule of law were revealed in Indonesia, Thailand, Japan, and Korea. Moreover, the crisis threw cold water on the "growth with equity" arguments. Was there really income redistribution? Many people in East Asia felt some form of "trickle down" of economic rewards. But it seemed that the main beneficiaries were still selected segment of society—the traditional political elites, the greedy economic warlords, well-connected wealthy ethnic Chinese immigrants, and established families and their conglomerates. One thing is for certain—all over East Asia, those who suffered the most devastating effects of the politico-economic crisis were those on the lower rungs of society. In essence, the crisis forced a reconfiguration of the relationship between and among business, government, and civil society stakeholders of social development. Civil society emerged as an integral partner of development and not just a beneficiary or social welfare recipient. Corporations realigned their business models and operations to increase competitiveness and perform more risk analysis and forecasting.

Consequently, local and foreign firms adjusted their CSR strategies, moving up the company hierarchy from a more employee-relations emphasis to deal with ethical practices in their boardrooms (see Jomo, 1998; Asiaweek, 2001; Charumilind, 2002; Hanazaki et al., 2003). Shareholders were calling for improvements in public transactions and corporate board governance. The Confucian saying, "If one's actions are motivated only by profit, one will have many enemies," seemed to challenge the assumptions of Sun Tzu and Milton Friedman in the boardroom. Moreover, corporations began to re-examine their view of business' contribution to social development as simply being philanthropies to civil society and tax payments to government. In addition, they had to undertake "codes of responsibility" towards the environment and social safety nets, and for the visually, physically, mentally and socially challenged members of the community. They also began to give less to building physical infrastructures and more to building capacity and institutional devel-

opment programs, like CSR-oriented training, incentives, conferences, certifications and workshops.

In Bangkok, the Stock Exchange of Thailand (SET) and the Securities and Exchange Commission (SEC) adopted 15 core principles of corporate governance that it would monitor, from protecting shareholder rights to revised board responsibilities. The SET and SEC pledged to reduce fees for listed companies and expedite regulatory procedures for firms with good governance. Asia's business sector also supported moves to make host governments more efficient, responsive and accountable, especially vis-à-vis relations with firms. For instance, the Makati Business Club (MBC), an organization of 400 of the Philippines' top corporations, allied with advocacy groups (Social Weather Station and Philippine Center for Policy Studies), the media (Philippine Center for Investigative Journalism), and the US-based Asia Foundation, to establish the "Transparent Accountable Governance" Project.

In the late 1990s, South Korean *chaebol*, Samsung, established the Institute for Environmental Technology through which the company or one of its affiliates selects a river, lake or mountain and then undertakes the responsibility to keep it pollution-free. In Japan, corporate community investment is exemplified by Cable & Wireless' partnership with the Tokyo-based Center for Active Community (CAC) and international consultancy and think-tank, SustainAbility, which developed a strategic community investment program that has a close link with both core business objectives and also the needs and requirements of Japan's local communities. Some Asian companies and Asia-based MNCs have also turned to ISO 14001 and Social Accountability 8000 certifications, which evaluate compliance to ethical environmental and employment standards. Others have even raised the bar to subscribe to the UN Global Compact, ILO conventions, OECD Guidelines for Multinational Enterprises, the ISO 14000 Series, Accountability 1000, the Global Reporting Initiative, the Global Sullivan Principles, and even the latest AA1000S Assurance Standard, the first international standard developed to help ensure quality in corporate social and environmental reporting (Nair, 2001; Mosher, 2003).

C. Asian Business in Recovery (2001–present)

Economically, Asian economies account for more than half of the annual growth in world trade, drawing in a significant portion of global business. Asia's growth is led by China, which is now the seventh largest economy in the world and is set to overtake Germany and Japan within the next two decades according to economic forecasters. Some of Asia's companies (e.g., Mitsui, Itochu, Mitsubishi, Toyota, Marubeni) have gross sales exceeding the GNP of some developing countries (e.g., Singapore, New Zealand, Pakistan, Portugal, Venezuela, and Egypt). In terms of finance, Japan's Sumitomo Bank had higher gross sales than U.S.-based Citicorp in 2001. The Asian market is comprised of more than three billion persons, representing more than 55 percent of the total population of the 185 members of the UN, or three-fifths of the world's population. China and India head counts combined alone account for two-fifths of the global population. Asia is also a major global source of cheap labor and raw

materials. *Global Competitiveness Report* data shows Asian companies as the most reliable sources of competent managers (i.e., Philippines, India, Hong Kong, Singapore) and as having quality skilled laborers (i.e., India, China, Philippines). Global business is so tied to Asia that the last global recession was precipitated by the Asian financial crisis with the collapse of the high-performing East Asian economies.

Paradoxically, Asia is the home of some of the poorest economies and populations in the world. In a 2001 *International Survey Research* report on employee satisfaction, some of Asia's companies have received the lowest ratings. In the last 2003 overall rankings for global competitiveness, business competitiveness and microeconomic competitiveness rankings, only four Asian countries (Singapore, Japan, Taiwan, Hong Kong SAR) landed in the top 20 based on survey ratings of the global business community. Many Asian countries, such as Thailand and Indonesia, are placed at the bottom of the CSR scale when evaluated on criteria such as shareholder rights, social responsibility and insider trading. An examination of Asia's gini coefficients, poverty indexes, and other income inequality measures shows very weak performances by countries from South Asia, especially. Social improvement in Asia, therefore, is still urgent business.

Democratization in Asia created a higher degree of confidence for civil society organizations in terms of engaging the business and government, hence, creating greater avenues for a multi-stakeholder partnership between and among government, business, and civil society stakeholders of social development. The recovery and continued growth of Asia can no longer just be hinged on the business sector or public-private partnerships as learned from the past. Civil society groups need to be involved. Local and international businesses in Asia have also learned that dealing directly with civil society organizations could give them both social and financial returns. After all, new business models call for greater reliance on their suppliers and outsourcing agents. But most of all, corporations have discovered there is a large untapped market at the base of the societal pyramid. With the right products, one could make significant profits from Asia's poor.

It is not surprising that during this Asian business and economy recovery period the focus of CSR strategies has been on sustaining the relatively successful short term milestones in the first years of the new millennium. Reinforcing these gains requires further re-examination of past CSR approaches and the introduction of new ones relating to corporate citizenship, business transparency and openness, socially responsible investments, and a deeper commitment to community-level social development. The crisis situation further motivated political and business leaders to have the will to implement the many laws and policies that encouraged CSR. These legal "motivators" included the following:

In the Philippines, the inspiring 1986 People Power revolution and the rise of non-governmental organizations (NGOs), the overwhelming approval of the 1987 Constitution, the unprecedented enactment of the 1991 Local Government Code and Build-Operate-Transfer Law of 1993, and the implementation of the pro-people Philippine National

Development Plan: Directions for the 21st Century (1998) were crucial events that made a significant impact on the interaction of groups representing Philippine government, business and civil society. These came after decades of suppression under martial law and heavy centralized control by the national government.

Similarly in Thailand the landmark passage of the Tambol Authority Organization (TAO) Act of 1994, the enthusiastic approval of the 1997 New Thai Constitution, the swift launching of the Eighth National Economic and Social Development Plan (1997), and the recent passage of the National Decentralization Act (1999) were critical turning points that enhanced power sharing among the public, private, and civil society sectors. A major result of these legislations is increased citizen-business partnership, most notably at the sub-district level (*tambon*). A progressive, charismatic Senator, Mechai Viravaidya, moved to create the country's largest civil society-business poverty alleviation partnership through the Population and Community Development Association (PDA)'s Thai Business Initiative in Rural Development (TBIRD).

In Indonesia, post-Soeharto leaders calling for "reformasi" have moved for greater citizen participation in the political process and deregulated the business sector. Local assemblies, which have not had much power in the past, are gaining greater importance especially in terms of addressing concerns at the regional level. The central government used to corner a large majority of revenues earmarked for subsidies to failing public enterprises, to the dismay of businesses who were major taxpayers. The Ministry of Finance has initiated moves to devolve more than 50 percent of financial resources from a virtual national government monopoly position to the coffers of provinces and districts as well as to provide more incentives for small and medium enterprises. National legislation helping to ensure further fiscal and administrative devolution include: Law No. 22 (1999) on regional government, Law No. 25 (1999) on fiscal balance, and Law No. 34 (2000) on regional taxes and levies.

Findings from content analysis of four major CSR conferences in Asia for 2003 revealed that local and foreign companies have continuously been applying varying modes of CSR, from employee relations to product and process responsibility to community involvement (see Koh, 2002; Limpaphayom, 2002; Roman, 2002; Shinawatra, 2002; Tong, 2002; Wong and Jomo, 2002; Young, 2002; Mosher, 2003; Wiriyapong, 2003). This further illustrates the resolve of the Asian business community to implement CSR policies not just at the national level but also at the level of local communities and firms. Hence, the first "CSR in Asia Conference" for 2003 was held March 26–27 in Kuala Lumpur, Malaysia. It was sponsored by the International Centre for Corporate Social Responsibility at Nottingham University in the United Kingdom. Presenters ranged from Glaxo Smithkline, Affin Bank (Malaysia), Rolls Royce, and the Malaysian Securities and Exchange Commission. The panel topics ranged from the elimination of child labor practices in the soccer industry in Sialkot, Pakistan to online CSR reporting and monitoring practices in Japan, Malaysia, and India.

The second major conference was the Third Asia Corporate Governance Conference held May 15–16, 2003, in Seoul, South Korea, as a collaborative effort between the Asian Institute of Corporate Governance at Korea University and Yale University's International Institute for Corporate Governance. This conference built on the themes from the previous two conferences on global corporate governance. The discussions covered areas from disclosure and corporate governance issues in Hong Kong and Korea to decentralization on Chinese, Japanese, and Malaysia corporate boards

The third major CSR gathering in Asia, the "Asia Forum on Corporate Social Responsibility," was held in Bangkok, Thailand September 18–20, 2003. This largest gathering of CSR practitioners and researchers in Asia was co-hosted by the Manila-based Asian Institute of Management's Ramon V. del Rosario, Sr., Center for Corporate Responsibility and the Population and Community Development Association of Thailand. More than 400 participants from business, government and civil society made presentations of best practices on how collaboration led to bottom line benefits using innovative techniques. CSR awards were given to innovative projects dealing with environmental excellence, best CSR policies, support and improvement of education, and extent of poverty alleviation. Nestle Philippines and Union Cement won awards in the proactive CSR solutions category.

This meeting was followed a week later by yet another Asia regional CSR conference, themed "The Ethical Corporation Asia 2003 Conference," in Singapore. At this fourth CSR gathering, companies like Sony, the Gap, Hewlett Packard, the Tata Group (India), BASF, Premier Oil, British American Tobacco (Malaysia), Standard Chartered Bank, NEC Corporation, DHL Worldwide Express, Ballarpur Industries (India), The Rainforest Alliance, and Citibank shared experiences on how incorporating a CSR strategy in Asian markets could positively impact shareholder value by making a real difference in company environmental, social, and regulatory compliance policies.

The challenge is to balance three philosophical tenets: firstly, the tenacity and aggressiveness of Sun Tzu at the factory and on the frontlines; secondly, the wisdom and ethics of Confucius in the boardroom; and thirdly, the harmony and compassion of Buddha and the Dalai Lama with regards to the community-consumer. The examination of these three critical operating contexts of CSR and social development is Asia have emphasized that company-community collaboration has always been present in CSR strategies from the Asian miracle period to the Asian crisis years. However, the recent 2003 meetings of professors and practitioners of business and CSR have revealed that the toughest course is at another level of engagement between business and civil society—it is how to operate responsibly without looking at persons at the bottom of the pyramid as simply "profit centers." Institutionalizing "giving back to society" beyond the traditional philanthropic modes is the business of business. Moreover, the direct impact of CSR on social development is difficult to measure.

III. Community-Corporation Collaboration and Social Development

At the height of Asia's regional economic boom groups representing civil society became critical partners in socio-economic development governance. Their expansion was bolstered by many factors including the generous shift of financial and other resources from governmental to non-governmental organizations. Support was being channeled from all levels—national, regional, and international. Organized groups, representing segments of Asia's non-government sector like non-governmental organizations (NGOs), community-based organizations (CBOs), and private voluntary organizations (PVOs) often became useful alternative service delivery agents, especially in the provision of health care and agricultural extension services. Many also became strong political advocates of women's rights, environmental and social action, human rights, and consumer issues. Tired of the dominance of "big business" and multinational interests, some NGOs even focused on entrepreneurship and financing targeted at assisting the growth of small and medium enterprises (SMEs) and community-based credit cooperatives. Compared to their government and commercial sector counterparts, groups in the Asian civil society sector concentrated their operations in areas beyond trade, investment, infrastructure, finance, and other economic issues. South, Northeast, Southeast Asian NGOs, CBOs, and PVOs delved into poverty, human settlements, equity, education, health, population, and the environment, including many other social concerns.

Driven in theory and practice by local, regional and international development agencies, research and academic institutions, governmental organizations and community groups, "civil society" and "sustainable human development" became buzzwords of the 1990s in Asia. Despite this trend, some Asian governments took cautious stands and closely monitored the development activities of civil society groups. This was especially relevant for those Asian countries with NGOs suspected by state internal security agencies of being radical fronts for extra-legal and destabilizing political and social changes, as in Singapore and Sri Lanka. This was also true in countries where the challenge of ensuring racial harmony was particularly dominant. In order to emulate the NGOs' ad hoc nature which seemed to give them greater flexibility, responsiveness and trust at the community level, a number of Asian governmental institutions set-up Government-Run or Initiated NGOs, also popularly known as GRINGOs. Just like the government, many Asian businesses were suspicious of NGOs. Nevertheless, there were companies in the business sector who learned to build alliances with them as part of their corporate governance and community outreach strategies.

2003 Asia CSR Bangkok Conference award winner, Philippine-based Figaro Coffee Company Chief Executive Officer Chit Juan said:

> "The commitment of a company to social responsibilities is a major driving force. Establishing a corporate culture that espouses values and programs that go beyond the norms of business inculcates trust and pride for one's organization,

which in turn propels it to greater heights. Companies which are driven by absolute commitment to their targeted publics—including the communities they serve—are truly those worth emulating" (Business World, 2003).

CEO Chit Juan's thoughts reveal the many avenues for community-level partnerships between business and civil society entities towards social development. Hence, this section of the research is devoted to a fresh examination of company-community collaboration. It attempts to respond to the following questions: Why partner with civil society for social development? Who are the CCC stakeholders? What mix of assets do they bring to the CCC? What commitments can they make? What organizational, process, structural and policy dynamics, and what culture, exists? What kind of partnerships can be developed between corporations, government and communities in the context of CSR? What kind of partnerships can be developed between corporations, government, NGOs and civil society?

Although not a large scale trend yet, as emphasized in the conference analyses done in the previous sections of the paper, new configurations of community-corporation partnerships towards social development seem to be emerging in Asia. This section of the paper discusses these new and innovative mechanisms and arrangements that members of the Asian business community are experimenting with vis-à-vis Asian civil society.

A. What Benefits Exist for Company-community Collaboration?

Historical evidence shows that in Asia actors in any one sector, operating independently, do not have all of the needed resources, all of the public faith and confidence, or all of the knowledge to address social development issues effectively. Hence, when stakeholders from Asia's business and civil society sectors align together, the social development concern is more likely to be addressed in a way that is effective, responsive, economical, and sustainable. Power over social development issues is held by a great variety of individuals and organizations. The media, religious organizations, community groups, employees, entrepreneurs, and corporate bureaucrats all hold some level of influence and shape public concerns. There are many factors pushing these community and business actors to operate in opposition to one another, taking competing views and positions and playing adversarial roles, as will be elaborated on later. However, past experience from India and Bangladesh in South Asia to the Philippines and Thailand in Southeast Asia has demonstrated that more can be achieved by harnessing the strengths of various players and aligning multiple centers of power around an issue than by fragmenting the available resources and competing for power.

From the citizens' side, the regional economic crisis and recovery periods exposed the fact that Asians live in a rapidly changing, interconnected and unpredictably globalizing and regionalizing environment. Increased access to education and the internet has empowered more Asians with the skills and knowledge to choose their own futures, and to ensure that Asian businesses, governments, and civil societies fulfill their

promises. All of these factors combine to dramatically alter the context in which social development is defined and delivered.

Not only have social concerns in Asia taken on a new complexity and interconnectedness, the methods to address these concerns are of necessity changing too. Sources of power and legitimacy to address public issues are increasingly fractured. Asians no longer live in a region where the nation-state is regarded as the sole legitimate decision-making actor in social development. In fact, the number of domains in which governments can credibly claim to hold overwhelming pre-eminence in terms of power, authority and influence are experiencing a relative decline especially with the rise of the private and civil society sectors.

The benefits for both Asian companies and communities are plentiful. As alluded to earlier, for domestic and international companies, there are tax-write offs, market penetration, social advertising and risk mitigation incentives, among others. These have a direct impact on business' bottom line—revenues. Civil society organizations benefit from the sustained flow of supplemental financial resources, material donations, more "warm bodies" as supporters, lobbying credibility, social marketing visibility, and strategic thinking. These have a direct impact on civil society's bottom line—societal change.

B. Who are the Actors Representing Business and Civil Society in Social Development?

Community, or the civil society sector, is represented by: individual consumers or citizens, nongovernmental organizations (NGOs), community-based organizations (CBOs), private voluntary organizations (PVOs), advocacy groups, public or special interest groups, academic and research institutions, media, religious organizations, women's groups, labor unions, human rights, environmental, student associations, family and clan associations, ethnic and indigenous groups, youth clubs, sports teams, foundations, citizen's committees, urban poor organizations, farmers and fishermen associations, training and education organizations, and more. Examples of CSR-oriented civil society organizations in Asia that are doing work with corporations are found in Annex A. These organizations have had relatively long histories of partnership with business.

Corporations, or the Business Sector, are represented by: individual firms proprietorships, entrepreneurs, multinational corporations and their subsidiaries, chambers of commerce, small and medium enterprises (SMEs), local business, trade, credit unions, savings and loan associations, investment companies, banks and other financial institutions, marketing and advertising firms, investment associations and cooperatives, utilities (energy, water, power) cooperatives, internet business, business councils, and similar organizations. Examples of CSR-oriented business organizations in Asia that are doing work with local communities are found in Annex A. These business associations have had relatively long histories of partnership with civil society groups. Annex B lists multi-national corporations operating in Asia that have made a commitment to CSR. These organizations have had

histories of partnership with civil society.

There are a number of ongoing partnerships between business and civil society organizations for social development at the community level from which lessons were culled for this research:

Indonesia: Beginning two decades ago, a primary school-based intestinal worm control program that covers some 700 schools with 180,000 students has been in place in Jakarta and at a number of schools on Seribu Island in the bay of North Jakarta. Behind the success of this program is Yayasan Kusuma Buana (YKB), an NGO working on maternal and child health and reproductive health aimed at the middle-lower income community in Jakarta, Indonesia. YKB partnered with Pfizer, Inc., a U.S.-based pharmaceutical company, which produces anthelmintics (deworming drugs). The civil society-MNC partnership conducted the following: (1) health education for students, teachers and parents on the intestinal worm problem and how to prevent it, (2) twice a year stool examinations, and (3) treatment for those infected by the worms.

Thailand: One of the most well developed and successful CSR programs in the Southeast Asian region, involving hundreds of private firms, has been the Thai Business Initiative in Rural Development (TBIRD) by the Population and Community Development Association (PDA). PDA began operations in 1974 by promoting family planning in urban and rural areas of Thailand. Using a participatory community-based approach, PDA's family planning efforts helped to reduce Thailand's population growth rate from 3.2 percent in 1970 to less than 1 percent today, a success recognized worldwide. PDA has since expanded operations to include primary health care, AIDS prevention, education, gender equality and democracy, promotion of income-generating activities, small and medium enterprises and rural industries, forestry and environmental conservation, water resources development and sanitation, etc. For many years, PDA has worked together with private companies on development of the poorer regions and social strata of Thailand. PDA is one of the pioneers in "privatization of poverty reduction," a concept based on the premise that only private sector companies can lift up people's natural environment and socio-economic living conditions in countries such as Thailand. Private companies have more of the necessary human, technological, marketing and financial resources than most governments or NGOs, a small part of which they could make available to the development of the countries they operate in.

Singapore: Singapore Telecom (one of Singapore's major government-linked companies) has contributed to the betterment of the lives of less privileged Singaporeans and to overall human resource development in Singapore. Singapore Telecom (SingTel) believes in playing an active role in supporting the community and social development of Singapore. It set up the Touching the Lives Fund in 2002. This Fund, the largest philanthropy project in the company's history, supports children's charities. SingTel has partnered with members of the National Council of Social Services such as the

Rainbow Center, Singapore School for the Deaf, Singapore School for Visually Handicapped, Spastic Children's Association School and Singapore Children's Society. Contributions from the fund go towards helping the beneficiaries run programs which include education, training and therapy for children with disabilities.

Bangladesh: The Bangladesh Freedom Foundation was launched in 1999 along community foundation lines with the support of the Ford Foundation. Its mission is to promote three fundamental freedoms in Bangladesh: freedom from poverty, freedom from ignorance, and freedom from oppression. It works through partnerships with civil society groups and organizations, and by supporting programs that strengthen civic initiatives and citizens' participation.

India: India has two community foundations, one in Mumbai (Bombay) and the other in Ahmedabad. The Bombay Community Public Trust was established in 1991 by the directors of the Centre for the Advancement of Philanthropy. The second community foundation, the Ahmedabad Community Foundation, was formed with the support of The Ford Foundation in 2001. Sampradaan Indian Centre for Philanthropy is actively researching and promoting the community foundation concept. Other efforts to develop new community foundations are underway, and more community foundations may result.

Japan: There are two community foundations in Japan. The first, the Osaka Community Foundation, was established in 1991 with the support of the local chamber of commerce. The second was formed by a group of volunteers in Kobe in the wake of the Great Hanshin/Awaji Earthquake. The Citizens Fund of Kobe is part of the growing nonprofit movement in Japan to increase local support for the emerging voluntary sector.

Philippines: The Kabalaka (Concern) Development Foundation of Negros Occidental has determined to transform itself into a community foundation. A research survey is being conducted to identify other foundations with community foundation-like characteristics, in preparation for a community foundation development program in the Philippines.

C. What Assets or Commitments does Each Collaborator Gain?

When a CCC in Asia is formed, each actor from business and civil society brings to the new relationship a set of assets and commitments. These assets and commitments become the foundation for negotiation, communication, agreement, and engagement. Sans a formal contract, in most cases, their exchanges and discussions become the terms of reference for the collaboration. They could be clustered into the following categories:

— **Physical** - financial, technical, and material resources
— **Organizational** - personnel, structure, leadership, capacity to manage, plan, implement, monitor, evaluate and train
— **Political** - power, authority, influence, legitimacy, lobbying, access

— **Intellectual** - knowledge or know-how in certain fields of expertise
— **Socio-cultural** - feelings/spirit of trust, networks, social bonds, friendship and willingness to collaborate, community traditions, ideals or values

CCCs recognize that businesses and communities in Asia are endowed with a mix of all five types of assets, although it seems that in actual practice each is only able to make commitments and contributions of certain kinds of assets to any given CCC. The mix of contributions and commitments varies depending on the nature of the social development problem, the particular context and timing, the capacities of the various representatives, the amount of money and the degree of commitment needed.

Companies or businesses could make asset contributions or take on responsibilities in all five areas towards social development in Asia. In terms of political commitments, corporations could leverage for business-related policies and legislation by campaign contributions to legislators. They play money politics to gain favors from politicians. They are also good at doing political risk analysis as advice to investors, clients, and citizens. Intellectual information and intellectual property rights are power. Entrepreneurs are also very product- and service-oriented, and they have the skills and acumen to make money. Their business models always incorporate competitive strategies.

The two strongest areas for corporate sector partners are in physical assets and organizational commitments. In terms of physical assets, business brings to the partnerships vital financial resources, investments, donations, employees, materials and supplies. In addition, the institutionalization of funding support through diverse sources has always been a challenge for civil society organizations. Business persons are also steeped in organizational capital like transformational leadership, strategic thinking, entrepreneurial skills, formal networking, results and profit-driven management, performance-based product marketing, market survey and analysis, budgeting and accounting skills, shareholder accountability, and niche advertising. These entrepreneurial skills and the technical know-how required to mobilize local financial resources, which are critical to sustaining community development, are something that civil society groups could learn from the business sector.

In the same way, the civil society or communities could make credible commitments and resource contributions in all five areas towards social development in Asia. But their strongest asset is their ability to harness grassroots socio-cultural commitments, from individuals to families, from relatives to friends, urban poor to rural farmers, marginalized to indigenous groups, youth to women organizations, and from NGOs to PVOs. Civil society groups are adept at social relations, informal networks, kinship ties, emotional commitment, local traditions, beliefs, customs and practices that promote and produce community self-help as well as a self-reliant attitude and behavior. They bring with them a knowledge from history, traditions, customs and beliefs, including wisdom, ethics, and values from the spiritual teachings

ranging from Confucius to those of their ancestors.

Their next strongest trait is political capital—which is essentially transforming the emotions of a self-help attitude into lobbying, advocacy, and representation for social issues which affect the poor, common folk, marginalized groups, and indigenous and ethnic communities. Civil society organizations also bring to the collaboration intellectual assets, including the wisdom of village elders, and indigenous methods and ways of doing things. Certain communities are also naturally endowed with physical resources like raw materials and skilled labor.

Organizationally, civil society brings strong community-based networking techniques, an ad-hoc structure but still a task oriented approach, community-based education and training, and social marketing and communications. Its members are very comfortable interacting with grassroots representatives but, just like businesses, civil societies tend to be weak when it comes to ensuring political stability and institutionalization, and often lack authority and administrative capacity. Additionally, civil society does not have the legal, judicial or regulatory authority to require the business community to be more accountable and responsible, which is best accomplished by government agencies or quasi-judicial authorities; thus, we are led to the role of government in company-community alliances.

Based on this rich inventory of assets, Asian corporations and communities have the potential for mutually beneficial exchanges. The incentives for businesses in joining CCCs are, in addition to tax write-offs, non-monetary dividends like increased market penetration, expanded word of mouth advertising, accumulated emotional appeal, gain in community allies and networks, and access to local preferences and information. Communities get access to supplemental funds, materials, expensive technology and advertising, risk analysis and financial management skills, boardroom audience, and possibly, respect. There is also the potential for getting their social message out, gaining corporate allies from firms to clients, and acquiring strategic planning and implementation skills.

D. Is There a Role for Government in CCCs?

There is a critical role for Asian governments, from the municipal to the national levels, in CCCs since the business and civil society sectors can not provide political legitimacy or institutional security, which are best done by government bureaucracies or public enterprises. Many private corporations cannot guarantee social equity and economic rationality. In fact, many of the Asian CSR experiences during the crisis period showed that the market, left solely on its own, tended to generate economic and income inequalities. Hence, there becomes a compelling need for the civil society and government sectors to jointly check and balance the operations of the free market with regulatory activities and programs that reduce these socio-economic inequities. Hence, there is still a significant role for government or the public sector in CCCs.

In terms of physical assets, government's role is clear—to be the primary provider of social service and development especially among the developing countries of Asia. This is

what is expected of them by citizens and corporations who see themselves as supplementing government but not replacing it in this respect. It has the power to reallocate taxes and other sources of public revenues towards social infrastructure, welfare, the environment, health, and other community concerns at all levels of governance. Organizationally, public agencies have the capacity to do formal linkaging and coordination across the various levels of government and into the realms of the private and civil society sectors. They provide the bureaucratic structure, creation of rules, procedures, and directives to carry out efficient and effective political, economic, and social development programs.

Intellectually, civil servants, legislators, politicians, and judges have the mastery of relevant laws, policies, and legal and institutional technical expertise in specific areas of development. They are also the repository of socio-cultural capital, like government ideals, values, ideology, patriotic fervor, respect for flag, country and rule of law—which build community cohesion, loyalty, cooperation, collaboration, civic mindedness, and democratic practices. But most all, CCCs may lack an understanding and expertise in the law, regulations, procedures, and requisite bureaucracy. At this point, government is expected to provide political leadership, will, and support, as well as formal authority, access to the political system, internal political and administrative influence and control, and law-making. Hence, certain, if not all, CSR-oriented social development strategies might well benefit from a multi-stakeholder partnership, involving not only business and civil society, but government as well.

IV. Challenges and Barriers to Community-Corporation Collaboration

In the previous section, what was stressed was that there seems to be an inherent logic that, generally, community-corporation partnerships are going to be more participatory, more democratic, more effective, more responsive towards addressing social development concerns in health, environment, labor, sanitation, safe drinking water, child and maternal health, etc. It was also stressed that government will have to play a significant role in CCCs. However, the same research findings shared at the 2002 INDES/Japan Program Workshop in Tokyo and Kobe also revealed some serious barriers to alignments between and among business (private sector), civil society (people sector), and government (public sector). In particular, the discussions at the 2002 Inter-American Development Bank-sponsored conference highlighted that the weakest link among the multi-stakeholder partners was business, especially corporations' connections to civil society and their contributions to social development. Hence, this section of the paper is devoted to the internal and external barriers or "disincentives" to Asian CCC formation, especially the issue of trust and the appropriate role of government in business-civil society partnerships. What are the main obstacles that hinder participation by business in social development? After all, Asian boardrooms and entrepreneurs have been known to possess "conservative" business values. There are many Asians of the "old guard" who still think like Sun Tzu and Milton Friedman. Convincing them "respect-

fully" means appealing to their wisdom and seniority. Despite gains, media coverage, and philosophical impetus, a certain degree of skepticism still exists about the real effectiveness of CCC-CSR in Asian business.

A most compelling issue that cuts across private, public, and people sectors is the inherent lack of trust among partners. Deeply ingrained attitudes of blaming government for its inefficiency, criticizing civil society for its narrow and biased interests, and viewing business as only after its own profit-oriented bottom line do not auger well for strong, supportive relationships among these groups. Additional barriers to effective CCCs and multi-stakeholder partnerships are a strong desire for power and control and the accompanying reluctance to share power. In many cases government actors, after many years of taking the lead, still believe that the people expect them to do so. Besides, it must also be noted that leading also means influencing agenda-setting and implementation. Finally, the comfort and security of maintaining the status quo is a significant force mitigating against the formation of new partnerships, whether CCCs or multi-stakeholder ones.

Initially, it could be a very daunting challenge to change relationships that have historically been based on adversarial roles to ones that are mutually supportive. Asian cases demonstrate that barriers such as these are always present. Creating these innovative collaborative arrangements also has its financial costs although the long-term pay offs are well worth it. Multi-stakeholders seem to work better with certain concerns than with others (for instance, environmental issues). In two books, *Governance Innovations in the Asia-Pacific Region* (Bhatta and Gonzalez, 1998) and *Opting for Partnership* (Gonzalez et al., 2000), I and a number of development colleagues shared the results of the Canada-ASEAN Governance Innovations Network (CAGIN), a four-year project planned and implemented by the Institute On Governance (IOG) and supported largely by the Canadian International Development Agency (CIDA) to evaluate the barriers to partnerships among business, civil society, and government. The findings presented here in this section of the paper build on this extensive research with updated information.

A. Internal and External Concerns: Civil Society in Asia

In Asia, NGOs, CBOs and PVOs are most concerned about their capacity to contribute and commit to a CCC without money. Asian civil society entities feel that if they have no money to place on the table, then they will not be equal and credible partners to the CCC since, to private businesses, funds are a critical indicator of serious intent. (Are NGOs just going to be followers and doers since they do not have the money?) However, Asian not-for-profit organizations are quickly learning that the first step that they need to take, upon establishment, is to make themselves "profitable" and that means financially viable. Many Asian civil society groups also feel that they speak a non-business language, e.g., emotional, critical, social, cultural, supportive, psychological, educational, and environmental. Boards of directors of Asian companies, especially those from the traditional school who

are steeped in the Sun Tzu and the Milton Friedman principles of business, are not interested in listening to sales pitches by young, dynamic, passionate civil society representatives who use non-business discourse. Senior company directors and regional managers believe that unless what civil society has to say will directly affect revenues, then NGOs have no business telling them how to run private businesses.

Asian NGOs and CBOs are used to using ad-hoc, informal, and task oriented approaches to everyday operations. Conversely, corporate inter-office dynamics in Asia utilize formal, bureaucratic hierarchies and processes in their daily transactions, including firm superior-subordinate relationships. How could these two operating settings mix? Although marked improvements have been made, there is still a gender divide in civil society and business work. Some argue that the "soft work" done by civil society organizations is for women while the "hard work" of business is for men. Certain segments of the Asian civil society sector lack confidence in their leadership abilities. Some of them think that NGO leadership skills are not counted in the "real world." Some feel that the only leadership acknowledged by the working world comes from either corporate or government experience, there is no in-between. Because of this insecurity, it is unclear who should lead the collaboration.

Cozy relationships between government and business have also been criticized by citizens as corruptive at the expense of society. There is a dearth of literature about these cozy public-private relationships and their result in "iron triangles" and sub-governments. Hence, civil society is wary that any relationship with business could be viewed in the same light. Is a CCC moral or ethical? Another set of questions among local CBOs and NGOs are: Isn't a CCC a western ideal? If so, is it compatible to our country or culture? Maybe we are not there yet. Maybe, our citizens and institutions still lack democratic maturity. Is a CCC simply an MNC's way of co-opting militant groups, especially labor? From the outside, development beneficiaries from the community also have these queries: Does the community partner really have credibility with the local community? Or, is the community partner really a GRINGO (Government-Run or Initiated NGO) or a BINGO (Business-run International NGO)?

B. Internal and External Concerns-Corporations in Asia

What about businesses in Asia? What are their concerns? Although there is a growing trend toward socially responsible investments, many shareholders, managers and boards are still uncomfortable with a number of CCC features (Chen, 2001). A primary concern of businesses in Asia is how a CCC would affect their business models and the profits they have projected over the short, medium, and long term. Another concern is how much the CCC will cost and if there are any financial returns. Time, in business, is equated with money. How many meetings and discussions do senior managers or their representatives have to attend? When are these meetings going to be held since they have business cycles to adhere to and production deadlines to meet? How many CCC meetings will they have to host? Asian business meetings are always

long and costly since food and drinks will have to be served. Will they have to listen to long-winded, impassioned speeches about "business' sins" and how much corporations "owe to society"? If there are tangibles (or intangibles) that they could secure from the relationship, what are they in US dollars, in Indonesian rupiah, in Thai baht, in Philippine pesos, in Singapore dollars? Will they be able to write off contributions against taxes? How much? Will CSR increase the price of shares/stocks? Will the CCC provide the firm with market visibility or consumer advertising? Are the community representatives a part of that particular business' consumer market? Or, are these citizen representatives simply spies working for our competitors or the government? Will civil society representatives reveal too much about our comparative advantages, intellectual property, product secrets, special formulas and processes? There is a broad spectrum of community groups. Which civil society organization should business partner with? Do they have a choice?

Businesses in Asia are also concerned with whether Asian civil society will understand business language: profits, competition, markets, risks, supply and demand, price elasticity, wages, contracts and liabilities. Conversely, corporations are worried about whether they will be able to understand civil society's discourse and rhetoric. Some corporations feel strongly that CSR goes beyond their business operations and consumer responsibility. They end up saying, "Isn't social development something the government does? If so, then doesn't the CCC's mission overlap with government's?" Are there any liabilities/legalities with a formal CCC? Or will an informal CCC work? Will we have to go to court to resolve conflicts or will an arbitrator or mediator suffice? Who assumes losses or cost of litigations should they arise? Asian corporate boards always end up asking these questions, too: Is this new CSR mission linked to our core values? Will we have to redo our core values, our mission, our vision or can this be simply a special project, a fad we hook into right now but which we expect to change sometime in the future? Can we trust these "radicals" who we are partnering with? Is this about human rights again? If they are radicals and this is about human rights, then business is not interested.

C. Governmental Concerns – Social Development is My Turf!

The existence of a CCC cannot escape the purview of government, especially if the entity will deliver social services to citizens. Asian governments may be reluctant to endorse, support, or help institutionalize CCCs due to a number of factors revolving around power and influence. There are many public servants who feel that social and community development is the main reason for the existence of government. This is its traditional role and nobody is perceived at being better at it than them. In other words, Asian governments, especially at the national level, may still be reluctant to share power. They are afraid of losing control, power and influence. Asians are very conscious of gaining and losing "face." In this situation, Asia's "benevolent leaders" will be afraid to lose face. They do not wish to appear weak by

seeking help from a CCC to implement social development. Involving government in a CCC might be misinterpreted as politicians and bureaucrats not wanting to do that which they were elected or appointed to do. In effect they lose credibility among the voters. This might reflect on them in the next election or their next performance evaluation.

Asian legislators and executors are also worried about how they could craft laws that regulate the CCC—which is a new public entity— or whether CCCs should be regulated at all? If their assistance for social development is to be institutionalized, the CCC has to be held accountable for sustainability of results. There is always the temptation to create a GRINGO that could partner with business. In this way, they have an intermediary with government instead of an NGO that might be overly critical of them. CCCs lack a broad geographic and global view of social issues. Government, because of its vast reach and with the help of the internet, has the ability to communicate and coordinate up and down the chain of command faster than some company subsidiaries or civil society field offices. Which government representative, agency, or entity is willing to cooperate with a CCC?

V. Conclusions: Some Lessons for Policy, Research, and Practice

Is there a relationship between CSR and social development in Asia? In a seven-Asian country CSR study (Chambers et al., 2002) performed by the UK-based International Centre for Corporate Social Responsibility at Nottingham University, the research team evaluated the extent of CSR penetration for both local companies and MNCs in Singapore, India, Thailand, the Philippines, Malaysia, South Korea, and Indonesia as well as CSRs' impact on social development, measured as adult literacy and life expectancy. There seemed to be no significant correlation between the two, using macro-level indicators. One interpretation of their data is that even with increasing private sector development, divestiture of government shares, contracting out of public services, and the privatization of state-owned enterprises and the shrinking of the government's share in Asian economies, Asian and Asian-based corporations have not taken on increasing responsibilities to address social development issues at a magnitude comparable to their growth. Another interpretation of their Asian dataset could be that testimonies at the community level are not adequately covered by the statistical aggregation, particularly analyzed on a case-to-case basis. Individual cases have highlighted that there is actually high community satisfaction with the work of CCCs. The succeeding Asia case studies from the Philippines, Thailand, Indonesia, and Singapore will provide strong evidence to this argument.

Nevertheless, this final section concludes with some policy, research, and practical lessons on overcoming these Asian CCC challenges based on the contextual and CCC assessment, including the challenges to effective CCC formation. These conclusions could be used to guide specific policy initiatives to effectively promote and facilitate such partnerships and participation.

From the contextual analysis of Asian experiences, policymakers who wish to replicate lessons from Asia should be cognizant of these three inter-connected motivators:

1. A profitable or competitive business climate and wealth accumulation are necessary preconditions to initiate CSR. This is a clear direction of causality. It is not a 'chicken-and-egg' argument. Profits must accrue first and shareholders must be happy before firms think about "giving back to community" and contemplating issues that conservative Asian boardrooms are not accustomed to, like "human rights" and "environmentally sustainable development." That is what happened during the economic miracle years. From philanthropy to CCCs, increased wealth among Asian corporations allowed them to channel some of their energy and resources into what they saw as areas that only indirectly affect their revenue targets. Even over the centuries of business trends in the region, it is observed that there are still many Asian business leaders who subscribe to the Milton Friedman/Sun Tzu paradigm of profit maximization. Interestingly, even Buddhism points out that making money is acceptable since, "a person who has greater resources can do more good for others than someone who does not." Meanwhile, Hindus believe that "the more the company makes, the more should go back into the dharma." Also, there is a traditional saying in the region that "rice bowl" issues at home need to be addressed first before one can reach out to others. Charity begins at home.

2. CSR culture in Asian business derives from spiritual and philosophical underpinnings. Some Asian firms may look schizophrenic to western observers especially when Asian spirituality is factored into firm operations because they will apply the Milton Friedman/Sun Tzu outlook but also believe in the *karma* of firm altruism. Good fortune charms from golden Buddhas to Hindu images remind them that "kindness begets kindness." Thus, as successful money-makers, Asians know that greed is not good according to the teachings of popular Eastern religions that many of them adhere to such as Buddhism, Islam and Hinduism. Asians are constantly bombarded with this message when they worship, pray, reflect, chant or meditate in the many temples, mosques, churches, and other spiritual sites that are interspersed with their corporate skyscrapers. Moreover, some Asians believe you do not have to be necessarily religious to subscribe to any of these faith-based beliefs. After all, Asia is a mix of "theocratic-fundamentalist states," especially in parts of South Asia and Southwestern Asia, and more moderate religion-influenced states in Northeast Asia and Southeast Asia.

Asian spirituality and philosophy could be covertly or overtly applied to business, leading to CSR. In Malaysia, Bank Muamalat provides banking products and services to all levels of society, based on Islamic Law or Syariah, practicing a banking concept that entails no "*riba*," or no-interest. In Indonesia, the largest Muslim country in the world, the Jakarta Institute of Islamic Finance and Capital and the Islamic Chamber of Commerce ensure that member companies get involved only with *halal* (permissible) activities; hence, non-endorsement of businesses or investments which promote alcohol, pork, gambling, tobacco, armaments, etc.

Confucius, in his proverbs, pointed out that there is nothing wrong with getting wealth as long as the person obtains it in the right way and as long as one proceeds with virtue thereafter. In other words, acts motivated by profit are compatible with Confucian morality if the money is secured in an ethical manner and if some of the earnings are used in a virtuous manner. Hindus believe that managing people toward achieving their higher beings leads to one's business reaping many benefits.

3. CSR requires a legal framework that promotes openness, partnerships, and democratization. It is acknowledged that the regional business environment and philosophical under-pinnings are both critical to overall CSR introduction. How-ever, reinforcing, sustaining and monitoring changes, espe-cially to achieve CCC, can only be accomplished with policies and legislation that encourage changes in firm operations and human behavior. International consultants, multinational companies and development agencies, together with Asian bureaucrats and politicians as part of a larger private sector regional development trend, worked to influence the legal and regulatory environments that included CSR innovations. Government-initiated moves that promoted the CSR activities and interventions described above in Asia included the enactment of business-friendly legislation and laws that encourage partnerships, openness, and a more democratized relationship between and among government, business and civil society actors. In the legal framework, policymakers should:

— **Recognize that CCC is both a CSR process and a CSR product.** As a process, corporate-community cooperation is learned human and organizational behavior. It is powerful especially when business and community stakeholders bring physical, organizational, political, socio-cultural and intellectual commitments. CCC begins at the national and international level with business and civil society representatives wanting to be trained and taught how to coordinate, network, collaborate and share information. At the leadership level, it is corporate CEOs wanting to meet with NGO executive directors (EDs) to partner. It is CEOs, their boards of directors, and share-holders learning to listen to and participate with EDs, their advisory boards, and stakeholders, and vice versa. Side-by-side they address health, environmental, and social development concerns. As a product, CCC emerges as an evolving culture of democratization, openness and transparency. This is a dynamic product that is constantly innovated and replicated.

— **Encourage trust and confidence-building activities since they seem to be the most important components of formal CSR-CCC conceptualization and institution-alization.** Having the political will to want to work together is crucial. However, it takes a certain amount of quality time and interaction among individuals from the prospective organizations, from after-hours drinking sessions at a local bar in Manila, the Philippines, or karaoke singing in Seoul, Korea, to picnics and joint recreational activities at a park or sports club in Jakarta,

Indonesia, or Taipei, Taiwan. Asians are fond of involving families in many of these trust-building activities to create even stronger and longer lasting bonds. Beyond these informal activities which may be difficult to put in a formal policy document are formal business-government-civil society exchanges, conferences, workshops, and retreats which could be budgeted by firms, state agencies, and community-based organizations.

— **Signal to private firms and civil society groups to factor CCC and other CSR interventions into their business models early.** CSR should not be viewed simply as an afterthought or a temporary trend. For new private firms, it should naturally flow from their mission and vision statements as well as their operations, marketing and organizational culture. For older and more developed private companies, it should be "sold" by the board to the workers and be institutionalized. Conversely, NGOs, PVOs and CBOs should also learn about ways to partner with private business early on. Civil society groups must realize that CCCs, as part of their operations, are a more powerful force towards achieving social development than if they were to do it on their own. However, for both stakeholders there is a lot of work to be done.

This paper began with Confucius, and now it ends with Buddha's thoughts on CSR:

Look back at your business and life, at their end, and honestly say that the years of doing business have had some meaning. We should be able to look back and see that we have conducted ourselves and our business in a way that had some lasting meaning and which left some good mark on the world.

It seems, in Asia, this is the ultimate measure of corpo-rate-community cooperation's success.

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ANNEX A

Examples of Domestic Asian Civil Society and Business Organizations with Local and Multinational CSR Partnership Components

Civil society organizations:

Population and Community Development Association (PDA)

Human Rights Congress for Bangladesh Minorities (HRCBM)

Shared Interest in Bangladesh
Automotive Research Association of India
Communications Information Network Association of Japan (CIAJ)
Daiwa Institute of Research (DIR)
Singapore Business and Professional Women's Association (SBPWA)
Indonesian Centre for Women in Politics
Committee for Asian Women (CAW)-Thailand
Christian Children's Fund
Japan Environmental Education Forum
Philippine Business for Social Progress (PBSP)
Catholic Bishop Businessmen's Conference (CBCP)
Nepal Forum of Environmental Journalists (NEFEJ)
Malaysian Nature Society
Pakistan Rural Development Foundation
Youth for Sustainable Development Assembly YSDA – Philippines Inc.
Wildlife and Nature Protection Society of Sri Lanka
KEHATI-The Indonesian Biodiversity Foundation

Business organizations:
China Chamber of Commerce - China Exporter Net
International Executive Council (China)
Swiss-Chinese Chamber of Commerce
All India Biotech Association
All India Manufacturers Organization
All India Printing Ink Manufacturer's Association (AIPIMA)
Confederation of Indian Industry
Brewers Association of Japan
Entrepreneur Association of Tokyo
Philippine Chamber of Commerce and Industry (PCCI)
Production Management Association of the Philippines
Thai Medical Device Suppliers Association
Chambers of Commerce in Taiwan

ANNEX B
Multinational Firms Operating in Asia with CSR "Pledges"

Adidas-Salomon AG
American Express Company
AT&T Corp.
Borders Group, Inc.
British Petroleum

British Telecommunications plc
Cable and Wireless plc
CH2M Hill Companies, Ltd.
Charles Schwab Corporation
ChevronTexaco Corporation
Cisco Systems, Inc.
Citigroup Inc.
Coca-Cola Company
Colgate-Palmolive Company
Deloitte & Touche LLP
Exxon Mobil Corporation
Ford Motor Company
Gap Inc.
Genentech, Inc.
General Motors Corporation
GlaxoSmithKline plc
Hallmark Cards, Inc.
Hewlett-Packard Company
Home Depot, Inc.
IKEA International A/S
Johnson & Johnson
Kmart Corporation
Levi Strauss & Co.
Li & Fung Limited
Maersk Sealand
Mattel, Inc.
McDonald's Corporation
Nestlé
NIKE, Inc.
Odwalla, Inc.
Oracle Corporation
Peet's Coffee & Tea, Inc.
Perry Ellis International, Inc.
Pfizer Inc
Procter & Gamble Company
Shell International
Sony Corporation
Starbucks Corporation
Toys "R" Us, Inc.
Unilever
Source: Business for Social Responsibility (BSR), San Francisco, California, USA.

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Government and Citizen Engagement at the Local Level in Thailand: Nan Municipality's "Roundtables" and "Expert Panels"

by Alex M. Mutebi, Ph.D.

Abstract

This article presents a case on decentralization and citizen participation in local government decision-making in Thailand. Recent developments in Thailand have aimed to decentralize responsibilities and finances to local governments in order for them to deliver services to the citizenry with greater efficiency, social equity, accountability and responsiveness than was the case before the promulgation of the 1997 Constitution. That constitution specifically made public participation an important objective at the local level. In theory, fiscal and democratic decentralization coupled with citizen participation are supposed to translate into local government that not only delivers better services, but one that also engages citizens in the design and implementation of policies, programs and projects. This paper presents the case of how the citizens of Nan municipality—years before the promulgation of the 1997 Constitution—incorporated the use of voluntary citizen "roundtables" and "expert panels" into municipal decision-making, and discusses some of the lessons we can learn from that experience despite major barriers (legal, institutional, financial).

This article presents the case of decentralization and citizen participation in local government decision-making in Thailand. Recent developments in Thailand have aimed to decentralize responsibilities and finances to local governments in order for them to deliver services to the citizenry with greater efficiency, social equity, accountability and responsiveness than was the case before the promulgation of the 1997 Constitution. That constitution specifically made public participation an important objective at the local level. In theory, fiscal and democratic decentralization coupled with citizen participation are supposed to translate into local government that not only delivers better services, but one that also engages citizens in the design and implementation of policies, programs and projects. This paper presents the case of how the citizens of Nan municipality—years before the promulgation of the 1997 Constitution—incorporated the use of voluntary citizen "roundtables" and "expert panels" into municipal decision-making, and discusses some of the lessons we can learn from that experience despite major barriers (legal, institutional, financial).

The northern Thai municipality of Nan undertook a local and innovative response to the policy of the Ministry of the Interior's Fourth Master Plan (1987–1991) which called for the establishment of "community committees" as part of Thailand's early decentralization efforts.

Unlike anywhere else in Thailand, Nan municipal-area residents decided to form their community committees on a cultural basis according to the communities' proximity to and their relationship with their neighborhood's Buddhist temples. In addition, they sought for and were granted exemption from the Interior Ministry to form their Community Committees according to local conditions. In consultation with the municipal authorities, local communities elected chairpersons for their temple-based communities who would volunteer their services without any form of compensation whatsoever. The chairpersons in turn invited other community members and experts to sit on these community groups. In turn, each of the newly created community groups then began setting up roundtables (or panels) to deal with various community issues as well as to try to influence local budget priorities, according to the wishes of the local community.

Today, there are regular "Roundtable" meetings between the Nan municipal authorities and the chairpersons of every community committee. The municipality uses these roundtable meetings to consult regularly with the community on several municipal activities and on policy implementation as well as to encourage community initiatives through public participation. This has reinforced and strengthened Nan municipality communities for which the roundtable technique is now part of the administration's culture and is a practical and valuable initiative that could be replicated with little effort elsewhere in Thailand and perhaps even beyond.

Before a fuller discussion of Nan municipality's experience with roundtables and expert panels, as well as the lessons the case offers, this paper will first provide some context on where Nan Township fits into the wider Thai context. First, the paper provides some relevant data about the recent process of decentralization (reforms and new laws and social services transferred from central to local government). Likewise, additional information on the emerging new framework for citizen participation (new mechanisms and structures of citizen participation at the local level of government) is also provided along with a brief description of Thai civil society. After the presentation of the Nan case, some conclusions and lessons learned are discussed.

1. Context
A. Background Information about Provincial Thailand

Nan municipality is located in Nan Province, the latter a rather sparsely populated mountainous area with a population of approximately half a million people and an area of 11,472,076 square kilometers. The province is divided into 14 districts (*amphoes*) and one sub-district.

Known as Siam until 1939, Thailand is the only Southeast Asian country never to have been taken over by a European power. A bloodless revolution in 1932 led to a constitutional monarchy with a bicameral legislature and an executive branch led by a prime minister. The National Assembly or Rathasapha consists of the Senate or *Wuthisapha* (200 seats; members elected by popular vote to serve four-year terms) and the House of Representatives or Sapha Phuthaen Ratsadon (500 seats; members elected by popular vote to serve four-year terms).

After enjoying the world's highest growth rate from 1985 to 1995—averaging almost 9% annually—increased speculative pressure on Thailand's currency in 1997 led to a massive financial crisis, out of which the country started to emerge a couple of years thereafter. (A table summarizing some basic data is appended as Appendix 1).

Thailand is administratively divided into 79 provinces (excluding Bangkok), of which Nan Province (the site of the case study in this paper) is one.[1] The titular head of each of the various provinces is a governor, who is a permanent official of the Ministry of Interior. Provinces are divided into districts (*amphoe*) each of which is headed by a district officer (*nai amphoe*). The *nai amphoe* is subordinate to the governor of his or her province. Below the districts, are the sub-districts (*tambon*) and villages or hamlets (*muban*) (except in metropolitan areas where there are municipal governments (*tesaban*)). The heads of the sub-districts are called *kamnan* and are elected from village headpersons by members of the sub-district. Village headmen are called *pooyaiban* and are elected by members of their villages. Power flows in a hierarchical formation such that the village headmen are subordinate to the sub-district headpersons, who in turn are subordinate to the district officer. In essence, the relationship between the central government and the provincial- and district-level governments is almost a deconcentrated, principal-agent one, in which the former are field administrative outposts of the latter. This is underscored not only by the fact that the majority of the personnel of provincial and district governments are appointed by the central government, but also by the fact that their budgets are also largely the responsibility of the central government (see section 6).

In terms of society and culture, there are generally three major and significantly different subsystems operating alongside each other throughout the country.[2] One end of the spectrum features Bangkok, which, in general, is highly westernized and has almost all the trappings of a modern society. On the other end of the spectrum, and by far still the largest of the three, is rural Thailand, which is largely still very traditional and quite removed from many of the modern aspects of the urban areas. The third subsystem operates in the provincial towns and cities such as Nan, and falls somewhere between the other two subsystems.

In general, the bigger and more politically and economically important a town is, the more likely that its social structure will mirror that of that of Bangkok. In small municipalities such as Nan, there are essentially three social classes and little class identification. The upper classes consist primarily of two groups. At the very top, are central government bureaucrats who are only indirectly involved with local affairs but who reside locally. Were it that most of these individuals had been assigned to Bangkok, they would most probably fall somewhere in the middle class. Yet, given their positions in various deconcentrated central government organs, these individuals carry out roles comparable to those of the elites and aristocracy in Bangkok. Even today, many provincial people still tend to liken the modern central government to the monarchy and look upon its bureaucrats as delegates of the King.[3]

The rest of the upper class in provincial towns is comprised mostly of townsfolk who have climbed the social ladder to become community leaders, for example, elected municipal officials such as those involved in municipal politics and administration. As is the case in rural Thailand, one's social status in a place like Nan is most probably more dependent on credentials and achievements than on other more abstract measures. The middle class is made up primarily of mercantile, professional, and white-collar labor. The crest of the lower class is comprised of craftsmen and laborers, while unskilled and frequently under- or unemployed labor lies at the bottom. To be sure though, the lines between these groups are less clear and more flexible than they are in Bangkok.

Ethnic Chinese minorities in provincial towns maintain characteristics, social roles and institutions similar to their counterparts in Bangkok and tend to be well represented in the middle- and upper-classes, in part because of their mercantile and political achievements. Nonetheless, the usually clear differentiation between the middle and lower classes that is of great significance in Bangkok is not nearly as important in provincial towns such as Nan. Among the ethnic Thai majority, the same factors that help determine both family structures as well as individual status in the villages are more or less the same in the towns. In general, affairs concerning religion and the Buddhist temple in particular have a more primary role in small towns such as Nan than is the case in Bangkok, although they are still not as important as in rural Thailand.[4] Likewise, individual townsfolk are more likely than villagers to participate in various social and civic organizations beyond the family and community, although not as often as Bangkokians.[5] Indeed, Thailand's civil society today is both large and diverse, in Bangkok as well as elsewhere. Indeed, as in many so-called "developing" countries, it is virtually impossible to count the vast number of civic organizations and associations as a large proportion of the Thai citizenry participates in religious groups, professional associations, women's groups, trade unions, human rights groups, and civic associations. Even in relatively small municipalities such as Nan, there is a vast array of formal and informal organizations, autonomous both from the state and from political parties, engaged in a wide range of activities to achieve economic, cultural, educational, and developmental goals. Sometimes, these civic groups aim at pressing for state and economic reforms. In fact, these groups are essential building blocks of civil society and of national and transnational social movements for democracy and human rights.

In general, society in provincial towns such as Nan tries to mirror patterns set in the larger metropolitan areas, particularly in Bangkok. Yet, it should be pointed out that the mirroring fails to yield exact reproductions of Bangkok, in part because of the inherent conservatism of smaller social systems still firmly anchored in the traditionalism characteristic of the rural areas on their outskirts. The very rapid changes that have increased the total stock of modern socio-economic infrastructure in the provinces, especially during the last 25 years, coupled with the much improved transpor-

tation and communication networks, have served to accelerate the rate of change and modernization of provincial Thai society.

B. Political Context & Constitutional Basis of Decentralization and Increased Citizen Participation

The transfer of planning, decision-making and administrative authority from the central government to the local administrative units in Thailand began over forty years ago when the Municipal Act of 1953 was adopted (Krongkaew, 1995; Kokpol, 1996).[6]

However, real reforms to decentralize responsibilities and finances to sub-national governments only gained momentum in the latter half of the 1990s, and are generally attributed to former Prime Minister Chuan Leepkai's first administration (1992–1995). In 1994, or two years into his term as Prime Minister, Chuan Leepkai inaugurated the most far-reaching proposals for local self-government reform than had ever been proposed in Thailand. An abortive crackdown of pro-democracy demonstrators in 1992 had helped concretize the expectations of the general population regarding political and economic decentralization. In fact, almost all the major parties in the 1992 national election campaign had embraced electoral platforms promising to advance decentralization through local elections and sub-national fiscal autonomy.[7] Apart from the failed coup attempt in 1992 and the subsequent emboldening of sections of the Thai populace, particularly the urban middle classes, there were several other reasons that compelled the then government to begin a serious reexamination of the relationship between the central and sub-national governments.

First, Thailand's rapid economic development during the two decades before 1994, as well as the concomitant spread of democratic ideas and ideals into much of the country, meant that much of the citizenry had became more keenly aware of their rights and freedoms (Krongkaew, 1995). Bangkok-based pro-democracy groups such as the Confederation of Democracy Movements and the Committee for the Promotion of Democracy were also lending their support to Thais elsewhere who also wanted to help the spread of democratic ideas in both the countryside and the country's administration (Krongkaew, 1995). Thus, by the time Chuan Leepkai's government came to power, Thai politicians from across the ideological spectrum recognized that they had to champion the notions of expanded democracy, one of which was greater self-government at sub-national levels along with the necessary decentralization of financial and human resources.

A second, and perhaps more immediate reason than the desire to enhance democracy, was the recognition by the country's leaders that the central government could not solve the various problems of provincial Thailand without substantial alteration of central-local relations. In particular, central government politicians recognized that the ability of sub-national governments to deliver services both effectively and efficiently would at the very least require a fundamental rethinking of the problems facing local governments. Thai local governments had long faced a multiplicity of problems: inadequacy of revenue, low popular support and participa-

tion, internal conflicts within the bureaucracy, poor cooperation with external agencies, weak and inadequate authority to perform functions, and unsuitability of administrative structures.

In December 1992, the Chuan government established a committee to review the sub-national government system and to recommend reforms with the ultimate aim of increasing the efficiency and capacity of local government units in the changing environment (Kokpol, 1996).

The real era of decentralization and greater citizen participation however, did not begin until the promulgation of a new constitution in September 1997. The new constitution replaced the one promulgated in 1991 following a military coup, and was Thailand's sixteenth since becoming a constitutional monarchy. The new constitution was a compromise between liberals and conservatives and was enacted by both houses of parliament following a long constitutional reform process. It sought, among other things, to greatly enhance public participation in government affairs. Specifically, the new constitution set out to promote new channels for democracy. For the first time, basic laws provided for the accountability of the state to citizens and for greater participation by people in public policy at all levels. Local officials were made more independent of the Ministry of Interior, and a new independent National Counter-Corruption Commission with prosecutorial powers was created.

The 1997 constitution provided for at least eight sections for decentralization and public participation. It states that:

> "The State shall promote and encourage public participation in laying down policies, making decisions on political issues, preparing economic, social and political development plans, and inspecting the exercise of State power at all levels."

> "The State shall decentralize powers to localities for the purpose of independence and self-determination of local affairs, develop local economics, public utilities and facilities systems and information infrastructure in the locality thoroughly and equally throughout the country as well as develop into a large-sized local government organization a province ready for such purpose, having regard to the will of the people in that province."

(Sections 76 and 78, Chapter 5: Directive Principles of Fundamental State Policies, Constitution of the Kingdom of Thailand).

Indeed, section 78 unambiguously states that the state shall not only decentralize powers to localities but also promote local self-government.

Not only does the constitution grant localities the right to formulate their own self-governing bodies in section 283, it also explicitly states that central control over local authorities should be secondary to the principle of local self-government.

Local autonomy is addressed in sections 284 and 285. First, these sections clearly state that local authorities shall have autonomous power in policy formulation, administration, finance, and personnel management of their affairs. Second, the sections mandate the passage of a Decentralization Act to delineate the functions and responsibilities of local authorities as well as the nature of central-local tax mix. Lastly, the sections also mandate the establishment of a National Decentralization Committee, which in turn would

not only prepare a Decentralization Plan, but also review, monitor, and provide policy recommendations for the Cabinet concerning the plan's implementation. The constitution clearly states that the decentralization committee would be comprised of an equal number of representatives from local authorities, central government agencies, and qualified private citizens. The constitution also mandates that local council and executive bodies should be locally elected to four-year terms and expressly proscribes employees of the central government, local authorities, and state enterprises from running for seats on those bodies.

The right of local residents to recall votes and, where necessary, throw out of office elected local officials deemed dishonest is provided in sections 286 and 287.

Section 288 provides for the drafting of local civil service laws that will, among other things, allow for the establishment of local personnel committees, to be comprised of equal numbers of representatives from local authorities, central government agencies, and qualified persons.

Lastly, sections 289 and 290 authorized local authorities to take on additional service provision functions, including the preservation of local arts, heritage, and culture, the providing of education and training, the preservation and managing of natural resources, environment, sanitation, and the promotion of livable communities.

C. Fiscal and Democratic Decentralization

Reforms enshrined in the 1997 constitution opened opportunities for a greater number of Thai citizens, particularly in provincial Thailand, to organize and advance their interests. Before these reforms, the privileged tended to have greater access to services—and patronage and dishonesty were widespread given, in part, that government departments were fairly autonomous.

Ten separate pieces of legislation were enacted during the two years after the promulgation of the 1997 constitution. First, four laws had to be amended in order to harmonize their content with the constitution. These were:
— Act Changing the Status of Sanitary District to Municipality, B.E. 2542 (effective 24 February 1999);[8]
— Provincial Administration Organization Act (No. 2), B.E. 2542 (effective from 10 March 1999);
— Municipality Act (No. 10), B.E. 2542 (effective 10 March 1999); and
— Sub-district Council and Sub-district Administrative Organization (TAO) Act (No. 3), B.E. 2542 (effective 20 May 1999).

In addition, six new laws had to be drafted in order to fulfill the rest of the provisions of the 1997 Constitution concerning local government, accountability, and political and fiscal decentralization.
— Bill for the Request of Local Ordinances, B.E. 2542 (effective 26 October 1999).
— Bill on Voting for the Removal from Office of Members of a Local Assembly of Local Administrators, B.E. 2542 (effective 26 October 1999).
— Bill on Bangkok Metropolitan Administration Civil Servants Administration (No. 2), B.E. 2542 (effective 26

October 1999).
— Administration of Pattaya City Act, B.E. 2542.
— Bill on Local Personnel Administration, B.E. 2542.
— Bill Determining Plans and Process of Decentralization, B.E. 2542 (effective from 17 November 1999).[9]

The National Decentralization Act of 2000: The Decentralization Act of 1999 became effective on November 18, 1999, as a direct outgrowth of Chapter 284 of the 1997 Constitution. The act was, in essence, the foundation of decentralization in Thailand. The Act has 5 sections dealing with; (i) the National Decentralization Committee (NDC), (ii) local services responsibilities, (iii) the allocation of taxes and duties, (iv) the decentralization plan, and (v) measures for the transitional period.

Fiscal Decentralization: A key element of the Decentralization Act of 1999 is perhaps its financial decentralization benchmarks. The act mandates that the share of local spending (including intergovernmental transfers and relative to total government revenues) will increase to 20 percent in FY2001 from the previous level of approximately 14 percent. By the end of 2006, local spending is expected to increase to 35 percent of total government revenues. In the 2000 fiscal year, the figure was still about 12.

During the period between 1974 and 2000, the share of local expenditures in the Thai public sector and in GDP had been considerably low, about 5% and 1.6%, respectively. However, in 2001-2002—the first two years of implementing the Decentralization Act of 1999—the share of local expendi-

Table 1: Thai Government Expenditures by Level of Government (1975-2002)

	1975-80	1981	1982	1983	1984	1985	1986	1999	2002
Central Government	93.1	142	164.2	177.9	192.5	216.8	750	910	1100
Local Government	9.2	12.7	13.6	14.6	15.7	16.8	108	160	178
State Enterprises	83.8	167.5	194	310.6	256.6	265.6	720	820	850
Consolidated Public Sector	186.1	322.2	371.8	503.1	464.8	499.2	1,578.0	1,890.0	2,128.0
(Percent of total)									
Central Government	50	44	44	35	41	43	47.5	48	51.7
Local Government	4.9	4	4	3	4	4	6.8	9	8.4
State Enterprises	45	52	52	62	55	53	45.6	43	39.9
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
(Percent of total)									
Central Government	15.8	18.1	19.4	19.2	19.4	20.7	17.3	16.7	18.4
Local Government	0.8	1.6	1.6	1.6	1.6	1.6	2.1	3.1	3
State Enterprises	13.6	21.3	22.9	22.8	25.9	25.4	20.1	15.9	15.3
Total	**30.2**	**39**	**48.1**	**41.9**	**45.3**	**46**	**39.5**	**35.8**	**36.7**

Source: Suwanmalla (2002)

tures dramatically increased to 9% and 8.4% of the national public sector budget, as illustrated in the *Table 1 below*.

The regular revenue sources of Thai municipal governments such as Nan can be classified into several categories, namely (i) tax revenues taxes, (ii) non-tax revenues including licensing fees and fines, (iii) income from properties, (iv) income generated by public utilities, (v) central government transfers and, (vi) income from borrowing.

Taxes are either collected and retained by the municipality, or are collected by the central government before being redistributed to municipalities. Traditionally, there have been four types of taxes retained by the municipality: The Building and Land Tax (Property Tax), the Land Development Tax, the Signboard Tax, and the Animal Slaughter Tax. Of these, the Building and Land Tax is the most significant as it, up until recently, typically accounted for nearly half of the revenue raised through all these taxes combined. It is assessed on the gross rental value of a property, the exception being owner-occupied housing.[10]

Centrally collected taxes that provide revenue for the municipality include surcharges on the business tax (VAT), the liquor and tobacco tax, a gambling tax, and an exercise tax on nonalcoholic beverages. Furthermore, Nan municipality also shares the proceeds from a motor vehicle with the Nan provincial government. However, the largest revenue source by far is central government subsidies.[11] The municipality also augments its revenues with proceeds from feeds, fines and permits, for example, slaughter fees, licensing feeds, hawker fees, and fines from illegal deeds. Some revenue is also generated from rents of properties owned by the local government such as markets, as well from interest from any government bonds and deposits. Revenues from public utilities and municipal businesses consist of local assistance funds from pawnshops, water supply services, fuel sales, and so on. There is also some miscellaneous income that is at times generated from the sale of drugs, donated funds, sales of obsolete materials, and from carryover balances from previous years.

The National Decentralization Committee adopted two immediate measures to enhance local revenues. First, it recommended that some taxes be shifted from the central to local governments. Second, it also recommended that central government grants to local authorities be increased.

The transfer of central government tax bases to local authorities was instituted in two ways. First, the receipts from several central government taxes such as the mineral resource tax, land registration fees, the gambling tax, underground water fees, and birds' nest tax were shifted to local authorities. Central government agencies still collect most of these taxes, but they now have to transfer all proceeds to local authorities. None of these tax bases however, generates any significant amounts of revenue. Second, local authority portions of two significant share taxes, the value added tax (VAT) and excise taxes, were increased thereby considerably increasing local revenues. (*See Table 2 below.*)

Elsewhere, the central government also drastically increased the amounts of grants to local authorities. As illustrated in Table 2, the last two years have seen the largest

Table 2: Sources of Thai Local Government Revenues

Sources of Local Revenues	1999	2000	2001	2002	% Increase in 2002 from 2000
1. Locally collected revenues	17,804.90	17,175.76	18,969.60	24,551.60	42.94
Taxes	*9,512.40*	*9,656.50*	*11,072.00*	*12,362.30*	*28.02*
Non-tax	*8,292.50*	*7,519.30*	*7,897.60*	*8,144.50*	*8.31*
2. Centrally collected local taxes	44,873.40	45,189.50	52,746.30	61,477.20	34.17
3. Revenue sharing tax, according to Decentralization Act of 2000 (VAT)	0	0	11,532.30	14,020.60	100.00
4. Grants	38,127.10	33,300.03	73,729.80	77,926.00	134.01
Through central departments	*0*	*0*	*32,339.60*	*27,001.80*	*100.00*
Directly to local authorities	*38,127.10*	*33,300.03*	*41,390.20*	*50,924.20*	*52.93*
5. Totals	100,805.40	96,295.30	156,977.90	177,975.50	84.82
Percentage increase from previous year	0	-4.47	63.02	13.38	

In MILLIONS OF BAHT.   *Source: Suwanmalla (2002)*

increases in local grants ever, even though most of those funds were in "specific" grants allocated through central government departments—a practice regarded as not truly complying with the decentralization law (Suwanmallla, 2002).

2. Case Study: Public Participation at the Local Level in Nan Municipality

A. Background on Nan Municipality and the Thai Local Administration Structure

The town of Nan belongs to what is probably the most important form of local government in Thailand today: the municipality.[12] It is one of over 1,100 municipalities, incorporated to provide large urban areas with limited self-government. Established by the Municipal Act of 1953, municipalities are divided into three classes on the basis of their population, revenue capabilities, and ability to provide services (see Table 3 below). They are: (i) city municipality (*Nakorn*); (ii) town municipality (*Muang*); and (3) township municipality (*Tambon*). Towns such as Nan, must have at least 10,000 people with the same population density as city municipalities, and possess the necessary financial resources (or be the seat of the provincial government) to qualify as municipalities.[13]

Table 3: Categories of Thai Municipalities

	City (Nakorn)	Town (Muang)	Township (Tambon)
Population	> 50,000	> 10,000	> 7,000
Density	3,000	3,000	n/a
Revenues*	n/a	n/a	> 7.0 million baht

*Source: Department of Local Administration (DOLA) (1999)**

As of 2002, the Nan municipality had a total population of 22,357 (11342 males and 11015 female), comprised of 8,278 households. In comparison to many other Thai provincial capitals, the Nan municipality is actually considered small. However, like all other Thai municipalities, Nan is composed of an elected municipal council and a municipal executive board. The council is the legislative body of the municipality that reviews and approves the annual budget in addition to passing municipal ordinances (consistent with central government laws). Members of the municipal council are elected from among citizens within its incorporated area with terms of five years. The number of members varies according to the municipality class. The Nan council has 18 members, as is the case for all town-type (*Muang*) municipalities.[14]

Figure 1: Structure of the Nan Municipal Government
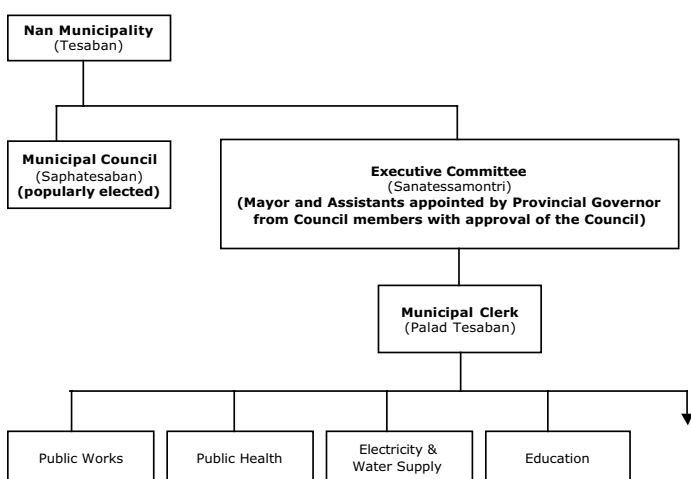
Nan's municipal executive board acts as the municipality's executive body in the sense that it administers all municipal functions. The council consists of a president, the mayor (*Nayok Tesamontri*), and two additional deputy mayors.[15] They are all elected from the members of the council and formally appointed by the governor of the province. The Nan board has two main functions: to determine policies and present appropriate ordinances and recommendations to the council, and to supervise the operations of the municipality and its employees. As is the case for all other municipalities, Nan municipality has a municipal clerk (city manager), aided by a deputy. It is the city clerk that administers the municipality's various activities via several specific divisions.

Nan's municipal government is expected to provide a wide range of services and facilities for municipal citizens. It is required to provide primary education, prevent and control communicable diseases, dispose refuse, maintain roads and canals, help maintain public law and order, and fight fires. Because of the size of the municipality, local authorities are also expected to provide additional responsibilities including providing health services, street lighting, slaughterhouses and pawnshops, and, in the last decade, such big-ticket items as proper wastewater treatment systems, building and mainte-

Table 4: Mandatory and Discretionary Functions of Thai Municipalities

Township Municipality **(Tambon)** Compulsory Services	Town Municipality **(Muang)** Compulsory Services	City Municipality **(Nakhon)** Compulsory Services
1. Maintain law and order	1. Maintain law and order	1. Maintain law and order
2. Provide and maintain roads/sidewalks and public places; cleaning, refuse and garbage disposal	1. Provide and maintain roads/sidewalks and public places; cleaning, refuse and garbage disposal	2. Provide and maintain roads/sidewalks and public places; cleaning, refuse and garbage disposal
3. Prevent and suppress communicable diseases	2. Prevent and suppress communicable diseases	3. Prevent and suppress communicable diseases
4. Provide firefighting services	3. Provide firefighting services	4. Provide firefighting services
5. Provide educational services	4. Provide educational services	5. Provide educational services
	5. Provide clean water	6. Provide clean water
	6. Provide slaughter houses	7. Provide slaughter houses
	7. Provide/maintain medical centers	8. Provide/maintain medical centers
	8. Provide/maintain drainage	9. Provide/maintain drainage
	9. Provide/maintain public toilets	10. Provide/maintain public toilets
	10. Provide/maintain public lights	11. Provide/maintain public lights
		12. Provide/maintain mother and child welfare services
		13. Provide other public services

Optional Services*	Optional Services*	Optional Services*
1. Provide market, ferry and harbor facilities	1. Provide market, ferry and harbor facilities	1. Provide market, ferry and harbor facilities
2. Provide cemeteries and crematoria	2. Provide cemeteries and crematoria	2. Provide cemeteries and crematoria
3. Provide employment	3. Provide employment	3. Provide employment
4. Engage in commercial activities	4. Engage in commercial activities	4. Engage in commercial activities
5. Provide clean water	5. Provide/Maintain hospitals	5. Provide/Maintain hospitals
6. Provide Slaughter houses	6. Provide other necessary public utilities	6. Provide other necessary public utilities
7. Provide/Maintain medical centers	7. Provide/maintain stadiums and fitness centers	7. Provide/maintain stadiums and fitness centers
8. Provide/maintain drainage	8. Provide/maintain vocational schools	8. Provide/maintain vocational schools
9. Provide/maintain public toilets	9. Provide/maintain parks, playgrounds and zoos	9. Provide/maintain parks, playgrounds and zoos
10. Provide/maintain public lighting	10. Provide/maintain mother and child welfare services	
	11. Provide/maintain other public health services	

Source: Department of Local Administration (DOLA) (1998)

nance of sanitary landfills, and a whole host of other environmental responsibilities. As indicated in Table 4 below, the list of the required and discretionary functions for Nan municipality is almost analogous to that of larger municipalities.[16]

For its part, the central government is responsible for public peace and policing, trunk road construction and maintenance, education, public health care, job creation and economic promotion, traffic management and land-use planning. Various central Bangkok-based public enterprises are also responsible for telecommunications and electricity, as well as public housing and slum development.

Table 5: Functions of the Public Enterprises, Municipal and Central Governments in the Nan Municipal Area

| Functions	Central Government	Municipal Government	Public Enterprise
Public Peace and Policing	√		
Road Construction and Maintenance	√	√	
Refuse Collection and Disposal		√	
Street Cleaning, Lighting and Fire-Fighting		√	
Drainage System		√	
Education	√	√	
Public Health Care	√	√	
Job Creation and Economic Promotion	√		
Telecommunications and Electricity			√
Water Supply		√	√
Traffic Management	√	√	
Land-Use Planning	√		
Public Housing and Slum Improvement		√	√
Civil Registration and Identity Cards		√	

Source: DOLA

B. Nan Municipality's "Roundtable" Discussions and "Expert Panels"

The Thai Interior Ministry's Fourth Master Plan (1987–1991) set out to revamp and empower local communities. In an almost textbook case of top-down administration, the plan called for the establishment of "community committees." Most provincial municipalities responded the way they normally would to central government directives: they set up committees, complete with paid executives—committees that soon became just another layer in local decision-making, and largely unconnected to the local residents they had been meant to empower in the first place. Nan municipality residents undertook an innovative response to the central government's policy.

As mentioned, the Nan municipal-area residents decided to form their community committees on a cultural basis according to particular communities' proximity to and their relationship with the municipality's 27 major Buddhist temples. To that end they sought for, and were granted, exemption from the Interior Ministry to form their committees according to such local conditions. In consultation with

the municipal authorities, local communities then elected chairpersons (*Hua-na Baan*) for their temple-based communities who then volunteer their services without compensation. The Interior Ministry's only directive was that each committee should have at least seven sub-committees to deal with various issues (see diagram below).

Figure 2: Structure of the Nan Municipality Core Community Committees
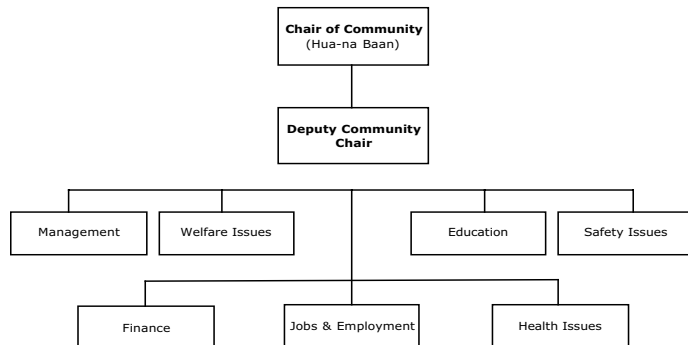
The Chairpersons in turn invited other community members and experts to sit on these community committees as either expert panelists or ordinary members. Members of the new community committees in turn started a system of forming (and when necessary, disbanding) various roundtables[17] to deal with various issues of concern to people in the respective communities. At any given time, there can be in excess of 200 members of various issue-specific panels from the 27 Nan municipal communities.[18]

Today, there are also regular "roundtable" meetings between the Nan municipal authorities and the chairpersons of every community committee. The municipality uses these meetings to consult regularly with the community on several municipal activities and on policy implementation and budget prioritization, as well as to encourage community initiatives through public participation. This has reinforced and strengthened Nan municipality civic activity and, in the process, has made the roundtable technique part of the administration's culture.

i. Characteristics of Nan Municipality's "Roundtables" and "Expert Panels"

In general, Nan's roundtables can be said to simply be special forums where a variety of interests are represented in a non-hierarchical setting. Virtually all the roundtables are comprised of local community members, many considered "experts" because of either specialist skills in a particular area, due to age, experience, academic achievement, or even socio-economic standing. The purpose of these roundtables is:

— To be a temporary body that addresses specific issues. (For example, there are currently several panels that have been set up to address various issues on public health, aging, anti-drug campaigns, cultural conservation, housewife issues, tourism promotion, open spaces in the municipal boundaries, and the protection of certain fish

species in the Nan river);

— To act as an advisory board to the municipal (*Tesaban*) administration;
— To give informed advice in respect to a specific issue, problem or project, and;
— For municipal residents to participate in free discussions and to reach a consensus through negotiation.

ii. Membership of the Citizen Roundtables and Expert Panels

Many of the members of the various community committees include municipal officials who usually already have experience in specific issues; representatives from any sector of the municipal community who are known to have the required expertise; and academics from both primary and higher education are also often called upon to contribute their expertise. Though all are volunteers and receive no compensation, community committee members' terms run for two years following an election.

Initiators of new roundtables and expert panels can be either municipal officials who need specialist information, or roundtable members wishing to "spin off' the discussion of an issue that needs more consultation and input from elsewhere. Typically, officials within each department of the municipal administration will know of experts within their own area of work—often the starting point for selecting members. They may also be aware of non-governmental or community-based organizations or, even, members of the public in the locality who have specialist knowledge and skills.[19]

When selecting members of an issue-specific roundtable or expert panel, care is taken to ensure that: there is clarity about both what is to be achieved by the panel as well as about the type of expertise required; panelists represent a broad range of expertise to achieve a wide perspective of the issue in question; potential members represent as far as possible, in the context of the issue, the different sectors of the public; and they have the time and commitment for the work.[20]

Figure 3: Backgrounds of Members of Nan's Expert Panels and Roundtables
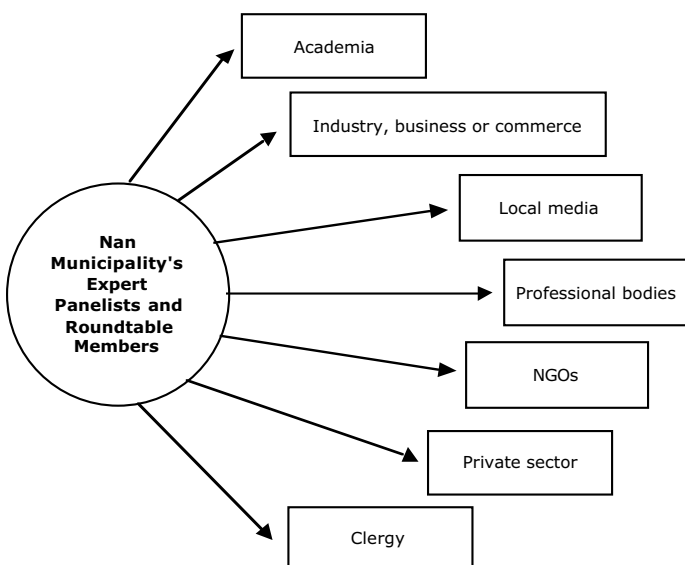
iii. Roles of Various Stakeholders in Nan's Roundtables and Expert Panels

Any member of any of Nan's 27 community committees wishing to establish a panel to tackle a particular concern in his or her community also has the responsibility for determining what the key issues are and what he or she wants the members of the committee to achieve. Then, he or she establishes a panel from the community and helps to find volunteer members with whom he or she then formulates a term of reference. Members of the panel (including the community committee member who organized the panel) agree on several things:

i) Abiding by their terms of reference;
ii) Agreeing on the objectives for their future deliberations in dealing with the community issue they have set out to tackle;
iii) Participating and contributing their expertise as needed to achieve those objectives while seeking the assistance of other experts if it is required; and
iv) Completing and submitting final reports to their respective community committees, and via the committee, to the municipal administration.

iv. Mechanics Used in Nan's Citizen Roundtables and Expert Panels

The various roundtables and issue-panels hold regular meetings, typically after regular work hours or on weekends. Over the years, community committee members have come to agree that the first meeting, in particular, is very crucial.[21] Accordingly, first meetings are usually set aside to decide the format for the conduct of future meetings, to agree on reporting procedures, discuss and set the objectives for panel's work, learn in general about each others specializations, and identify any relevant documentation they may need. Agendas for each meeting indicating the topics to be addressed are sent to all members a few days in advance to allow time for reflection on their contributions. The agendas provide focus for the purpose of the meeting and ultimately the achievement of the objectives. Record-keeping depends largely on the purpose for which the roundtable or expert panel was convened. Typically, the leader of a panel records the minutes of each meeting. These minutes are then either used as input for the reports that are eventually sent to the municipal administration citizen's concerns, or they are circulated among the members of the panel while the panel's task is still ongoing.

Examples of Terms of Reference

- The objective of this panel is to recommend solutions to the problem who currently have no liesure activities to occupy them outside their homes.
- The members shall select a leader to guide the process, a deputy and a secretary from amongst its members.
- Meetings shall be conducted in a participatory manner and decisions be reached by consensus.
- The municipal (Tesaban) administration shall provide a meeting room and materials.
- The time-scale is one-and-a-half months, and documentation in the form of a report shall be submitted to the Community Committee, and through the Committee, to Mayor on 31 October 2002.

v. Impact of Nan's Roundtables and Expert Panels on Municipal Administration

In part because of the numerous institutional constraints that Thai municipalities still face because the decentralization process is still underway, the results of Nan's experience with citizen roundtables may not be as obvious as is the case in other instances of novel citizen participation experiences. There are no millions of baht that we can point to as having been saved, for example. Likewise, we cannot say that the central government's instructions to the Nan municipal government on how to spend grants and other funds have been greatly altered by greater citizen participation of Nan residents.

However, there is little doubt that Nan's citizen roundtables have widened the range of stakeholders who debate, analyze, prioritize, and monitor decisions about pressing community concerns—concerns that are often beyond the human and financial capabilities of the municipal government. Stakeholders include the members of the public, poor and vulnerable groups including women, organized civil society, members of the private sector, and the clergy.

6. Institutional and Financial Barriers Nan Municipality Faces in Managing Its Affairs According to Local Citizen Wishes

Innovative citizen participation initiatives such as Nan's roundtables should be examined against the backdrop of the environment within which their local government functions, if only so that we not be too carried away by the experiences of one town. That is particularly so because whereas Nan municipality residents have come up with an inventive way of influencing their local government, the fact remains that that same local government is far less autonomous about how it manages its resources than would first appear. The implication is obvious: Because local government in Thailand is still largely controlled by the central government, Nan municipal residents—even despite their roundtables and expert panels—do not yet have as much "voice" as may have been envisioned by the framers of the reformist 1997 constitution.

As mentioned earlier, one of the key aims of Thailand's 1997 constitution was to foster greater citizen participation and political decentralization by matching authority and accountability through a clear demarcation of who is responsible for what. Accordingly, those who are accountable must also have the *authority* (financial or otherwise) to deliver results.

Like almost all other municipalities in Thailand, the Nan municipal administration still faces major restraints on the control of much of its decision-making, particularly in the human and financial resource management areas.[22]

There are clear disadvantages resulting from the heavy involvement of the central government in the staffing decisions of the Nan municipal government. The fact for example, that staffing is essentially controlled from Bangkok rather than by from Nan means that there is little prospect for the development of a dynamic municipal leadership and administration working to promote the municipality. Likewise, the numerous hiring restrictions, particularly of non-civil service

staff, as well as the periodic rotation of staff, are other disadvantages. Not only does such periodic rotation limit staff loyalty and commitment to the municipality and its residents, but it also limits their local experience, particularly with regards to the contacts and knowledge that the staff builds up in dealing with the various community committees. In turn, the mayor and other local managers are discouraged from prioritizing staff training and development.[23]

For purposes of our discussion, it is perhaps the constraints that the Nan municipal leadership faces in the area of fiscal administration that are of particular interest. After all, most of the concerns passed on to the municipal leadership through the various roundtables and expert committees essentially require a reallocation of local budget priorities. First, the municipal government is currently still restricted in the way it can raise additional funds to that which is allocated centrally from Bangkok. In fact, the municipality cannot generate sufficient revenues to carry out all of its functions in an efficient manner. As explained earlier, a disproportionate share of the Nan municipal government's revenues comes from the central government both as a share of specific tax collections, as earmarked tax grants (such as those for education), and as general-purpose grants. In general, the Nan municipal government (as is the case for other municipal governments in Thailand), has traditionally only been permitted to collect two types of property taxes, a signboard tax, a slaughter tax and various other insignificant fees. However, the levels of these are fixed so that the municipality is incapable of augmenting its revenue by increasing the rate of tax payable.[24] Municipalities such as Nan thus cannot ensure that they are achieving full assessment and collection efficiency. They can also generate additional income from municipal enterprise activities such as markets and pawnshops, but these yield only limited amounts.

Whereas the Nan municipal government can generate some income for its capital needs from whatever is left over and above its operating expenditures, it is still heavily dependent on the central government for revenues for most of its capital expenditures. And while the central government, through the Interior Ministry's Department of Public Works' budget allocation, does construct some municipal works and facilities, the government usually finances all municipalities' capital expenditures through grants and, on a case-by-case basis, soft loans from the Municipal Development Fund. The Nan municipality is also permitted to borrow from commercial banks to finance revenue-generating enterprises. With permission from both the Ministry of the Interior and the Ministry of Finance, the municipality can also borrow from commercial banks to finance infrastructure needs.[25] Yet, the supply of the essentially cost-free funds from the central government falls short of all the municipality's needs. Besides, the central government's allocation mechanism for these grants is neither based on any standard cost-benefit approaches, nor follows any explicit criteria. One of the consequences of that is that the Nan municipality has to compete with other municipalities by lobbying the Department of Local Administration hard for the particular projects it wishes to be funded.

Thus, far from being the fully autonomous self-government that it should be, the Nan municipal government is very much still under the control of the central government, at least to the extent that the central government largely still controls both its personnel and fiscal administration. Through both its appointment of municipal executive committees and the supervision of this committee and other municipal officials, provincial governors represent added control by the central government. The municipality thus has only limited scope and little incentive or wherewithal to carry out its own initiatives and promotional activities, let alone those that come from citizen roundtables and expert panels via their community committees.

7. Concluding Remarks and Lessons Learned

Nan's participatory roundtables and expert panels are without doubt an innovative way for increasing both citizen influence in local policymaking and civic activity in general. They allow many more citizens in the municipality to get indirectly (sometimes, directly) involved in informing local government policy decisions. Community committee meetings as well as various issue panels are held throughout the year thereby giving citizens more opportunities for civic involvement in community problem identification, prioritization, and resolution.

In essence, Nan's roundtable approach to citizen participation at the local level challenges Thailand's legacies of clientelism, corruption, and social class cleavages and exclusion by allowing citizens to feel more ownership of solutions to at least some of the intricate public problems. By moving the locus of community problem identification from the private offices of Nan Municipal Hall and the central government (and local) bureaucrats to citizen roundtables, panels and expert forums, these public forums foster transparency and accountability. Nan's roundtables and expert panels act as a civic duty training ground as engagement empowers local residents to better understand their rights and duties as citizens as well as the responsibilities of their local government. Despite the various institutional constraints outlined in the previous section, which essentially tie up municipal administrators' use of the scarce resources they have, Nan citizens still do offer helpful and creative solutions to the myriad social and economic problems that their local government has to deal with all the time. Citizens learn to negotiate among themselves and vis-à-vis the municipal government over what issues are most important to them and how scarce municipal resources (financial or otherwise) can be allocated in such a way as to turn these issues into local public policy priorities.

Whereas Nan's experience with citizen participation in local public affairs is original, it is important to remind ourselves that it is not the only model, not even in Thailand. To be sure, the citizen roundtables of Nan are a response to the particular political, social, and economic environment of that municipality and its surroundings. Thus there are no presumptions in this paper that institutional mechanisms for participation developed in Nan are necessarily, in small or large part, applicable elsewhere. Different municipalities as well as other forms of sub-national governments in Thailand are adapting various interpretations of citizen participation as laid out in the reformist 1997 constitution. However, it is the expectation of the author that municipalities and other local governments elsewhere in Thailand, perhaps even in other parts of the world, can draw upon this experience to develop tools that link citizen concerns, community problem identification, policy-making, and citizen participation. Likewise, one also hopes that civil society as well as local political activists can learn from Nan municipality's roundtables and expert panels to promote greater citizen participation in local affairs in an age of decentralization.

ENDNOTES

1. Thailand's provinces (*changwat*, singular and plural) are, in alphabetical order: Amnat Charoen, Ang Thong, Buriram, Chachoengsao, Chai Nat, Chaiyaphum, Chanthaburi, Chiang Mai, Chiang Rai, Chon Buri, Chumphon, Kalasin, Kamphaeng Phet, Kanchanaburi, Khon Kaen, Krabi, Krung Thep Mahanakhon (Bangkok), Lampang, Lamphun, Loei, Lop Buri, Mae Hong Son, Maha Sarakham, Mukdahan, Nakhon Nayok, Nakhon Pathom, Nakhon Phanom, Nakhon Ratchasima, Nakhon Sawan, Nakhon Si Thammarat, Nan, Narathiwat, Nong Bua Lamphu, Nong Khai, Nonthaburi, Pathum Thani, Pattani, Phangnga, Phatthalung, Phayao, Phetchabun, Phetchaburi, Phichit, Phitsanulok, Phra Nakhon Si Ayutthaya, Phrae, Phuket, Prachin Buri, Prachuap Khiri Khan, Ranong, Ratchaburi, Rayong, Roi Et, Sa Kaeo, Sakon Nakhon, Samut Prakan, Samut Sakhon, Samut Songkhram, Sara Buri, Satun, Sing Buri, Sisaket, Songkhla, Sukhothai, Suphan Buri, Surat Thani, Surin, Tak, Trang, Trat, Ubon Ratchathani, Udon Thani, Uthai Thani, Uttaradit, Yala, Yasothon.

2. To be sure, there are a myriad other ways one could classify Thailand's socio-cultural subsystems. This schematization is borrowed from Thorelli and Sentell's in *Consumer Emancipation and Economic Development*, pp. 33-38.

3. See, Dhiravegin (1985: 113).

4. See, Girling (1981: 34-35, 165-175).

5. For a fuller discussion, see Girling (1981: 165-175).

6. To be sure, the issue of transferring functions and duties to local government in Thailand can be said to go back even further than the Municipal Act of 1953. The original Municipal Act was passed in 1933. Indeed, virtually all of Thailand's constitutions since 1932 have contained some provisions for local self-government. It has also been suggested that one of the purposes of their introduction after the abolition of the absolute monarchy in 1932 was not only to serve local needs, but also to familiarize the citizenry with new parliamentary system. (See, in this regard, Kokpol, 1996)

7. For example, the Phalang Dharma Party and the Solidarity Party both unreservedly endorsed introducing local elections of provincial governors. The Democratic Party and the New Aspiration Party also pledged themselves to decentralization programs although not as ambitious as the former two.

8. Until their conversion into municipalities, sanitary districts were a form of local government that was normally located in peri-urban areas, usually around municipalities.

9. The last law, mandated by Section 284 of the constitution, is the most important because it provides the basis for the concrete process of decentralization in Thailand. This article determines, first, that there must be "provisions of the law" that stipulate the division of powers and duties of public service provision between state and local governments as well as among local governments themselves by "having particular regard to the promotion of decentralization." Second, the same article makes it mandatory to draw up a law containing a plan and a step-by-step procedure for decentralization that must have at least three important elements: (1) it must stipulate

the division of powers and duties of public service provision between state and local governments as well as among local governments; (2) proportions of taxes allotted to the state and to local governments must take into account their respective duties; (3) there must be a committee, comprising equal numbers of representatives from state units and local governments as well as experts, that concretizes the first two elements. This law had to be drawn up within two years after the constitution became effective (provisional clause, Section 334 [1]). For more on this, see Nelson, M. H. (2001).

10. It should be noted however that in comparison to many other Asian countries, property taxes represent only a miniscule portion of the country's GDP. In 1996, the percentage was estimated to be only about 0.18% of GDP as compared with 0.40% in Indonesia, Korea and the Philippines, and about 2.0% in Australia and New Zealand. Part of the reason for this is attributed to the exemption of taxing owner-occupied housing.

11. Central government subsidies are mainly of two types: general subsidies and specific subsidies. General subsidies, as the name suggests, are provided without conditions in terms of project selection. Specific grants on the other hand, are allocated annually based on projects proposed by local authorities such as improvement and construction of local roads, drainage, bridges, and so on.

12. As mentioned earlier, Thailand has six types of local self-government, namely, Changwat (provincial) Administrative Organizations (CAOs), municipalities, sanitary districts, Tambon (sub district) Administrative Organizations (TAOs), Bangkok Metropolitan Administration (BMA) and Pattaya City. The latter two are peculiar to the cities after which they were named.

13. City municipalities must have at least 50,000 inhabitants and an average population density of 3,000 per square kilometers, plus adequate revenues to support limited governmental activities. Tambon municipalities may be established if the Ministry of Interior deems it fit that an area's local problems and future development can best be met by the application of a municipal form of government. Consequently, a local authority declared a tambon municipality need not have adequate local financial resources to support its mandated functions in part because it would be supported by the central government's grants-in-aid. It should be noted that given the wide discrepancy between the official designation of municipalities and their actual sizes, the national Municipal Personnel Commission has adopted another classification system for the design of their organizational and staffing levels. The commission classifies municipalities into five classes based on measures designed to identify their growth and development potential as well as to assess their performance. Class I municipalities, which are headed by city clerks, are at the very top. Such city clerks are C9-level government bureaucrats (equivalent to the deputy director-general of a Thai central government department). At the bottom level are Class V municipalities headed by C7-level bureaucrats and C6-level divisional directors, and without Social Welfare Divisions, Technical Services and Planning Divisions, or district offices.

14. City (Nakorn) municipal councils have 24 members, while tambon municipality councils have 12.

15. In contrast, city-type-municipalities (Nakorns) can have up to four deputy mayors, given their larger sizes.

16. Each level of municipality has delineated compulsory and discretionary functions (summarized in the table below). Tambons, Muangs, and Nakorns are respectively required to provide 6, 12, and 14 basic services and functions. The Tambon municipality list of 6 functions points to their junior status.

17. To be sure, the various communities do not actually sit around actual "round" tables (although some do). However, that particular name was chosen to emphasize the fact that the communities did not wish to institute a hierarchical structure of the participating members.

18. Interview with Ms. Sirinthorn Ramsutr, Mayor of Nan Municipality, October 4, 2002.

19. Interview with Ms. Amonrat Yakaew, Town Clerk (Palad) Mayor of Nan Municipality, October 5, 2002.

20. Interview with Mr. Tonmun Buransri, Head of Baan pra Kued Community, Nan Municipality, October 5, 2002.

21. Interview with Mr. Jakrapan Thepsukon, Head of Hua Wieng Tai Community, Nan Municipality, October 5, 2002.

22. First, concerning its geographic areas, the Nan municipality is under-bounded in the sense that the full urban and urbanizing areas extend beyond its boundaries. One of the implications of this phenomenon is that much like many other municipalities in Thailand, the Nan municipal government is unable of managing the complete confines of the urban region surrounding it as one functional entity. Thus, it is also neither able to plan and manage its expansion, grow and develop the town itself, nor achieve potential economies of scale in its administration and service delivery. Second, the Nan municipality has few incentives to work to attract investment, and employment to the urban region. For example, it can hardly vary tax rates from those set centrally in Bangkok, thus barring municipal authorities from fiscal innovation. Likewise, the municipality does not have any incentives to attract additional population into its core area given in part that most new (manufacturing) industry locates outside municipal boundaries. The key reason for such location (outside municipal boundaries) is that rules and regulations in the peri-urban areas especially those regarding taxation, tended to be either much loser, or less strictly enforced than inside municipal boundaries. Third, the substantial involvement of the central government through its various departments and state enterprises in providing urban infrastructure, facilities and services puts many limitations on the municipal government. Fourth, Nan municipal managers, as is still the case elsewhere in Thailand, are proscribed from performing services not specified by law, regardless of the fact that they might be necessary to local needs and preferences. Fifth, the municipal government has very little control over its organization and staffing structures as these are primarily determined by the Ministry of Interior's Municipal Personnel Commission (MPC). The MPC is a national committee nominally headed by the Minister of Interior. Other members of the commission include other high-ranking officials in the Interior Ministry, especially those from the departments of Local Administration and Public Works, as well as representatives from other state organizations. The Commission is authorized by the "Royal Decree, of B.E. 2519 (1976)." The Commission not only defines the division, subdivision and section structure of all units of each category of municipality, but also determines the nature of their staffing needs, recruitment, transfers, promotion, training, disciplinary action, and retirement. Indeed, almost all Thai municipal personnel are members of the national municipal service and are thus subject to the same rules as those exercised by the Civil Service Commission. (see, Likhit, *Thai Politics*, p.445). The Department of Local Administration (DOLA) administers the municipal personnel service of administrative and professional staff ranging from the C1 to the C9 level. The various staff are normally transferred between municipalities within four years, so that a normal posting in Nan lasts anywhere from only two to four years. To be sure, the Nan municipal government does have some choice as it can recruit staff from the within the service, although there is no formal advertising of vacancies. The municipal managers can also recruit staff from outside the service for their public works and health divisions due to the shortage of engineers, medical personnel, and so on. Likewise, the municipality is permitted to recruit junior staff (up to C3 level) locally. The municipal authorities are also permitted to directly hire their often-large contingent of "temporary" workforce, mostly in roadwork, public cleaning and solid waste collection and disposal. Should they wish to keep some essential senior personnel, the Nan mayor and city clerk can also negotiate with DOLA for the extension of the terms of the individual or individuals in question. Other difficulties for the Nan municipal government concern its functional responsibilities in relation to other levels of government. First, in some instances the law requires the municipality to carry out certain functions for which it lacks both the capacity and resources. For

example, the municipality lacks both the capability and the authority for law enforcement even though existing laws require it to carry out policing functions. Municipal regulations and ordinances are in reality enforced by the provincial authorities which are, in turn, under the control of the provincial governor and police authorities in Bangkok. Another example is in the area of development planning. All Thai municipalities are required by law to prepare long-range plans (10–15 years), mid-range (5-year plan), as well as annual plans. All these plans are required to cover a wide range of areas including not only land use, but also economic, social, political, and administrative development. In reality, most of this responsibility is ceded to the central government, not least because of the lack of capacity at the local level, particularly with regards to land-use planning. (See, in this regard, Likhit, "Thailand" pp. 154–155). Second, municipalities usually perform only insignificant roles in those functions they share with central government. For example, in the area of traffic management, the Nan municipality only provides a budget for supplies, whereas representatives of the central government do everything else. Likewise, whereas the Nan municipality provides some basic health services as well as primary education, these roles are minor compared to what the various branches of the central ministries of public health and education do.

23. Interview with Ms. Sirinthorn Ramsutr, Mayor of Nan Municipality, October 4, 2002.

24. One of the most pressing constraints is that all owner-occupied houses and apartment units are exempted from property taxes.

25. In practice however, municipal authorities rarely do any commercial borrowing, in part because of officials' unfamiliarity with the mechanics involved in borrowing, having to navigate the Thai bureaucratic labyrinth, and because of the high interest costs usually associated with commercial loans.

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Appendix 1: Thailand Data Profile

People	1997	2000	2001
Population, total (in millions)	59.4	60.7	61.2
Population growth (annual %)	0.7	0.8	0.8
National poverty rate (% of population)	..	..	..
Life expectancy at birth (years)	68.2	68.8	..
Fertility rate, total (births per woman)	1.9	1.9	..
Mortality rate, infant (per 1,000 live births)	29	27.9	..
Mortality rate, under-5 (per 1,000 live births)	34	33.2	..
Births attended by skilled health staff (% of total)	..	..	..
Malnutrition prevalence (% of children under 5)	..	..	..
Urban population (% of total)	19.5	19.8	20
Prevalence of HIV (female, % ages 15-24)	..	..	..
Illiteracy rate, adult male (% of males 15+)	3.3	2.9	2.7
Illiteracy rate, adult female (% of females 15+)	7.3	6.1	5.9
Net primary enrollment (% of relevant age group)	..	..	..
Girls in primary school (% of total enrollment)	..	..	..
Net secondary enrollment (% of relevant age group)	..	..	..
Girls in secondary school (% of total enrollment)	..	..	..
Improved water source (% of total population with access)	..	80	..
Improved sanitation facilities, urban (% of urban population with access)	..	97	..
Energy use per capita (kg of oil equivalent)	1,199.70	..	..
Electricity use per capita (kwh)	1,388.40	..	..

Economy			
GNI, Atlas method (current US$ billion)	165.14	121.9	120.9
GNI per capita, Atlas method (current US$)	2,780.00	2,010.00	1,970.00
GDP (current $ billion)	151.1	122.3	114.8
GDP growth (annual %)	-1.4	4.7	1.8
Inflation, GDP deflator (annual %)	4	1.2	2.1
Agriculture, value added (% of GDP)	11.2	10.5	10.2
Industry, value added (% of GDP)	38.6	40	40
Services, etc., value added (% of GDP)	50.2	49.5	49.8
Exports of goods and services (% of GDP)	47.8	67	68.9
Imports of goods and services (% of GDP)	46.4	58.9	63.6
Gross capital formation (% of GDP)	33.3	22.6	23.9
Current revenue, excluding grants (% of GDP)	18.4	15.9	..
Overall budget balance, including grants (% of GDP)	-2.1	-3.1	..

Source: World Development Indicators database, April 2002

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The Penang, Malaysia Experiment in People, Private, and Public Partnerships: Process, Progress, and Procedures

by Tan Pek Leng

Abstract

Participatory democracy is not part of the natural order of things in Malaysia nor is fiscal decentralization anywhere in evidence. However, citizen participation in municipal governance is being experimented with in isolated locations. Penang can be regarded as one of the front-runners in this respect, when considered within the overall milieu of political autarchy in Malaysia, but the process is in its infancy and progress is intermittent in comparison with other global best practices. Nonetheless, the lessons that can be learned from failings and small beginnings are better than none. Penang embarked on this journey of citizen participation with the Sustainable Penang Initiative (SPI) which sought to engage tri-sectoral partnership in identifying and monitoring community indicators of sustainable development. Through a series of roundtable discussions, representatives of the public, private and community sectors identified and prioritized issues that needed urgent resolution. The roundtables generated a tremendous amount of energy and fervor because it was the first time that such a vast array of community groups had gathered together with public officials, political representatives and private sector delegates to address head-on the threats to Penang's sustainability.

1. SMALL STEPS

Participatory democracy is not part of the natural order of things in Malaysia nor is fiscal decentralization anywhere in evidence. Indeed, some might argue that greater centralization of power has been occurring, both in the political and fiscal realms. Malaysia is a federal state with three tiers of government—central (referred to as the federal government), state and local. There are 13 states in Malaysia and 144 local authorities, of which 7 are city councils, 33 town councils and 104 district councils. Only the federal and state governments are elected, local council elections having been abolished in the 1970s. Despite periodic agitation for the restoration of local elections, this option has not been entertained by the federal government. The same coalition of political parties has ruled the country since independence in 1957, with a two-thirds majority that allows amendment of the constitution at will. Hence, although representative democracy is in practice, there is little room for maneuver by the opposition. In addition, the present Prime Minister has been at the helm of the government for the past 21 years and is the last of the strongmen still ruling in Asia. His consolidation of power despite repeated challenges has meant continued diminution of the space for dissent.

Central control of fiscal planning and allocations also remains strong. The federal government has jurisdiction over all spheres except land and water resources. Hence, nearly all taxes collected go into the federal coffers. The state governments collect their revenue from only land tax (quit rent) and water rates. Each state is also allocated a per capita grant by the federal government and can apply to the federal government for budgets for development projects. The municipal councils draw their revenue from property tax (assessment), entertainment tax, licensing, parking charges, etc. They are also entitled to development budgets from the federal government. As an indication of the centralized budget control, of the development expenditure in Penang for the period 1996-2000, 75 percent was from federal allocations, 13 percent from state funding and 12 percent from local funds.

Despite the steady shrinkage of democratic space and increasing evidence of corruption and cronyism in high places, the long-standing government appears still unshakeable. This is attributable, to a large extent, to its general ability to "deliver the goods" in material terms as illustrated by the socio-economic indicators presented in Table 1.

Table 1: Selected Socio-Economic Indicators, 2000

Indicator	Penang State	Malaysia
Gini Coefficient	0.4131	0.443
Incidence of Poverty	2.70%	7.50%
Unemployment Rate	2.00%	3.10%
Telephones/1000 Population	320	199
Life Expectancy at Birth (Male)	69.8 ('98)	70.2 ('00)
Life Expectancy at Birth (Female)	74.8 ('98)	75.0 ('00)
Infant Mortality Rate	5.67	7.9
Pre-School Participation Rate	94.36	52.7
Secondary School Participation Rate	66.2	58.9
Housing Units with Piped Water (%)	99.4	92
Housing Units with Electricity (%)	99.7	98.3

Source: SERI, Penang Quality of Life Report, 2001

Lulled by a sense of material comfort, their thinking faculties dulled by an uncritical educational system and a muffled press, often also repelled by unsavory political intrigues, the vast majority of Malaysians have become a depoliticized lot. Their withdrawal from the political realm leaves the government a very free hand in policy formulation and implementation, with little pretence of consultation.

Nonetheless, being part of the global community and aspiring to project an image of progressiveness, the Malaysian government is not immune to the rhetoric of good governance. Therefore, citizen participation —especially in municipal governance—is being experimented with in isolated locations. A number of these experiments are even sponsored by the government, albeit jointly with international organizations, examples being the Healthy Cities and Local Agenda 21

(LA21) pilot projects. In these instances the consultative process has been set apace but has yet to become integral to the institutional structure of the municipality. But these internationally sponsored programs do produce some results. The local authorities have recently received directives from the federal ministry for local government that they are to implement LA21 by 2003. However, the majority of the municipalities have little knowledge of what this means and capacity building will be crucial for success. It will be well worth observing how the LA21 initiative plays out—whether it will institutionalize and internalize the participative process within the municipal structure and whether it will lead to the extension of participatory democracy to the higher levels of government.

Penang can be regarded as a front-runner in participative governance when considered within the overall milieu of political autarchy in Malaysia, but the process is in its infancy and progress is intermittent in comparison with other global best practices. Penang possesses certain unique assets that have made possible a greater propensity for citizen participation. A result of the historical legacy of early introduction of English education by the colonial government is the existence of a larger westernized middle-class imbued with more liberal democratic ideas and values. A direct consequence of this is the proliferation of non-government organizations (NGOs) and other civil society organizations, quite unmatched by any of the other cities and towns in the country with the exception of the federal capital, Kuala Lumpur, which in recent years has also become a hub of civic activities.

Civil society organizations are engaged in issues that range from consumer rights, heritage, the environment, women's concerns, and civil liberties in squatter evictions, among others. Some of the issues that have grabbed the headlines over the years are:

— In the mid-1970s, industrial waste water discharged into the Juru River affected the livelihood of fishermen as the pollution caused a reduction in the fish population and also in the market for the available fish as they were tainted with oil and industrial solvents. A massive protest movement, led by the Consumers Association of Penang, was launched and the fishermen organized a cooperative to undertake the cultivation of shellfish.

— In the early 1990s, plans to develop Penang Hill, the only extensive forested area and catchment on Penang Island, into a theme park for purposes of tourism elicited widespread protest which was galvanized into a movement named "Friends of Penang Hill," which succeeded in persuading the Penang state government to abandon the development plans.

— Over the years, there have also been protracted campaigns for the abolition of the Internal Security Act which allows detention without trial. This draconian legislation has been used repeatedly to suppress political dissent.

— A coalition of women's organizations has made significant gains in securing the promulgation of protective legislation for women such as the Domestic Violence Act and regulations against sexual harassment at the work place.

Hence, civic engagement is not new, except that in the past it has more often taken the form of NGOs lobbying the government on issues that required resolution, and sometimes having to resort to confrontation to put their views across. There was no established channel for consultation.

Fortunately, the global movement towards good governance has not fallen entirely on deaf ears in Penang, and there is now a greater acceptance of the participatory process by those in authority. To use one of the many typologies of participation that have been developed, Penang can be considered at the stage of "consultation participation" (Plummer, 2000, p.52).[1] The state government has established a number of forums and councils through which civil society representatives can communicate their views on pertinent development issues.[2] However, information and decision-making, especially budgetary allocation, is still controlled by the government although a number of programs and projects proposed by the councils have been adopted and implemented by the government in collaboration with civil society groups or individual volunteers. That the state has arrived at this junction is the result of a combination of changing mindsets from the top, civic pressure from the bottom, and catalytic external influences.

2. THE START OF THE JOURNEY

2.1 The Sustainable Penang Initiative

Although the participatory process had been set in motion earlier in various ways, it was the launching of the Sustainable Penang Initiative (SPI) in 1997 that brought the discourse of citizen participation into prominence. The project came about largely because the citizenry of Penang had become increasingly concerned that their relatively good quality of life was being threatened by rapid growth and development trends. Penang had enjoyed relative prosperity and experienced high annual growth rates in the years preceding the economic crisis from 1997-1999. However, consequent rapid urbanization and intense development had also caused the state to be plagued by problems like hill collapse, floods, traffic jams, sacrificed heritage, social ills and many other "side effects" and tensions of development.

It had become widely recognized that the planning mechanism in Penang was largely bureaucratic and strongly biased towards the government and business sectors. The link with civil society was significantly weaker. The citizenry felt that they were disempowered by a top-down development planning process that did not allow for their direct input. This also led to a model of development that was overly inclined towards economic advancement to the exclusion of other considerations. The SPI was conceived as a means to put some balance back into the development process and to ensure that it was ecologically, socially and culturally sound and achieved through a process of popular participation involving civil society, government and the private sector.

The SPI was initiated at a very opportune time because the state government was making preparations to formulate its Strategic Development Plan for the years 2001-2010. The alternative indicators and more holistic approach developed by the SPI could be adopted by the formulators of the new

plan to make it more comprehensive, integrated and broad ranging.

Moreover, the Socio-Economic and Environmental Research Institute (SERI) had just been established to undertake policy research for the state and had also been appointed to undertake the preparation of the Strategic Development Plan. Hence, SERI was uniquely well placed to integrate the results of the SPI with the formulation of the new development plan for Penang. SERI regarded SPI as an opportunity for it to pioneer the development of the first systematic and popular approach to planning and monitoring of sustainable development in a Malaysian state.

It was in pursuit of this aim that SERI sought the financial support of the Institute of Governance (IOG) to implement the SPI under the auspices of the Canada-ASEAN Governance Innovation Network Program (CAGIN).

The objectives of the SPI were to:
— Develop a series of indicators for gauging sustainable development
— Develop the model for a holistic and sustainable development plan that takes into consideration social, cultural and environmental dimensions besides the conventional economic ones
— Establish a mechanism for public input and consensus-building based on partnership between government, the business sector and civil society
— Channel the output of the consensus process to relevant authorities in order to influence development planning and policy formulation
— Educate the public about sustainable development and how to achieve it.
The above objectives were be achieved through roundtables convened to seek the views of a wide spectrum of Penang society on the five themes of the SPI:
— Ecological Balance
— Social Justice
— Economic Productivity
— Cultural Vibrancy
— Popular Participation

2.2 Process

As noted above, roundtables were held on each of the five thrusts of the SPI. "The generic program for most roundtables began with three plenary speakers addressing the roundtable theme and introducing pertinent issues at the international, national and local levels respectively. A panel discussion further helped to crystallize the key concerns before the gathered participants dispersed into small groups for more interactive sessions." (Gonzalez et.al., 2000, p.134). In these facilitated interactive sessions, participants enunciated their visions and identified "burning issues" related to the roundtable theme. A participatory approach was fostered and "workshop techniques such as mental mapping, voting through green dots, planting power trees and envisioning through fish-bone diagrams were used to better articulate and share ideas, build consensus, team spirit and common vision" (SERI, 1999, p.7). The process was fairly informal and, on the whole, succeeded in eliciting vibrant and free-flowing

participation with no evident gender bias or consciousness of hierarchy.

At the first roundtable, that on Ecological Balance, the participants formed break-out groups to discuss issues pertaining to Air Pollution, Coastal Resources, Hill Forests and Ecosystem, Transport, Urban Development, Waste and Water. The break-out groups brainstormed over issues and prioritized them in addition to identifying indicators and sources of data. The results of the discussions were then presented at the plenary session where comments were invited. "The participants were asked to discuss approaches and solutions, and identify champions who would adopt the indicators for further monitoring and campaigning" (Khoo[3], 2001, p.15). This roundtable "stirred up much enthusiasm partly due to the fact that it was the first time people in Penang were introduced to participatory-type workshops. Academics, scientists and engineers, were initially skeptical about having to draw, pin things up on the board, and role play, but in the end all got into the swing of things and enjoyed themselves" (Khoo, 2001, p.15). As a testimony to the enthusiasm generated at this inaugural roundtable, two action groups, Water Watch Penang (WWP) and Sustainable Transport Environment Penang (STEP) emerged spontaneously.[4]

The roundtable which followed focused on Social Justice concerns such as equity, caring and sharing. "The participants discussed issues clustered around the themes of Healthcare, Workers, the Socially Challenged, Family, Social Services, Governance & Civil Society, and Housing & Public Amenities. The disabled persons who were present formed a group to champion Disabled Access to Public Facilities. Thus a pioneering self-advocacy network consisting of disabled organizations was born at the Social Justice roundtable. They later adopted the name Sustainable Independent Living & Access (SILA).

At the third roundtable, on Economic Productivity, the participants talked about monitoring Finance and Capital, Research & Development, Human Resource Development, Environment, Infrastructure & Amenities, Employment, Land & Natural Resources and Governance. The facilitator took the participants through a five-stage exercise using the fish-bone diagram. For the first stage, termed "Fishing For The Future," participants who had gathered in groups were asked to come up with one vision and five strategies. In the second stage, "Marketing Your Fish," group leaders presented their visions and strategies to the plenary. In the third part of the exercise, "Sustaining Your Catch," each group was asked to come up with ten indicators for their five strategies. The fourth stage, called "Flesh Your Fish," involved the groups pinning up their 10 indicators on a fish-bone diagram. In the fifth stage of the exercise, "Dress Your Fish," the facilitator went through each of the indicators to check if they were SMART.[5] He gave the floor the opportunity to add more indicators to make sure that the final fish was not only SMART but also well-dressed. Members of the floor were called upon to volunteer as champions for various sets of indicators. The final result was a list of fish-bone headings for indicators of economic productivity and sustainability, and their champions.

The fourth roundtable focused on the theme of Cultural Vibrancy. "In view of the dearth of cultural dialogue previously, two days were insufficient for the Cultural Vibrancy Roundtable to come to terms with the many important issues. The question of culture in a multi-cultural society is a complex one, and the language limitation of the English-medium roundtable was noted. The participants had broad discussions about the arts, cultural identity, heritage & habitat, education and youth. They dealt with issues such as cultural diversity, built heritage, street culture and NGO involvement. The Arts group undertook a Survey of Arts Venues and compiled a cultural directory" (Khoo, 2001, p.16).

In the Popular Participation Roundtable, discussions centered on the topics of Voter Participation, the draconian Internal Security Act which allows detention without trial, participation in Structure & Local Plans, and Environmental Complaints.

Each of these five roundtables brought together 50-80 people and, altogether, about 500 participants from diverse backgrounds spent over 4000 people-hours at the roundtables, follow-up meetings and workshops (SERI, 1999, p.7). "After each roundtable, a Roundtable Report was produced. This report documented the proceedings of the roundtable in sufficient enough detail that it could be used as minutes for follow-up action, or as a guide for anyone who wanted to replicate the processes" (Gonzalez, et. al., 2000, p.130).

Given the social and linguistic milieu of development concerns and NGO activism in Penang, the representation at roundtables was not unexpected, i.e., it was largely middle-class and English language-educated. In particular, it was heavily weighted towards academics, policy researchers and analysts, and NGO representatives.

To redress this situation, one roundtable each was organized in the Malay and Chinese languages. The Malay language roundtable saw a larger turnout of junior level government employees. Invitations for the Chinese roundtable went out to a broad cross-section of Chinese civil society: clan associations, guilds, business associations, religious associations, etc. For both the Malay and Chinese roundtables, the response rate to the invitations was very low (13% and 17% respectively) (Chan, et. al, 1999, p. 7). This points to the need to engage them more frequently and regularly in discussions of this nature.

Noticeably absent also from most of the roundtables were senior members of the state government. With the exceptions of the inaugural roundtable (Ecological Sustainability) and the roundtable on Economic Productivity, government departments and the business sector had a minimal, low-key presence. It was obvious from their limited attendance at the roundtables that the government and business sectors do not accord priority to consultations with the general citizenry. Continued effort to promote tri-partite dialogue is necessary for it to become accepted as a norm of governance.

The roundtables culminated in the Penang People's Forum—a one-day forum to communicate the principal results of the roundtables to senior leaders of the state government, the business sector, NGOs and the general public. "The Penang People's Forum featured a PowerPoint presentation of SPI followed by "40 issues and indicators affecting Penang's sustainability." An accompanying 8-page brochure summarizing the 40 issues and indicators was distributed. Recapitulating the call made during the launching of SPI almost two years ago, five schoolchildren again voiced their visions of a sustainable Penang and then handed over a mock "Report Card" to the Penang Chief Minister. The Star Brats, the youth group (comprising journalism cadets attached to the English-language newspaper, *The Star*) which had earlier been involved[6] in the discussion on "social ills," put up a small exhibition and presented an original mime to make their point that the needs of future generations included the psychological need for love and social belonging. An exhibition was also mounted featuring SERI, STEP, SILA and WWP as well as SERI's educational projects PACE[7] and BOLD.[8]

"The Penang People's Forum gave space and time for the three emergent groups WWP, STEP and SILA to present their issues. The Chief Minister sat through the presentations as promised and made three commitments. First, having recently taken over the portfolio as Chairman of the Penang Water Corporation, he granted half the amount asked for by the WWP for sponsorship of an educational campaign on water conservation. He also gave his commitment that the Penang State Government and the MPPP[9] would support disabled access and sustainable transport initiatives" (Khoo, 2001, p.18).

The SPI process and an assessment based on the monitoring of the 40 issues and indicators were documented in the Penang People's Report 1999, which has been widely disseminated. The Penang People's Report was compiled with the objectives of:
— Creating public awareness and providing a focal point for discussions about sustainable development and raising these issues to a higher level of public debate;
— Providing an educational tool that could be used by teachers, private and public decision-makers, and community organizations;
— Serving as a handy reference to help journalists keep tabs on important issues;
— Monitoring issues, actions and policies that impact on sustainability and quality of life in Penang as well as providing some benchmarks as a basis for future monitoring;
— Demonstrating links between the five areas of concern—environment, community, economy, culture and participation; and
— Soliciting ideas, recommendations and feedback that could become an important input into the Penang Strategic Development Plan for the next decade.

2.3 Results

One of the most notable achievements of the SPI was the increasing conceptual acceptance of popular participation in governance as a keystone of democracy—by the community and the Penang state government alike. The SPI has been able to tap public concern over some of the development trends

that have resulted in environmental deterioration and channeled such concerns through the roundtable process into positive dialogue with various levels of government. The SPI has provided a forum for the discussion of diverse issues faced by various groups in the community, for which there were no opportunities before. It has facilitated the meeting of like-minded people and groups and resulted in the formation of networks where joint activities are taking place.

The SPI generated considerable interest within Penang, and created awareness regarding the issues of sustainability in the public and also among the authorities. Hence, issues of sustainable development are now part of the development planning agenda of the state. Unfortunately such policy pronouncements have not often made the transition from rhetoric to reality.

Nonetheless, the SPI project management has made noteworthy progress in reaching out to key policy makers in the state. On December 10, 1998, members of the SPI Steering Committee made a presentation to top leadership of the state government including the Chief Minister, the State Secretary and the State Financial Officer. This was followed up with a second briefing to the state cabinet and key heads of departments in January 1999.

In April 1999, during a two-day "visioning session," SPI Steering Committee Member Dr Leong Yueh Kwong and other SPI/SERI staff made effective presentations to the assembled state cabinet members on the urgency of mapping out a sustainable development strategy for the state of Penang. This was the first systematic exposure to issues of sustainable development for many of the policy makers, and it generated lively discussion and acknowledgement of the urgency of these matters.

A very tangible result of these dialogues with the government leadership is the incorporation of sustainable development, as the overarching framework, into the Second Penang Strategic Plan. Ecological Balance, Economic Competitiveness, Cultural Vibrancy and Caring and Sharing (derived from the Social Justice roundtable) are among its five main points—the last being Good Governance which includes the element of popular participation. Roundtables were held to solicit views and suggestions for the strategies to promote Ecological Balance, Economic Competitiveness, Cultural Vibrancy and the findings of the Social Justice roundtable were incorporated into the drafting of the Caring and Sharing chapter of the plan.

An additional participatory mechanism has been incorporated into the state government machinery in the form of the Penang Local Government Consultative Forum (PLGCF), which seeks to engender exchange between civil society, the private sector and the local authorities. SERI has been appointed the secretariat of the PLGCF based on its successful facilitation of public participation in the SPI.[10]

The Penang state government has also committed itself to form a State Council for Sustainable Development and to create a Center for Sustainable Development. The results of SPI would provide valuable inputs into the Council and the Center. A quality of life index was formulated and documented for Penang for the first time in 2001 and a number of

the SPI indicators have been included in the index. A roundtable was also held to gather feedback on the indicators to be included. The Penang Quality of Life Report, which will be published every two years can be regarded as the sequel to the Penang People's Report.

As mentioned earlier, another very significant impact of SPI is that it sparked the creation of a number of new networks. Growing out of SPI, these groups have now formed their own identities and undertaken their own activities.

SILA

The disabled persons community was well represented at most of the roundtables. It was among the first clusters to emerge, specifically to campaign for disabled access to public facilities. This coalition of pre-existing groups and disabled individuals adopted the acronym *SILA* (Sustainable Independent Living & Access) and took on as its first task the improvement of disabled access to public areas such as the Penang Botanic Gardens, KOMTAR (which houses most of the government departments and is also a major shopping center) and the vicinity of the St. Nicholas Home for the Blind.

Among SILA's early successes was the MPPP's decision to retrofit the drain covers at the Botanical Gardens to facilitate wheelchair access within the grounds, and a commitment from the president of the MPPP for improved disabled access to priority public areas within the city.

SILA and SERI were selected by UN-ESCAP to conduct a Training Workshop to Promote Non-Handicapping Environments in Malaysia. This was followed by workshops covering topics such as:
— Capacity building for people with disabilities
— Training for the blind
— Women with disabilities
— Training for physically disabled persons
— Disabled persons and the law
— Access surveys

SILA has initiated the process of greater communication and cooperation across disabilities and availed member organizations with more training opportunities. It continues to work in close collaboration with the MPPP to improve disabled access on the island.

STEP

STEP, which was formed in response to the worsening traffic and transport situation in Penang, held its inaugural public meeting on August 23, 1998, on the theme *Sustainable Transport Options for Penang*. This has been followed by other activities of STEP such as:
— The Ideal Bus-stop Project in which a group of student volunteers from Australia worked with the Penang Heritage Trust and STEP to come up with a conceptual design for an ideal bus-stop for Penang;
— A Cycling Day held on 24 October, 1999, with about 100 cycling enthusiasts, which included hearing, speech and physically impaired individuals, taking part in the event. The event was held in conjunction with the launching of

the first bicycle path in Penang and was aimed at promoting cycling as an environment-friendly, socially equitable and affordable means of transport.

— The Pro-tem Chairman of STEP co-chairs the State Transport Management Committee.

Water Watch Penang

Water Watch Penang is a voluntary citizens' organization set up to promote the awareness of water monitoring, conservation and protection of water resources, towards the ultimate goal of a water-saving society.

One of its first activities was a "River Walk" on 13 March, 1999, as part of an educational program to instill awareness and highlight the importance of water conservation. The event attracted about 20 participants, ranging in age from 3 to 60, who were taught to and performed basic water monitoring.

An "Adopt a River Campaign" was launched on 15 May, 1999, to encourage schools to adopt a river and monitor it. The campaign was aimed at educating the young to love and monitor the health of rivers. Thirty students from a secondary school adopted Sungei Air Terjun (Waterfall River), a tributary of Sungei Pinang (Penang River) as part of this project. They were briefed on the importance of water conservation and then taught the technique of testing water quality

Water Watch Penang lays great stress on education and awareness-raising through the publication of press articles, pamphlets and books; the organizing of field trips, educational camps and seminars; and liaising with other societies dedicated to similar aims and objectives.

The experience of SPI has also been shared in a number of different forums, most significantly three of the four pilot cities in Malaysia which are undertaking the Local Agenda 21 program. SERI has formed a network with these cities to support each other in the implementation of Local Agenda 21 and in promoting public participation. The SPI/SERI team has been invited to numerous forums to share their experiences and methodology with similar interest groups.[11] These achievements have won SPI the honor of being selected as one of the Ambassador Projects for the Stockholm Partnership for Sustainable Cities, created in 2002 by the City of Stockholm to commemorate the 30th Anniversary of the United Nations Conference on the Environment held in Stockholm in 1972 and, of course, happily also in conjunction with the United Nations World Summit on Sustainable Development in Johannesburg.

It has not been all bouquets and kudos, of course. Undeniably, SPI suffered limitations and failings, not least being the inability to sustain, over the long haul, the high level of enthusiasm and eagerness generated during the roundtables. While participants were willing, indeed often keen, to attend the roundtables, engage in the discussions, formulate visions and identify indicators, not many would commit themselves to long-term monitoring of the indicators. Many factors contributed to this and, here, it is worthwhile quoting quite fully the assessment of the project coordinator, in the following four sections:

Resonance

SPI was designed to promote concepts like sustainable development planning and community indicators, concepts appealing to state policy makers[12], international funders and professionals, but less resonant for other sectors. In spite of the attractive promotional materials, the slogan was perhaps too culturally alien to find its constituency. The whole project of having community indicators was not only unfamiliar, but too technical and abstract for most people to follow.

Prevailing Concepts and Values

It has been remarked of the sustainability projects in the U.S. that, "Sustainability is now a buzzword in the U.S. Most people talk about it without realizing that it means consuming less." SPI had the same problem of getting people to think long-term and be more committed to sustainability…On the whole, participants tended to mistake sustainability, ecological sustainability and sustainable development to mean livability, environmental quality and sustained economic growth, and felt much more passionately about the latter concepts. SPI was part of an educational process about sustainability, which has only just begun in Penang.

No Funding for Citizens' Engagement

Without funding for indicator work and projects, SPI had difficulty sustaining participation.[13] While enthusiasm was usually high after the roundtables, some participants later cooled off because their proposals could not be followed with further research or actions. We felt that there should have been some funding for citizens to work together to develop the indicators. Minimal funding such as paying for retrieval of data, expenses for meetings and community surveys would have gone a long way to mobilize a few additional groups. Many wonderful ideas were contributed, but most people needed to witness some concrete results. A small grant to implement the best and most workable ideas would have convinced many people that it was all worthwhile.

Representation

Due to Penang's multilingual, multiethnic and multicultural context, SPI had difficulty getting equitable representation in one go. Due to the size of the roundtables and the fact that they were conducted in English, there was greater participation of English-speaking experts and activists, mainly from middle-class backgrounds, than from non-English speaking grassroots community leaders. Representation from business and industry was noticeably weak, whereas NGOs, policy researchers and academia were probably over-represented.

Representation was felt to be extremely good at the Ecological Sustainability Roundtable. However, at the Social Justice roundtable, which was hastily prepared, the fact that poverty was not felt to be a pressing issue indicated that low-income groups were not being represented. At the Economic Productivity round table, industry professionals and policy researchers and analysts predominated, and business leaders and petty traders were visibly underrepresented. Language

and cultural limitations were felt during the Cultural Vi-brancy roundtable, when issues of cultural diversity and identity were discussed. At the Popular Participation roundtable, again, representation from workers' groups and low-income groups was weak. Although the roundtables in Malay and Chinese (Mandarin) were organized, again due to the small size of the roundtables, the representation was unsatisfactory.

The SPI design had certain biases, which the project team did not fully understand or make explicit. With hindsight, I think these biases were caused by

— Orientation and cultural background of the project team itself
— The tendency to select representatives from organized groups, when many important low-income constituencies remained unorganized (for example, the tenants affected by the Repeal of Rent Contro[14] were not sufficiently organized to take advantage of SPI until the pilot phase was over).
— Language and language orientation in a linguistically fragmented Malaysian society
— The context of a "divided Penang"[15]

"Although we tried to overcome the initial bias by organizing two roundtables in non-English languages, we still fell short of tapping the whole range of voices for popular participation in 'holistic' sustainable development planning" (Khoo, 2001, p.22).

The key point here is that the SPI was the beginning of a process. Whilst the state began to make proclamations about adopting sustainable development as a framework to guide policy formulation, there remains a quantum leap that has to be taken before pronouncements become practice and before participation can be institutionalized as part of procedure. And, whilst elite acceptance of the premises of sustainability was more easily attainable, the permeation of such concepts and principles through the many layers of Penang society will invariably be a protracted process. All said and done, though, the SPI was a good start and gave Penang a head start on the journey to participatory democracy.

3. THE JOURNEY CONTINUES

The process begun by SPI has been sustained, though not necessarily through continuation in its original form. SILA, STEP and WWP have developed into independent, self-sustaining entities with their own agenda and programs. In these cases SPI acted as a catalyst for community-based initiatives that answered to well-founded needs. The participatory process and the roundtable methodology developed and popularized through SPI have been used for various other programs, some of which are described below.

3.1 The People-Friendly Penang Initiative

In a rather direct manner, SPI has continued in the form of a new initiative to make Penang a people-friendly city. Partly due to the recognition gained through the SPI, Penang was chosen as a "Lead City" by the United Nations Development Program (UNDP) in order to promote good governance

in the Southeast Asian Region. This initiative was intended to take state-society partnership to a higher level because the MPPP was involved as a full partner from the start. This project would not only share Penang's experience as an example of good governance through the SPI, but would also initiate a pilot project to make Penang a people-friendly city, which is barrier-free and accessible for children, disabled people and the elderly by practicing good governance principles.

Through consultation with the stakeholder groups—children, the disabled and elderly—demonstration projects would be implemented to showcase how physical environments could be made barrier-free and accessible to the three groups concerned. The contribution of the MPPP, in cash and kind, to this effort would demonstrate its readiness to engage with the people. It would also demonstrate that popular participation had become accepted as a facet of governance in Penang. The rest of the funding came from The Urban Governance Initiative (TUGI) of UNDP.

Beginning in February 2000, after the launch of the People-Friendly Penang Initiative (PFP), workshops and consultations were organized with the target groups, local communities, representatives from citizens organizations, relevant government agencies, industry and businesses as well as individuals with long standing involvement in the issues concerned. Roundtables on good governance for each of the target groups were organized. The roundtables were aimed at deciding on a demonstration project to make Penang people-friendly for the respective target groups.

The Roundtables

A total of 118 participants attended the first roundtable, which focused on Promoting Good Governance. The participants comprised heads of departments of the Penang Island and Seberang Perai Municipal Councils, local government councilors and civil society representatives. NGOs, businesses and private citizens were also invited to participate in the roundtable. These included organizations of women's groups, disabled people, child welfare groups and businesses such as the various ethnic chambers of commerce. An expert on urban governance, Dr Clarence Shubert, delivered the keynote address and also talked on the "Elements of a People Friendly City." The participants were then divided into groups for a participatory session on burning issues of good governance in Penang. Discussions centered on the nine core characteristics of good governance. A similar exercise to gather ideas for action on how to make Penang people-friendly was conducted in the afternoon. Significantly, it was at this roundtable that the state cabinet member (known as State Executive Councilor) for local government announced the establishment of the Penang Local Government Consultative Forum, with the expressed purpose of promoting discussion and exchange between civil society and the municipalities in order to seek more effective solutions to urban management issues.

The roundtable for disabled persons was held next, with a total of 33 participants attending. The participants consisted of representatives of member organizations of SILA, various

departments of the MPPP; the management of the KOMTAR[16], the public building that is to be the demonstration site; and the Social Welfare Department. The President of the MPPP was also present at the roundtable. The representatives from the different disability groups presented their proposals for improved access in KOMTAR and its surroundings to the MPPP. These included the need for clear signage at bus stations, service counters and directions around KOMTAR; ramps and railings in appropriate places; safe road crossings from the KOMTAR building to the adjoining bus station and disabled-friendly counter services.

The roundtable on Making Penang a Friendly City for Senior Citizens brought together 54 participants representing different senior citizens groups, private sector, local authorities, NGOs and interested individuals. The roundtable started off with a brief introduction of its objectives, followed by a discussion on the key issues. The participants were divided into groups, and active discussions were held on how to turn the identified issues into action plans. The different groups presented their proposals in the afternoon. There was consensus that a one-stop community center should be set up to service senior citizens, particularly those from the lower income group. As a result of this workshop, a core group of senior citizens was formed to look, in greater depth, into the implementing of the demonstration project.

The children's roundtable was easily the most vibrant and innovative, with 88 children and youths and 43 adults involved. The children and youths were from primary and secondary schools, orphanages and youth groups. The program for the roundtable was divided into two sessions: a session for the children to brainstorm for ideas on a suitable demonstration project and another for the adults. Through a process of mind mapping, the children came up with five proposals: a youth center, a library, a sports complex, improvements to the physical environment of the schools and improvements to the Penang Youth Park. Ms. Saira Shameen of UNDP, Kuala Lumpur, based on her experience in making cities children-friendly, gave the adults who accompanied the children a separate briefing. They were also shown a video of UN-ESCAP's "Pilot project in Beijing for the Promotion of Non-handicapping Environments." A number of the adults were so impressed by the ideas and presentations of the children that they volunteered to form the core group to see to implementing the children's demonstration project.

As a separate component of the PFP, a regional workshop on participatory urban governance was also held in September 2001, bringing together more than 40 participants from South and Southeast Asia as well as UNDP, CityNet, International Union of Local Authorities (IULA), Local Government Training and Research Institute in Asia and Pacific (LOGOTRI) and number of other institutions to exchange experiences and strategies for promoting more participative forms of urban governance. This workshop also benefited from the support of the United Nations Center for Human Settlements (UNCHS).

Results and Evaluation

From the start, the PFP ran into bureaucratic red tape. The central government agency charged with vetting external aid programs did not approve the application from MPPP to be involved in the project because "proper procedures had not be followed." In addition the mayor who had originally signed the memorandum of understanding to undertake the project was no longer in office. Fortunately, though, he had actually taken up a higher office as the State Executive Councilor for Local Government and could still exert his influence to keep the project going. However, much momentum was lost in trying to disentangle this bureaucratic mire. Although the new mayor pledged to continue supporting the project, the sense of ownership by MPPP had been lost. Much depended then on the commitment of the individual officers concerned with specific aspects of the project.

The disabled group got off to a very good start immediately and has been able to maintain a steady pace of progress because of the commitment of SILA and the leadership of the Director of the Buildings Department of MPPP who, having attended a sensitization course, was very sympathetic to the needs of the disabled. The management corporation of KOMTAR has constructed ramps and railings at various crucial locations in the building. Disabled parking lots and signs have been provided and toilets have also been renovated for disabled access. The MPPP has provided safe pedestrian crossings along two major roads in the vicinity of KOMTAR. It has also provided disabled-friendly facilities along Gurney Drive, a popular promenade. A technical training workshop for the promotion of non-handicapping environments was jointly organized by MPPP and SERI to help the participants understand the need to design for the disabled and elderly persons. The training tools included disability simulation exercises and access surveys to sensitize the participants to the difficulties faced by people with different disabilities. The participants were mainly from MPPP, consisting of planners, architects, landscape architects, engineers, surveyors, building inspectors, legal advisers, technical and administrative personnel. Other participants were from the hotel sector, organizations of and for disabled persons, building managers, academics and the hospital. MPPP has also started strict enforcement of the Uniform Building By-Laws, which make it mandatory for new buildings to include disabled access in their design. SERI has published a guidebook for people with disabilities, which provides a directory of services available in the state. Although frustrations still abound and facilities are still limited, the progress made has been encouraging and disability issues gained greater recognition in Penang.

Immediately after the roundtable, the core group for the senior citizens began meeting fortnightly to plan the establishment of the Senior Citizens' Helpline, which was aimed at assisting senior citizens from the lower income group who do not have anyone to care for them in an emergency by providing:
— Referral for health, emergency and community services
— Transport for emergency and health needs
— Home visits and home care

The major obstacle faced was obtaining a premise to house the Helpline office as the MPPP was not able to provide any suitable building for the purpose. The committee finally decided to rent a room from the Senior Citizens Association, although the clubhouse is located in an affluent area. The building, however, belongs to MPPP and the council chipped in with renovation costs, albeit after much lobbying.

The Helpline began operation about nine months after the roundtable, amidst much enthusiasm as measured by press coverage and the members of the public who volunteered to help run the service. Training sessions were conducted for the volunteers and a part-time coordinator employed. To supplement the services of the Helpline, public talks on health issues related to aging were held and proved to be very popular. After the initial period, though, it was obvious that the Helpline was not going to become a hotline. Calls were infrequent—to put it mildly. During its review, about a year after the launching of the Helpline, the core group decided that in view of its limited resources the activities of the Helpline should be refocused. It will now concentrate on providing health checks and health talks for older persons at various low-cost housing schemes. The program will be conducted in collaboration with the Penang State Health Department.

The earnestness and zeal demonstrated by the children and youths at their roundtable compelled the core group to work hard at realizing at least some of their aspirations. In contrast to the roundtable, though, this was the core group that found it most difficult to get things going. One proposal after another had to be abandoned due to the inability or unwillingness of municipal officers to think outside the box or deviate from their "tried and tested" but often unimaginative way of doing things. Fortuitously the coordinator of the roundtable had launched a program, *Anak-anak Kota* (Children of the Inner City), "to empower young people to explore their cultural and historical identities and understand how their identities are rooted in a living and changing heritage" (AAK project proposal, 2001). The core group decided that they would adopt *Anak-anak Kota* (AAK) as its demonstration project and provide it with financial and other forms of support.

More than 200 children, aged 10–16, from diverse communities and schools within the inner city of George Town took part each time the program was conducted, the program being in its second year of implementation. The children participated in action projects in the arts, led by professionals in the fields of creative writing, restoration, puppetry, storytelling, dance and music, video documentation, photography, painting, etc. The program seeks to "specifically promote the empowerment of young people by employing an experiential approach" and "create a synergy among educators, artists and heritage conservation experts in order to bring heritage awareness to children in the community and incorporate heritage education into existing school curricula or extra curricular activities specifically in the areas of history, geography, art and language" (AAK project proposal, 2001).

AAK held its first showcase at the end of 2001 and all who attended were suitably impressed by the high quality and creativity of the dances, skits, shadow play and exhibition—especially since most of these children had no previous training in such creative arts. The 2002 exhibition has been taken on a road show around the schools in Penang. The national heritage board was so impressed that it has sought to replicate the program in Malaysia's other heritage city, Malacca. This program also reflects the tri-partite partnership, with the State Government—through the Penang Educational Consultative Council—and the private sector providing financial support, the Penang Heritage Trust rendering time and expertise, and the many artists giving much time and energy "to help children understand who they are and their role in the development of culture and heritage" (AAK project proposal, 2001).

With the exception of the disabled group, MPPP's contribution to the PFP has fallen far short of its original commitment. Once again, the vibrant civil society of Penang came to the rescue and the projects are still alive, if not all thriving. Nonetheless, it is obvious that there is now a greater consciousness of disability and elderly issues among policy makers and the public at large. Recommendations of PFP roundtables have also been incorporated as strategies and action plans of the Second Penang Strategic Development Plan.

3.2 Penang Local Government Consultative Forum

The Penang Local Government Consultative Forum was set up in recognition of the potential benefits of community feedback and participation in urban governance. Its terms of reference were to:
— Develop a framework of good governance for the local authorities in Penang;
— Identify, deliberate on and prioritize issues related to local government which require attention;
— Provide expert input which can form the basis for policy formulation on local government;
— Recommend actions, programs and projects that can be undertaken by the local authorities to resolve problems associated with urban management and governance; and
— Be the focal point of community-based action for dealing with issues confronting particular localities.

Members of the Forum were drawn from representatives of relevant non-governmental organizations and professional bodies as well as prominent residents of Penang with experience and expertise in local government and related issues. Participation in the Forum is on a voluntary, non-remunerative basis. SERI was appointed as the secretariat of the Forum on account of it having successfully played the role of a bridge between civil society and the government in previous programs, especially the SPI.

The establishment of the Forum was very well received by the citizenry, judging from the full attendance and active participation by civil society representatives at the first Forum meeting. Roundtable discussions were held to identify the most pressing issues of urban governance and based on the priorities established, five working groups were formed, in the areas of governance, awareness and public education,

housing, environment and urban services. The brief for each of the working groups was to develop an action plan for dealing with the most urgent concerns in their respective areas. SERI was commissioned by the State Local Government Committee to undertake a "Citizens' Survey on Local Government" as part of the consultative and participatory process. The survey was conducted to determine what the Penang populace perceives as the most critical service issues that need to be addressed by the local authorities. A mass questionnaire campaign was conducted in four languages and in total 6,000 residents of Penang were interviewed and their responses analyzed. The findings of the survey also served as input for the working groups in drafting their action plans.

After a series of brainstorming meetings, the working groups presented their proposals and recommendations to the Forum. Unfortunately, the chairman and local authority representatives were not very receptive to the ideas and suggestions, often perceiving them as criticisms and thus taking on a rather defensive stance. Where the ideas were acceptable, the response was "we will look into it," Understandably, many members were disappointed with such responses and regarded them as being against the spirit in which the Forum was established. Undeniably, the more vocal members of the Forum were often critical. However, they also repeatedly stressed their willingness to assist in all programs that were to be implemented. The Forum sessions became increasingly confrontational as the members pressed for progress reports on, and responses to, their proposals. Under pressure, the local authorities produced their reports for presentation to the Forum. It seemed to have come a little too late, though, as attendance by members of civil society at this meeting was exceptionally low. The Forum appeared to have reached an impasse, either it had to reinvent itself, die a slow death or be dissolved.

To the credit of all, the parties involved have decided to change the modus operandi of the Forum and give it another try. Key members of the working groups met and decided to focus their efforts on a common and cross-cutting issue, that of urban blight in the inner city of George Town. A presentation was made at the first Forum meeting for 2002 and the proposal made that each of the working groups will collaborate directly with the parallel standing committee in the MPPP to deal with the relevant aspects related to the issue of urban blight. This was a particularly congenial meeting and the Chairman of the Forum as well as the municipal representatives were very receptive to the idea of collaboration. A pilot area for carrying out the "urban blight project" was agreed upon.

The underlying problem that ailed the Forum was that the municipalities lacked both the understanding of and capacity for citizen participation. As Plummer aptly puts it, it is "essential that municipalities develop a more informed understanding of the objectives of participation, the potential of community participation…and what makes participation more sustainable" (Plummer, 2000, p.25). She also pointed out that the introduction of participatory processes would require time and capacity building. This could not be truer. After two

years of trial and error, some sort of equilibrium seems to have been established and the dialogue between the municipalities and civil society has become more open and constructive. Hopefully, given more time for the building of relationships and understanding between the parties involved, the kinks will be worked out and a more consultative forum fashioned.

3.3 The Second Penang Strategic Development Plan

The Second Penang Strategic Development Plan (PSDP2), 2001-2010, was formulated with the aim of taking the development of Penang to a higher plane by combining the quantitative economic gains of the past decade with the qualitative attributes of growth that include human, social, environmental, institutional and cultural progress. According to the plan, Penang would strive to strike a balance between economic prosperity, sustainable development and the promotion of a just and equitable society through the realization of its five thrusts: economic competitiveness, ecological balance, caring and sharing, cultural vibrancy and good governance.

The vision of the PSDP2 is enunciated as below:

"Penang strives to achieve a fully-developed state by the year 2010, with a competitive economy, a high quality of life and environment, a vibrant culture and a united, harmonious and caring society, based upon the principles of sustainability, social justice and good governance." (PSDP2, 2001, p.1-2)

As mentioned earlier, many of the ideas generated through the SPI and the PFP have been incorporated into the PSDP2 to make of it a blueprint for more holistic development. Roundtables were also held to solicit ideas and suggestions for formulating the strategies and action plans. Significantly, the thrusts of the PSDP2 have been adopted from the SPI. The obvious link was, of course, that SERI was charged with the responsibility of formulating the PSDP2 and was thus able to include many of these elements in the plan.

Although formulating the plan and getting it accepted by the State Government was by no means an easy task, successful implementation of the plan would probably be many times more arduous. The next step is to ensure that both government functionaries and Penang society take ownership of the plan and work together to make it a living document that actually guides policy and practice. As expressed in the plan itself, "The successful implementation of the PSDP2 is dependent on effective partnership between the State Government and the people of Penang. This partnership has been nurtured through the consultative approach in the drafting of the plan and is consistent with the principle of empowerment as enshrined in the Vision. The focus on both the qualitative and quantitative aspects of growth will promote more sustainable development, equitable distribution of public goods, a more vibrant civil society and better governance" (PSDP2, 2001, p.1-13). As one government officer remarked at a briefing session for the plan, "If we can achieve all these we would really be a developed state." Hence, it is well worth the effort.

3.4 The Strategic Plan and Pre-Budget Dialogues of the Seberang Perai Municipal Council (MPSP)

The Seberang Perai Municipal Council (MPSP) can be considered one of the most progressive municipalities in the country, with a forward-looking mayor who is the president of the Malaysian Association of Local Authorities. In line with the formulation of the PSDP2, MPSP drafted its own strategic plan, with the emphasis on community engagement. The consultants commissioned to formulate the plan were required to adopt a participative approach in seeking input for the plan. Focus group discussions were held with representative groups both from within the municipality and from the community. From within the municipality, brainstorming sessions were held with all levels of staff, from top management to the manual workers to obtain feedback on issues like internal management of the municipality, staff development programs, financial strength, human resource management, leadership, support from stakeholders, efficiency of service delivery, transparency, etc. A questionnaire survey was also conducted to seek recommendations for the strategic plan.

In order to seek community input, a brainstorming workshop was held. A total of 52 NGOs attended the workshop and presented their candid views on the level of service delivery in their respective areas. An interesting finding from the questionnaire administered at this workshop was that 50 percent of the respondents saw themselves as clients of MPSP and 41.3 percent perceived themselves as "stakeholders" of MPSP (MPSP, 2002, p.43). Hence, the foundations for partnership between MPSP and the community can be considered to have been laid, but a full half of the residents have still to be won over. The participants at the workshop were also asked to rate MPSP on 29 performance indicators. The satisfaction levels ranged from 14 percent to 78 percent depending on the type of services (MPSP, 2002, p.47). Such feedback was used to formulate the strategies for service improvement within MPSP.

In keeping with the principle of community engagement, MPSP initiated pre-budget dialogues in 2001 to obtain feedback from the community on budget allocations. All the village development committees, residents' associations, neighborhood watch committees, mosque committees and NGOs in the Seberang Perai area—totaling about 800 in all—were invited to send in their respective memorandums and attend the pre-budget hearing to put forward their views. Sixty-two organizations attended the pre-budget dialogue in 2001 and 74 attended the dialogue in 2002. The increase in number is considered by the council as a reflection of greater awareness by the community and its recognition that the dialogue is a useful means of communication. A total of 190 memorandums were received in 2002.

According to the mayor of MPSP[17] the dialogues alerted the council to the priority areas of service delivery that required attention. Although the budget allocations for the different types of services were not substantially changed as a result of the dialogues, the localities where the spending was allocated were fine-tuned based on the feedback from the community. For instance, the proportion of the budget

allocated for drainage and flood mitigation remained about the same but on account of the feedback from community representatives, the municipality became better attuned to which localities faced more severe problems of drainage and floods and these localities were therefore accorded priority in budget allocation. The mayor was of the opinion that these dialogues have been very useful in building better relations between the municipality and the community. Having had this experience in seeking citizen participation in both the formulation of the strategic plan and the pre-budget dialogue, the MPSP is quite confident that it can successfully carry out the LA21 program.

3.5 Collaboration between SERI and MPPP

Relationship building and a conjuncture of interests have laid the foundation for greater collaboration between SERI and MPPP to engage in participatory activities at the community level. Through this partnership, SERI has successfully obtained funding from the UNDP to conduct a project on Public Private Partnership in Community Waste Recycling. The purpose of this project is to develop workable processes and strategies to better manage waste and promote recycling practices in a way that can benefit the urban poor. Three target groups, each representing a segment of the urban poor, will be the key champions of the project. The project has identified the Coordinating Committee of the North East District Neighborhood Association to represent civil society since it has a proven track record in running recycling activities and has the capability of generating grassroots support and cooperation. A recycling agent with many years of involvement in the business will represent the private sector partners, together with other recycling agents and manufacturers. The MPPP in turn, would provide the infrastructure and other basic supports. The project hopes to upgrade hygienic conditions and improve the practice of waste disposal by inculcating recycling practices as a way of life and, at the same time, to train suitable personnel from the participating communities as catalysts for future recycling programs.

MPPP is highly interested in this project as it coincides with a major campaign by the Ministry of Local Government to promote recycling and all local authorities are expected to develop programs to boost the campaign. SERI has consciously designed the project such that it will be conducted at the community level to overcome its previous limitation of having engaged mostly with the English language-educated middle class. The project has yet to commence and will be a test case of whether the participatory process can be successfully extended to grassroots communities.

4. New Trails, Crossroads and Dead Ends

The discussion in the previous section focused primarily on participative initiatives in which SERI has been involved purely because the author is more familiar with these processes and by no means implies that other initiatives are non-existent or less effective. Indeed, organizations like the Penang Heritage Trust and the Consumers Association of

Penang have long advocated and engaged in the participative process, and the new but prominent organization, Save Our Selves (SOS),[18] has championed an even more direct and inclusive form of engagement. There have been successes and failures, with battles big and small along the way. This is a good opportunity to take stock of what has been done, how it has been done, and how it can be done better.

The good news first. The consistent participation of so many members of the Penang citizenry in all these initiatives indicates their concern over significant issues currently affecting the state. They appreciate the opportunities to meet with like-minded people in a supportive environment to network and to exchange experiences, and to voice their concerns, in particular to state authorities and agencies. While they had previously tended to work as separate entities, there are now more opportunities and channels to join forces and act more effectively on a common platform. The lacuna is participation by grassroots and marginalized communities, and more effective ways have to be found to include them.

SERI has been able to play a fairly effective role as the "honest broker" between civil society and the government—to the extent that it has developed a rather ambivalent image. Some see it as a "government set-up" since it is incorporated as a "think tank" for the state government. Others have perceived it as an NGO due to its strong links with these groups. A particularly innovative misnomer that has been used to describe SERI is that it is a "government NGO"—but the label is telling. SERI has had to tread a thin line between "encouraging popular voice and maintaining government responsiveness" (Khoo, 2001, p.54)[19].

Penang has always been a very open society, where the free flow of ideas from the outside is not alien. Its people are often among the first to latch on to new influences, and not necessarily uncritically. Hence the global proliferation of concepts like good governance, citizen participation and sustainable development has not left Penang untouched. Due credit must be given to members of the top leadership of the Penang state government for their receptiveness to SPI and subsequent participatory processes. It has been very encouraging and demonstrates the potential for greater synergy between government and civil society. However, this acceptance of participatory democracy has yet to permeate the many layers of the bureaucracy, and actual practice of it even less evident. The situation is succinctly described by Warburton: "(t)he rhetoric of community participation has been rehearsed many times, but it remains the exception rather than the norm on the ground" (Warburton, 1998, p. 5). Often, the state is more than happy to allow "some form of donor-funded pilots of participatory approaches but…falters at the suggestion of radical change to the status quo" (Plummer, 2000, p. 11).

This inability to make a paradigm shift to participative governance has to do with the lack of visionary individuals, creative organizations or a political culture of sharing a clarity of purpose (Landry, 2000, p. 3) within the governing structure. There is definitely a richer repository of these qualities in the civil society than in the public sector of Penang. The government machinery of Penang certainly still suffers from the many ills that typically plague the conventional political structure and bureaucracy as enunciated by Landry, such as:
— Power concentration and lack of political will
— Accountability seen as liability
— Bureaucratic proceduralism
— Reactive not proactive
— Short-termism and the need for glamour
— Power and patronage
— Inadequate training
— Lack of integration
— Cooperation in word not in deed (Landry, 2000, pp. 45-49)

However, while pointing out these deficiencies, the intention is to seek redress rather than to apportion blame. Among the steps that need to be taken are:
— Developing staff capacity for participatory processes;
— Establishing effective municipal structures for participatory service delivery;
— Reforming systems and procedures to incorporate participation; and
— Fomenting attitudinal change to ensure the practice of participatory democracy. (Plummer, 2000, p.132)
These measures have been included in the strategies for promoting good governance in the PSDP2. Once again the test will be in the implementation.

As pointed out repeatedly, grassroots communities are a missing link in the participatory process. One of the problems is that the milieu and medium in which the consultation are conducted are unfamiliar, if not intimidating, for these communities. But the bigger problem is that the public sector still tends to adopt a discriminatory attitude towards the poorer communities. A good case in point is the experience of SOS. While the government tends to be more benign when faced with opposition from the elite communities, the reaction to dissent from the poorer communities is not as magnanimous. The SOS leader has been arrested numerous times for campaigning on an issue that the government itself admits is a legitimate concern, and his tactics were not always confrontational either. In contrast, on the same issue of repeal of the Rent Control Act, the Chief Minister met repeatedly with the landowners to try to seek a solution but did not hold similar meetings with the tenants facing evictions—despite many appeals from them.

In sum, the track record of the public sector of Penang with regards to citizen participation is a checkered one. Some encouraging progress has been made but there does not seem to be consistency in practice. Community based organizations, however, have been steadfast and it is their commitment that has contributed most towards enabling Penang to blaze some new trails, navigate the crossroads and, thankfully, avoid any dead ends thus far.

Is it going to be more of the same in the years ahead? One would hope not but the answer is probably yes. Citizen participation cannot be nurtured overnight and the road to participatory democracy has to be paved one block at a time. To borrow liberally from Robert Frost, Penang is still very

much in the woods when it comes to practicing, not to mention institutionalizing, citizen participation. But promises have been made and many more miles have to be traveled before we can sleep. However, signs are that enough of the citizens and public officials are prepared to take the road less traveled by and they will, hopefully, make a difference.[20]

ENDNOTES

1. See Appendix 1 for a fuller representation of Plummer's typology.
2. See Appendix 2 for a list of the councils.
3. Khoo Salma Nasution was the coordinator of the SPI.
4. These two emergent groups will be discussed in fuller detail later in the paper.
5. SMART indicators are characterized by being Simple, Measurable, Attainable, Realistic and Timely
6. During the Cultural Vibrancy roundtable.
7. PACE is the acronym for Penang Association for Continuing Education. Aimed at enhancing the intellectual environment in the state, this association organizes public talks on a variety of topics of general interests.
8. BOLD is the acronym for Bureau on Learning Difficulties which has the objective of raising awareness on the "invisible" disabilities like dyslexia and attention deficit disorder.
9. MPPP is the acronym for Majlis Perbandaran Pulau Pinang (Penang Island Municipal Council), the Seberang Perai Municipal Council has jurisdiction over the portion of the state that is situated on the mainland of Peninsular Malaysia. See Appendix 3 for map of Penang.
10. The PLGCF will be discussed in greater detail in the section 3.2 of this paper.
11. See Appendix 4 for a list of the forums at which the SPI experience has been shared.
12. It is necessary to point out that even for the majority of the policy makers, understanding regarding the concepts of sustainability is at best rudimentary. The greater challenge of translating the sustainable development concept into development policies, plans and programs has yet to be tackled in a concerted manner.
13. It might be added that SPI could not avoid a common pitfall of externally funded pilot projects, which is that it could not be sustained fully after the funding period ended. Fortunately SERI, having initiated the process, felt compelled to continue it, albeit in various other forms and under various other auspices. Many other parties have contributed their part to supporting this endeavor and these new initiatives are discussed in section 3.
14. About 12,000 units of shop houses in the inner city of George Town had been placed under rent control due to the housing crisis immediately after World War II, in effect offering a large stock of cheap housing for the residents. The Repeal of the Rent Control Act in 2000 caused significant rent hikes, evictions and tremendous dislocation for the residents. The inner city itself has suffered a hollowing out as a result.
15. Khoo categorized the society of Penang into the urban elite, the poor communities, the rural communities and the corporate industrial community to underline the different orientations and interests that each of these groups represented. This broad categorization, however, does not reflect the multiple identities and overlapping alignments that different communities often exhibit.
16. KOMTAR is the acronym for Kompleks Tunku Abdul Rahman, a 65-story block that houses practically all the state government departments and the Penang Island Municipal Council besides being a major shopping center.
17. In an interview conducted on 2 August 2002.
18. Save Our Selves (SOS) is a coalition of local groups formed with the objective of mobilizing the lower-income groups that were adversely affected by the Repeal of the Rent Control Act. The organizer of SOS also formed a group called Malaysian Local Democracy Initiative (MALODI) that champions community consultation and participa-

tion as well as the re-introduction of local council elections.
19. Khoo identified this dilemma in the implementation of SPI but it is equally applicable to the functioning of SERI.
20. Robert Frost is by no means my favorite poet but his poems, *The Road Not Taken* and *Stopping By Woods on a Snowy Evening* lend a very fitting metaphor to this paper. See Appendix 5 for full versions of the poems.

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APPENDIX 1: (Please see p 42)

APPENDIX 2: List of Consultative Councils of the Penang State Government

Economic
— Penang Economic Council
— Penang Human Resources Development Council
— Penang Industrial Council
— Penang Trade Council
— Penang Consumer Affairs Council
— Penang K-ICT Council
— Penang Tourism Council
— Entrepreneurship Development Council
— Penang Construction Consultative Council

Social
— Penang Cultural Council
— Penang Sports Council
— Penang Youth Council
— Penang Welfare Council
— Penang Educational Consultative Council

Environment and Others
— Penang Environmental Council
— Penang Local Government Consultative Forum

APPENDIX 1: Forms of Participation in the Delivery of Urban Services and Infrastructure

Form	Characteristics	Objectives
Manipulation	**The participation of the community is included for exploitative reasons.** Communities are included in the service delivery process without positive intention or meaningful end. There is no participatory decision-making. Initiatives manipulate communities to obtain agreement to interventions or human and financial resources.	free labor cost recovery meeting donor conditionality political gain
Information participation	**Many projects masquerade as being participatory but municipalities only impart or communities provide information.** Communities are given information about municipal intentions. This information is controlled by the governing body and decision-making is unlikely to be open to change. The process is not transparent, and the municipality is not accountable. and/or Communities share information with the municipality. There is no control over the way information is used and there is no feedback process.	services in place and in use minimizing community resistance to proposed interventions (e.g. communities surrendering land to widen roads) cost recovery
Consultation participation	**Form of participatory service delivery found in municipalities with positive intentions towards participation, some limited capacity building, but little institutionalization of processes.** Forums are established through which communities can communicate their views on intended proposals. Information and decision-making controlled by government but may be adapted to suit local requirements. Group formation promoted. Greater accountability.	services in place and in use minimizing community resistance to proposed interventions ownership sustainability efficiency target vulnerable groups cost sharing possible objective is the empowerment of the community
Co-operation participation	**Stronger form of community decision-making normally promoted by municipalities after some capacity building or policy change (or may be facilitated by NGOs).** The municipality and the community cooperate in an alliance towards improved and demand-responsive service delivery. Communities are included in the process from and early stage. Generally more cognizant of the needs of women and other vulnerable groups.	community capacity building ownership sustainability efficiency target vulnerable groups cost sharing possible objective is the empowerment of the community
Mobilization participation	**Communities are in control of decision making processes and municipalities enter into initiatives as required by the community.**	community empowerment

APPENDIX 3: List of Forums at which the SPI Experience has been Shared

— Symposium on the Changing Environment: A Multi-Faceted Approach Towards Sustainable Development (9 December 1997, Universiti Sains Malaysia, Penang)
— Asia Pacific Cities Forum, Second Regional Interchange (19-27 March `1998, Cebu City, Philippines)
— International Conference on Civic Education and Processes for Civil Society (10-12 August, 1998, Kuala Lumpur, Malaysia)
— Women in Penang: Towards Gender-Sensitive Governance (25-26 September 1998, Penang)

— Prince of Wales Business Leaders Forum: Asia Pacific Insight Visit (19-23 October 1998, Manila, Philippines)
— A Voice for All: Engaging Canadians for Change (27-28 October 1998, Quebec, Canada)
— 2nd Yokohama Design Conference: Vitalization of Cities Towards Creation of Attractive Urban Spaces (20-23 November 1998, Yokohama, Japan)
— Mayors' Asia Pacific Environmental Summit (31 January - 3 February, 1999, Honolulu)
— Humaniora/Badan Warisan Sumatra seminar on Medan Bagus (27 February, 1999, Medan, Indonesia)

— Mobilizing State-Society Partnerships for Effective Governance: Lessons from six ASEAN Pilot Projects (22 May, 1999, Kuala Lumpur, Malaysia)
— Asia Mayors' Forum (28-30 June 1999, Colombo, Sri Lanka)
— Regional Consultation on Good Urban Governance (9-11 August, 1999, Penang, Malaysia)
— National Roundtable Discussion on Emerging Issues on Sustainable Development: Challenges for Malaysia in the First Decade of the New Millennium (24-25 January 2000, Selangor, Malaysia)
— Regional Conference on Integrated Coastal Zone Management (2-4 May 2000, Kuching, Malaysia)
— INTAN/JICA/WHO course on The Promotion of a Healthy Environment in Urban Areas (8 July 2000, Penang, Malaysia)
— Kerian Local Agenda 21 Workshop (15 September 2000, Kerian, Perak, Malaysia)
— Miri Local Agenda 21 Action Planning Workshop (7 December 2000, Miri, Sarawak, Malaysia)
— International Workshop on "Voice and Choices at a Macro Level: Participation in Country Owned Poverty Reduction Strategies" (3-5 April, 2001, World Bank, Washington D.C.)
— Workshop on Policy Making for Policy Makers (29-30 April 2002, Penang)
— Stockholm Partnership for Sustainable Cities Thematic Dialogues (4-7 June 2002, Stockholm)
— Conference on Service Excellence for Government (26-27 June, 2002, Singapore)

APPENDIX 4

THE ROAD NOT TAKEN

Two roads diverged in a yellow wood,
And sorry I could not travel both,
And be one traveler, long I stood
And looked down as far as I could,
To where it bent in the undergrowth;
Then took the other, as just as fair,
And having perhaps the better claim,
Because it was grassy and wanted wear;
Though as for that the passing there
Had worn them really about the same,
And both that morning equally lay,
In leaves no step trodden black.
Oh, I kept the first for another day!
Yet knowing how way leads on to way,
I doubted if I should ever come back.
I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I-
I took the one less traveled by,
And that has made all the difference.

STOPPING BY THE WOODS ON A SNOWY EVENING

Whose woods these are I think I know.
His house is in the village though;
He will not see me stopping here
To watch his woods fill up with snow.

My little horse must think it queer
To stop without a farmhouse near
Between the woods and frozen lake
The darkest evening of the year.

He gives his harness bells a shake
To ask if there is some mistake
The only other sound's the sweep
Of easy wind and downy flake.

The woods are lovely, dark and deep.
But I have promises to keep,
And miles to go before I sleep,
And miles to go before I sleep.

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Citizens, Government, Business and the Transformation of a Ravaged Philippine City: The Case of San Fernando, Pampanga

by Edel C. Guiza

Abstract

After more than ten years of devolution, the Philippine local landscape is energized by success stories of local governments who dared to innovate and make a difference in the lives of their constituents. This case study is one such story of a group of people who capitalized on their crisis and worked together to survive and transform their city amidst the ruins of volcanic eruption, floods and typhoons. The study will try to answer the following questions: How were the citizens of San Fernando, a calamity prone and ravaged area, able to transform their city? What was the role of the local government and its leadership? How were they able to generate the needed revenues to finance the transformation and improve the delivery of basic services? What were the results? What are the practical lessons and insights that can be gained from their experience? What are the prospects for sustainability and replicability? As a backdrop to the San Fernando case, a brief review of the country and its relevant political, economic and historical features will be discussed with special focus on the decentralization policy, specifically the salient provisions of the 1991 Local Government Code institutionalizing citizen participation to promote good local governance. The San Fernando case is best understood in the context of national policy and related national trends.

I. Introduction

Decentralization is a pre-requisite to local autonomy, which is the degree of self-determination exercised by a local government unit vis-à-vis the central government. It disperses power away from the center to the local government units which are closest to the citizens. As such, it hastens the decision making process at the community level, enables participation of stakeholders and improves effectiveness and efficiency in the delivery of basic services. Decentralization comes in two main forms: 1) devolution, sometimes referred to as political decentralization, which involves the transfer of power from central authorities to local governments and 2) deconcentration or administrative decentralization, which is the delegation of functions by a central government authority to its field units. The Philippines has experienced both forms of decentralization: it deconcentrated a few decades back by creating regional field offices and, in 1991, devolved powers and responsibilities to the local governments. By transferring more powers and functions to local government units, the government hopes to strengthen the redemocratization process started in late 1980s and galvanize local energies for local development.

After more than ten years of devolution, the Philippine local landscape is energized by success stories of local governments who dared to innovate and make a difference in

the lives of their constituents. This case study is one such story of a group of people who capitalized on their crisis and worked together to survive and transform their city amidst the ruins of volcanic eruption, floods and typhoons. The study will try to answer the following questions: How were the citizens of San Fernando, a calamity prone and ravaged area, able to transform their city? What was the role of the local government and its leadership? How were they able to generate the needed revenues to finance the transformation and improve the delivery of basic services? What were the results? What are the practical lessons and insights that can be gained from their experience? What are the prospects for sustainability and replicability?

As a backdrop to the San Fernando case, a brief review of the country and its relevant political, economic and historical features will be discussed with special focus on the decentralization policy, specifically the salient provisions of the 1991 Local Government Code institutionalizing citizen participation to promote good local governance. The San Fernando case is best understood in the context of national policy and related national trends.

II. A Brief Country Profile

The Philippines is an archipelagic country of 7,100 islands with Luzon, Visayas and Mindanao as the three main islands. Unlike in other countries in Asia, the 2001 estimated population of 80.1 million is predominantly Roman Catholic, a legacy of Spain's colonial rule for more than three centuries. English, also a colonial legacy but this time from the Americans, is widely spoken and the literacy rate is one of the highest in Asia.

In the 1950s and early 1960s, the Philippines was the envy of countries in Southeast Asia. But in the 1990's, the country lagged behind all of its Southeast Asian neighbors except Indonesia. In 2001, the country registered a GDP growth of 3.4%. The fiscal deficit was 3.8% of GNP financed through borrowing by the national government. In 2001, total public debt was estimated at P1.2 trillion pesos (US $1 = Php 50.00), about P90 billion higher than that of 2000, and external debt service payments amounted to 16.4% of total exports of goods and services. To reduce the fiscal deficit, the national government cut back on capital and infrastructure investments. While there was a slowdown in public expenditures, private consumption spending was vibrant, primarily due to the high level of remittances from millions of overseas Filipino workers estimated at 8% of GNP.

Poverty Reduction, A Major Challenge

Poverty incidence in 2001 has increased by 2.6 percentage points from its 1997 level. Latest estimates have shown that 39% of the total population have incomes below the national poverty line. Poverty is more acute in the rural areas although urban poverty has been rising due to the influx of rural migrants in the urban centers in search of jobs. The unemployment rate in 2001 is estimated at around 11%, considered the highest in the region.

Given the high level of poverty incidence in the country, reducing poverty has been a major thrust of government. The

present dispensation has formulated a comprehensive package of interventions, a key feature of which is the strengthening of democratic institutions at various levels of government to promote people's empowerment.

The poverty in the country had been attributed to a number of internal and external factors.   The 1997 Asian financial crisis swept away the gains of previous poverty reduction efforts. Considered by many as a key internal factor is the concentration of wealth and resources in the hands of a few oligarchic families who controlled the state bureaucracy either by influencing the bureaucracy, holding public positions themselves, or making the politicians beholden to them by financing their election campaigns. The state, considered much weaker than most Southeast Asian states, finds it difficult to withstand the pressure from these economic and political elites thereby widening the yawning gap between the few who are rich and the many who are poor.

Past social development efforts failed to positively impact poverty for a number of reasons, the most notable of which are lack of political will on the part of the government to push for reforms and inadequate resources to implement the chosen strategies. The government interventions were high on rhetoric and low on results causing discontent and impoverishment of the many. Inequity remains widespread.

Democratization Efforts: Strengthening Civil Society

The emergence of cause-oriented groups, NGOs, and other civil society organizations is considered a significant advancement in Philippine democracy. These entities emerged to compensate for the failure of the state to address the deteriorating socioeconomic conditions and to pressure the state to correct its policies. The student movement of the late 1960s and early 1970s produced the first generation of NGO leaders to work with the labor unions and urban poor communities. After the declaration of Martial Law in 1972, the National Democratic Front led an armed struggle against the government while the Social Democrats organized their associations to propagate their own set of beliefs. Other groups also emerged: women's groups to confront the subordination of women, human rights groups to counter detention and torture of political detainees, and environmental groups to advocate for strict implementation of environmental laws and policies, among others.

The growth and expansion of NGOs and various groups was facilitated by a conducive policy environment during the Aquino administration. An estimated 16,000 NGOs were formed, based on the number of registered NGOs in the Securities and Exchange Commission. There was freedom to organize and funds were channeled to NGOs for engagement in economic and social development work including delivery of basic services. They undertook research to support policy advocacy, reshaped the public agenda by articulating the interests of the marginalized groups and raised issues which were ignored or repressed before. They also pushed for the implementation of existing pro-poor public policies.

During the Aquino and Ramos administrations, leaders from cause-oriented groups and NGOs were appointed to key positions in government which paved the way for the creation of strategic partnerships between the government and the NGOs. This practice was continued by the Estrada and the (present) Arroyo administrations. The efforts of the NGOs made the bureaucracy conscious of its mandate to work for those who need the government most—the poor and the marginalized.

Political parties have also taken cognizance of the need to take an active role in building an effective state to work for the development of the country. An All Parties Conference was held in May 2002 to come up with a unified economic and political agenda based on the following six themes: 1) escaping the poverty trap: increased productivity and competitiveness with sound fiscal management; 2) enhancing social order and security through law enforcement, diplomatic cooperation and fair delivery of justice; 3) mobilizing civil society participation for better governance; 4) promoting the welfare and development of our Muslim and Indigenous peoples for nation building; 5) strengthening institutions through constitutional and electoral reforms; and 6) improving national-local bureaucracy for effective public service.

The conference was hailed as an initial step towards changing the negative image of political parties in the country. They are perceived to be weak institutionally, are personality or leadership driven, lack ideological foundations, and are beholden to groups and individuals with vested interests, pursuing only their own narrow agendas devoid of concern for the whole country.

Churches and religious organizations have also played a key role in sensitizing government to the needs of the poor and making themselves relevant to the changing environment. Not to be left behind is the business community which has taken a more active position in the economic, political and social affairs of the country as an assertion of their corporate social responsibilities.

However, given the magnitude of the problems facing the country, much remains to be done. Despite three "People Powers," the first one in 1986 against the Marcos dictatorship, the second one against a corrupt and inept president and the third one by the urban poor to denounce the neglect of their sector by the government, the state remains captive to the vested interests of the elite and their cronies. A strong civil society needs to be nurtured to promote and protect the interests of the poor and help empower them so that they themselves can assert their own rights and entitlements. Active participation by members of the civil society together with strong government institutions can ensure an effective state that can work for the common good and act as a countervailing or balancing force to the power of the economic and political elite. Decentralization in the country has been hailed as a step in strengthening the role of the civil society.

III. Decentralization in the Country: A Historical Overview and Latest Initiatives

From Colonial Centralism to Independence

Before the Philippines became a colony of Spain, Filipino settlements consisting of 30 to 100 families were isolated from each other, with each settlement taking care of its own basic needs. The need to survive was a common aspiration of all members of the community and collective survival was paramount. There was no national or central government to control them. The chieftain exercised executive, judicial and legislative powers assisted by a council of elders.

The development of autonomous village governments was interrupted when the Spaniards came and consolidated the various villages and established pueblos (towns), cabildos (cities) and provincias (provinces) as administrative units under the tight control and supervision of a central government in Manila, the seat of the colonial government. They also introduced the encomienda system as a reward to loyal subjects and established an elite class who acted as their allies and intermediaries with the Filipino masses. Christianization did not end the privileged status of the native ruling class, who lost their freedom but not their privileges. While the elite continued to prosper, the masses rebelled against the tribute and forced labor and pushed for the liberation of the country from the Spaniards through armed conflict. They staged various revolts and their participation in the revolts made them aware of their strengths and stirred their political awakening. Eventually through the confluence of the efforts of the middle class and the masses, independence was declared from Spain in 1898 and the Philippines established the first republic in Asia.

Initial Deconcentration Moves

After independence from Spain, the Malolos Constitution was passed in 1899 which provided for "the most ample decentralization and administrative autonomy for local governments, popular and direct elections of local officials, and provincial and municipal taxation." The first attempt of the Filipinos to decentralize was disrupted with the arrival of the Americans in 1902. The Americans initially supported the decentralization efforts, but later re-centralized the system because they doubted the capability of the local officials to manage local affairs.

After the Americans left, the journey from one administration to another produced various decentralization measures starting with the passage of Republic Act 2264 or the "Local Autonomy Act" of 1959, the Barrio Charter Act of 1959 and the Decentralization Law of 1967. The creation of development authorities and regional planning boards constituted attempts to deconcentrate administrative planning and development in 1961.

Continuing Deconcentration, Political Recentralization

During the Marcos Regime, another step to deconcentration was taken. Central government functions were deconcentrated to the eleven (11) regions and lower administrative levels. To further operationalize the delegation of authority to the regional levels, administrative authority was given to the regional offices. Regional Development Councils were created to decentralize regional planning and the Integrated Area Development Approach was adopted.

However, it was also during the Marcos' years that the system was re-centralized and the executive, legislative and judicial powers were concentrated in the president. Local and national elections were suspended. Congress was abolished to give way to a parliamentary form of government. Local officials were appointed, and local police and fire protection were nationalized. "People Power" in 1986 ended 20 years of dictatorial rule.

Decentralization in the 1990's

The ascendancy of Corazon Aquino to power marked the formulation of the 1986 Freedom Constitution which provided for local autonomy of political and territorial subdivisions. President Aquino was given control and supervision of all local governments units. She removed local officials with questionable loyalty and appointed officers-in-charge as replacements.

The following year, a new constitution was adopted which contained by far the most substantive provisions on decentralization and local autonomy. The 1987 Constitution provides that local governments "shall enjoy genuine and meaningful local autonomy to enable them to attain their fullest development as self-reliant communities and make them more effective partners in the attainment of national goals." It also provides for a system of accountability of local governments "through the institution of effective mechanisms of recall, initiative and referendum."

Laying the Foundation for Local Autonomy: The 1991 Local Government Code

In accordance with the provision on local autonomy of the 1987 Constitution, a new Local Government Code was signed into law on October 10, 1991, as Republic Act No. 7160 and became effective on January 1, 1992. The law transformed local government units from mere implementing or extension agents of the central government to local area development managers, primarily responsible for the development of their respective areas.

The significant reforms mandated by this new code included the following:

1. Devolution of authority, assets and personnel for basic services such as agriculture (agricultural extension and on-site research); health (field health, hospital services and other tertiary services); social welfare; public works (funded by local funds); and the environment (community based forestry). Other services to be provided by the local governments include education (construction of school buildings); tourism (facilities, promotion and development); telecommunications services; housing (for provinces and cities); and investment support.

2. Transfer of various regulatory powers of national government agencies to local government units (LGUs) such as the reclassification of agricultural lands; enforcement of

environmental laws; inspection of food products and quarantine; enforcement of the National Building Code; operation of tricycles; processing and approval of subdivision plans; and establishment of cockpits and the holding of cockfights.

3. Promotion of popular participation in local governance through the establishment of local special bodies such as the: Local Development Council, Local School Board, Local Health Board and the Peace and Order Council. Local governments are also mandated to promote the growth and development of people's and non-government organizations in their respective localities to become their active partners. They can provide financial or other forms of assistance and enter into joint ventures and other cooperative arrangements with them in the delivery of basic services, capability building and livelihood projects, development of local enterprises, promotion of ecological balance and other initiatives that could enhance the economic and well-being of the people.

4. Provision of increased resource generation and mobilization through autonomous taxing powers, automatic release of Internal Revenue Allotment (IRA), and local share of revenues from national wealth derived by locally-based government-owned and/or operated corporations (GOCCs).

Levels of Local Governments and Local Officials

There are four levels of local governments in the country—the province, the city, the municipality and the barangay (village), the basic political unit. At the provincial level, elected officials consist of a governor, vice governor and members of the provincial board; at the municipal and city levels, the mayor, vice mayor and members of respective sanggunian (council) or the legislative body; and at the barangay level are the barangay captain and barangay council members. The elected local officials serve a term of three years for a maximum of three consecutive terms or a total of nine years except for the barangay officials whose terms are determined by law.

The country has 79 provinces, 114 cities, 1,495 municipalities and 41,935 barangays. There are 17,000 elected local government officials at the provincial, city and municipal levels. The local government units except for the barangays are classified into classes based on annual income. The cities are further classified into two: component cities and highly urbanized cities. Component cities are under the direct supervision of the province while those highly urbanized cities with a minimum population of 200,000 and an annual income of P50 million are considered viable enough to be on their own.

Degrees of Devolution and Local Government Powers

The barangay has the least powers among local governments although it has one exclusive power: the barangay justice system which simplifies the procedures for settling disputes among the residents. The main objective is to

decongest the courts, and only those cases which the barangay cannot handle or resolve are turned over to the courts for settlement.

The municipality has more extensive powers than the barangays, whose ordinances have to be submitted to the municipality for approval. The municipality which is subordinate to the province also submits its ordinances to the Provincial Board for approval. Municipal powers include the delivery of the following four major services:

1) Agriculture and aquaculture to be undertaken through the cooperatives;
2) Primary health care services with access to secondary and tertiary health services;
3) Social welfare services which include any pro-poor project, nutrition and family planning;
4) Other services including the dissemination of information on investment needs and job placements.

The province is tasked to deliver the following services:
1) Agriculture and aquaculture services including the organization of farmers and fishers cooperatives;
2) Industrial development services;
3) Health services including hospitals and tertiary health care;
4) Social services like mass housing;
5) Investment support services;
6) Computerizing tax information and collection services;
7) Intra-municipal telecom services.

Of all the local government units, the city level is considered the most powerful since it has been granted all the powers that the province, the municipalities and the barangays enjoy except for administering the barangay justice system which only the barangay is empowered to undertake. In addition, the city is expected to perform two major functions: provision of adequate communication and transportation facilities and support for education, police and fire services and facilities.

Fiscal Decentralization

To perform their devolved functions, the Local Government Code raised the Internal Revenue Allotment (IRA) Shares of local governments to 40% (it used to be 20% in the Old Code) of the Bureau of Internal Revenue collected taxes. The IRA is distributed among the local government units as follows: provinces, 23%; cities, 23%; municipalities, 34%; and barangays, 20%. The share of each province, city, municipality or barangay is computed based on population (50%), land area (25%) and equal sharing (25%). Population and land area have been consistently used in the distribution formula. The size of the population directly relates to the demand and expenses for social services. Land area is directly related to the need for infrastructure services and utilities. The bigger the area and the population, the higher is the demand for services and expenditures for public services. Equal sharing as a third factor is meant to provide the minimum amount of services which any local unit must provide whatever the population size and land area may be. This distribution formula was criticized by many groups for its lack of attention to equity and performance.

The local governments can also create their own sources of revenue and can levy taxes, fees and charges which will accrue to them exclusively and be retained by them automatically and which they may use for their own purpose. The local governments are also authorized to negotiate and secure financial grants or donations in kind from local and foreign agencies without approval or clearance from the national government or any of its agencies or higher local government units like the province. However, if the assistance or grant requested by the local government unit has national security implications, the approval of the appropriate national government agency is necessary.

Since the approval of the Local Government Code in 1991, there has been a big jump in the revenues and expenditures of the local governments. From P27.4 billion revenues in 1992, it rose to P120.3 billion in 1999. Expenditures went from P24.4 billion in 1992 to P110.8 billion in 1999.

The Master Plan for the Implementation of the Code

As an expression of the national government's serious intentions of bringing about effective local governance, a Master Plan for the Sustained Implementation of the Code was formulated and adopted in 1994 as the basic framework for a more synchronized approach in preserving the gains and strengthening the momentum of decentralization. Its preparation was undertaken with the active participation of national government agencies, local governments and NGOs. Covering the period 1993 to 1998, the plan hopes to bring together all efforts by various sectors in sustaining the Code's implementation in the areas of policy innovation, effective operating systems, organizational development and capacity building.

The specific objectives of the Master Plan were:
— To strengthen the capability of local governments to effectively deliver and expand devolved basic services, and exercise their regulatory functions;
— To provide an array of locally adaptable technologies in planning, budgeting, consensus building and management systems which are appropriate, transparent and accountable;
— To assist local governments in local revenue mobilization including capital investments financed through varied and non-traditional means, such as building, operation, transfer schemes, and partnership and joint ventures with the private sector and other institutions.
— To expand local government partnership with NGOs, people's organizations, barangay associations and the private sector.

Three phases were outlined in the Local Government Code implementation: 1) the changeover phase; 2) the transition phase; and 3) the stabilization phase. The first phase involved the transfer to local governments of the devolved functions with the corresponding assets and personnel which had been substantially completed in 1992–93. Of the total government personnel of 1.4 million, local government personnel constitute only .4 million. In the transition phase, the national and local governments were expected to have institutionalized their adjustments to meet the decentralized schemes. The last phase, the stabilization period, focused on building adequate capabilities in local governments for managing local affairs with the national government agencies providing support and technical assistance.

Building the Capacity of Local Governments

The national government, through the Department of Local Government and Interior's Local Government Academy, designed an Integrated Capacity Building Program to enhance the managerial and technical competencies of local officials and their staff. Several institutes for local government administration were established in strategic areas in the country to help the Local Government Academy in conducting training in five major areas: management systems, development planning, local legislation, local financial administration and community mobilization. International donor agencies also funded capacity building programs undertaken by various universities to train local governments. The Asian Institute of Management was commissioned to enhance the skills and knowledge of newly elected governors and mayors for formulating their own executive development agendas which they will implement during their three-year terms. Strategic planning workshops were also undertaken to help local governments craft their development objectives, strategies and programs.

The training of local elected officials is a continuous process given the three-year terms of those officials. Initially, the training activities were funded either by the national government or by international donors. However, as the revenues of the local governments increased, they funded their own staff development, including the preparation of their master development plans. The resource-scarce local governments rely on the support of international donor agencies and the national government for their capacity building requirements.

The Role of NGOs in Local Governance

The Local Government Code created an enabling environment for local governments, NGOs and people's organizations to cooperate with each other in the achievement of common objectives. The democratic space paved the way for the proliferation of various types of NGOs. While some NGOs proceeded to collaborate and entered into partnership with local governments, others remained critical and refused to join the participation bandwagon. Some feared cooptation and others did not have the confidence to deal with the local bureaucracy given their limited knowledge and understanding of how the bureaucracy works. Some international donors funded capacity building programs for NGOs to develop their competence in dealing with the bureaucracy and in gaining new skills and knowledge for pushing the democratic governance agenda. In general, while suspicions and mistrust remain on both sides, there was a significant increase in collaborative undertakings between the local governments and the NGOs. Some local governments contracted the NGOs to deliver basic services while they started to assume

the new role of an enabler. More and more, NGOs and other community organizations served as alternative delivery mechanisms for the various programs and projects at the local government level. Some NGOs remained as watchdogs to exact performance from local governments and prevent and expose corrupt practices in the awarding and implementation of contracts for infrastructure projects.

The NGOs also complemented the national government's capacity-building efforts for local governments. A total of 28 NGOs were involved in a USAID-funded local development assistance program in 1992–94 to train and provide consultancy services to local governments, NGOs and people's organizations. Even after the project ended, the NGOs continued to provide capacity building services to the local governments by charging minimal fees.

IV. The Case Setting: The City of San Fernando

The first class city of San Fernando is strategically located within the high growth Manila-Clark-Subic Economic Triangle. The city, home of world-renowned giant lanterns, is one of the 21 towns of Pampanga, a province in Central Luzon. Situated 67 kilometers north of Manila, it has a population of 221,857 (year 2000) distributed among its 34 barangays. With a population of 2.2 million, San Fernando is considered small, thus easier to manage, when compared to the biggest city in the country. San Fernando is not only a major commercial center but also a provincial and regional government center in Central Luzon. The provincial capitol and regional offices of all but three national government agencies are located in the city.

No one in the area could forget the damage inflicted by the Mount Pinatubo eruption in June 1991, considered the second largest volcanic eruption of the twentieth century. While the volcano is actually located in the nearby province of Zambales, the greatest damage went to Pampanga, especially the low-lying towns of the province. Up to 800 people were killed and 100,000 became homeless. On June 15, 1991, after nine hours of continuous eruptions, millions of tons of sulfur dioxide were discharged into the atmosphere, resulting in a decrease in the temperature worldwide over the next few years.

In October, 1995, Typhoon Sybil with its torrential rain and strong winds lashed at the slopes of Mt. Pinatubo. The deadly lahar—a mudflow mixture of volcanic ash and rocks dumped there by the 1991 eruption—began to edge downward; slowly at first, and then, in an unstoppable avalanche six meters high, it swept through the towns of Pampanga. Everything was at a standstill. Businesses and schools closed, though some schools served as evacuation centers. Six of the most thickly populated barangays of San Fernando were nearly submerged by massive lahar flow and flooding. The devastation triggered an outflow of investment and businesses.

After several years, San Fernando rose from the ravages of lahar and became a model of good local governance in the country. How was San Fernando able to do it?

V. Rising from the Ashes, Blazing the Trail to Development

The transformation story started with the election of a new mayor in San Fernando in 1995 who came from humble beginnings and did not belong to any of the political clans in the province. He was a self-made man who worked while a student to complete his medical degree. Dr. Rey Acquino practiced his profession as a medical doctor in the city with discipline, care and dedication, and before long his practice flourished. He had created a vast network of acquaintances from all walks of life. He was an active member of several professional organizations and NGOs in the city. Having seen his dedication to service and his sincerity to serve, his colleagues encouraged him first to run as vice mayor and then as mayor when an opportunity occurred. His only condition was for those supporters to cooperate with him fully in improving the city. Having come from the civil society himself, he vowed to make the government more responsive, transparent and participatory in approach and accountable to the citizens for its actions.

1. Identifying the Problems

In July 1995, when Dr. Aquino assumed the post as mayor of San Fernando, which was a municipality then, he was confronted with the twin problems of inadequate delivery of essential services and lack of funds to perform the city's devolved functions and pay its long overdue debts. San Fernando had a budgetary deficit of more than P12 million pesos, P35 million payable to the provincial government in un-remitted taxes, and unpaid bills of approximately P8 million for water, electricity and telephone services. In addition, the municipal government owed various private contractors millions of pesos for completed infrastructure projects.

2. Enabling Citizen Participation through Shared Mission

The municipal government realized that without the active support and participation of the citizens of San Fernando, their dream of transforming the municipality would never become a reality. The mayor knew that the job could not be done by the government alone, especially one with no resources and saddled with debts. He examined the situation with intent to focus on the priority needs of citizens and on the resources for meeting them (taxpayers, especially business). The mayor recognized the possibility of harnessing the locational advantages of the city and the resilient, enduring and cooperative nature of the people of San Fernando. In addition, the citizens were organized along the lines of various types of organizations and associations.

He went to the various sectors to secure their involvement in setting the directions and priority concerns of his administration. After consulting with various groups, the city government embarked on a five-point mission to improve the quality of life of the people of San Fernando:

— Rehabilitate the barangays affected adversely by lahar and flooding and implement all possible interventions to protect San Fernando from any natural or man-made calamities;

— Open the city's doors to international markets while at the same time protecting local entrepreneurs; encourage the industrialization of agriculture and other traditional industries; develop more industrial and commercial establishments;

— Maintain a clean and healthy environment;

— Create an atmosphere of peace and sustain the sense of unity of the Fernandinos.

— Deliver services tailored to the needs of the poor.

3. Energizing the Bureaucracy

Having determined what needed to be done, the next concern of the city mayor was how to energize the bureaucracy and develop a culture of performance. When he assumed the post, he brought with him only one person (with a solid background in managing a bank) to fill the position of the city administrator, a co-terminus position with the mayor. He inherited a bureaucracy whose systems, processes and practices left much to be desired. The staff did not report on time and had no clear idea of what they were supposed to do. He made himself the role model of the work ethic he wanted his staff to imbibe. He reported for work early, making sure he was the first one to arrive in the morning and the last one to leave in the afternoon. The staff soon followed the example set by their mayor. To further reinforce punctuality, a bundy clock was installed to monitor the arrival and departure of staff.

To improve performance, a performance evaluation system was put in place which spells out the performance measures, standards and rating system. He met with the department heads to plan their work and set targets. This became the standard practice for the years that followed: Every July of each year, each department head provided the mayor with their plans, targets and budget and in December of each year, an assessment of their accomplishments was done followed by goal and target setting for the incoming year. The plans and budget were further fine tuned, based on the results of the dialogue between the mayor with the various sectors before the end of each year.

After dealing with the staffing concerns, the city next focused on where to get the needed resources to finance its programs. After carefully studying all the existing ordinances and the taxation structure, they saw the immediate need to increase revenue collection guided by the city's existing Local Revenue Code. They also saw the need to eventually work towards converting the municipality into a city. With conversion into a city, the local government hoped to increase its Internal Revenue Allotment (IRA) because cities get a bigger IRA (only 114 cities divide among themselves the 23% of IRA share for cities) compared to the share of the municipalities (1,542 share 34% the IRA).

4. Reducing Expenses, Showing Political Will

But before embarking on an intensive tax collection campaign, the city deemed it necessary to reduce its administrative expenses starting with personal services where it reduced the number of staff from 586 to 446, mostly casual employees, some of whom helped the mayor in his last election campaign. These 140 employees received an average of P5,000 pesos a month. Thus, after trimming down the size of the bureaucracy, the municipality saved P700,000 a month or P8.4 million a year. A reduction in utilities and office supplies followed by cutting off all illegal electrical connections from government buildings to several houses that had them and by controlling the procurement and use of office supplies. This move to reduce expenses set the stage for the prudent management of expenditures. The monthly consumption of utilities was monitored closely by the Office of the Treasurer.

Budgets were prepared by the departments and followed strictly, and justifications were demanded for any change to prevent arbitrariness, inefficiency and sloppy budgeting. These internal housekeeping efforts sent a strong signal to the community that the city government was serious, sincere and committed in its desire to reinvent itself. When the city embarked on its intensive campaign to increase collection to improve the delivery of public services, the people, especially the business community, responded positively. They expressed willingness to pay their taxes in the correct amount and on time.

5. Institutionalizing Citizen Participation

To facilitate the participation of the various sectors in the governance of the city, the city created the following Local Government Code-mandated special bodies: the Local Development Council (LDC), Prequalification, Bids and Awards Committee (PBAC), Local School Board (LSB), Local Health Board (LHB) and Local Peace and Order Council (LPOC). The mayor was the ex-officio head of all these local special bodies.

Local Development Council - Formulated the multi-sectoral development plan and coordinated the various development efforts of the city. The council had 51 members with 14 representatives from the NGO sector who chose their own representatives. As a commitment to development planning from below, the barangay development councils were also created to mobilize people's participation in the local development efforts, prepare the barangay development plans and monitor and evaluate the implementation of the plan. The councils met at least twice a year.

Local School Board - Advised the city legislative body on education matters and the Department of Education on the appointment of school officials; determined the budget of the education sector. Priorities included the construction, repair and maintenance of school buildings and other facilities of public elementary and secondary schools. The local school board was co-chaired by the district school supervisor and had only three members—one from the city council, the president of the Parent-Teacher's Association, and a representative from the teachers' organization. It met at least once a month.

Local Health Board - Proposed the annual budget for the health sector, advised the local legislative body on health matters and advised the local health agencies on health personnel selection and promotion. The board was composed of five members with one representative chosen by the NGOs involved in the delivery of health services. It met at least once a month.

Peace and Order Council – Formulated plans and recommended measures to improve the peace, order and public safety in the city,. The council had 18 members. Three NGO representatives, appointed by the mayor based on recommendations of the various sectors also sat in the council.

Pre-Qualification, Bids and Awards Committee – Of the five members of the committee, three representatives came from the business, professional and NGO sectors to ensure transparency in the bidding and awards process. Two were from the city council. The Commission on Audit had one representative as observer.

The meetings, discussions and consultations of the above special bodies were not exclusive to the formal or official members. All recognized NGOs, civic and professional organizations in the city were invited. Aside from the public announcement of any meetings or public hearings in the city, individual invitations were sent to concerned sectors.

6. Broadening Citizen Participation: Non-Code Mandated Councils and Committees

Aside from these code-mandated special bodies, the City of San Fernando established various committees and councils to broaden citizen participation and make the process of governance more inclusionary.

The city established the Municipal Nutrition Committee, Solid Waste Management Committee, Public Market Advisory Council, City Agricultural and Fishery Council, City Economic Council, City Council for the Welfare of Disabled Persons, Committee for the Welfare of Children and Youth, Anti-Mendicancy Task Force, Very Clean and Evergreen Committee, the City and Barangay Disaster Coordinating Council and the City Task Force on Human and Ecological Security. Each of these special bodies conducted regular monthly meetings. While most of these bodies did not have city officials as chairpersons, meetings were held in the City Hall and were open to any city official or residents.

Around 50 Non-Government Organizations operated in the City of San Fernando. One of the very active ones with a special niche was the IMMFI, an organization of children for health concerns. Its main thrust was preventing disabilities among children through primary health care, proper education and training on detecting any impairment at an earlier stage, and conducting initial interventions. The city government has tapped this NGO for the training of day care workers and has funded the salary of IMMFI staff involved in a pilot project for children. Another very active NGO was the one formed by senior citizens who had made themselves visible in many activities of the city. They also secured funding from the city government for some of the services they themselves needed and which the city did not have the capacity to provide.

7. Informal Means of Interacting with Citizens

The mayor also formed an informal group of 15 representatives from various sectors which met as often as necessary to help him take the pulse of the people. The mayor did not rely on formal structures to engage the citizens but created mechanisms for direct interaction with them. One such mechanism was Barangay Day, designed to bring the government closer to the people in the barangays and give each barangay the attention it deserves. The mayor, the local legislators and the department heads go to a particular barangay on a scheduled day to dialogue with the people, listen to them, get their suggestions, clarify and prioritize issues, and come up with practical solutions to address the most pressing problems. Together with the city government team were doctors, nurses and dentists who attended to the health care needs of barangay residents. Other services include seed dispersal and animal vaccination.

In addition to the mayor's daily visits to barangays, his office was opened to any citizen who wanted to meet with him there. Outside of the usual office hours and on weekends his house was open to receive guests. He had a "civic room" in his residential compound open 24 hours a day, seven days a week. This was nothing new because as a medical doctor he was on call 24 hours a day.

Every December of each year since he assumed office, the mayor called for a caucus of the various groups in the city where each one expressed his or her own concerns and ideas on how best to govern the city. The mayor listened to the various groups, sought some clarification, asked questions and responded to some of the issues and suggestions. The groups usually arrived at a consensus on the priority issues and concerns and the corresponding action to take. The results of the caucus served as a key input in the planning and budgeting of the various departments.

8. Increasing Revenue Generation: Processes Involved

8.1 Conducting Information Campaigns

The message conveyed to the citizens revolved around the theme of paying taxes and charging fees for better public service. The city government made a promise to its citizens that the increase in resources will be used to undertake flood prevention measures, develop the infrastructure of the city which was destroyed by Mt. Pinatubo's lahar flow, construct school buildings, establish day care centers, and develop the human resource pool to supply the skills needed by industries, etc. An information campaign using the media was undertaken with the help of the various sectors.

Dialogues with the accountants of major business firms were also conducted to confirm that in preparing the declaration of gross incomes for their respective companies, the reported amounts not be too low but more or less approximate the actual gross. Arrangements with the banks were also made so that the income from loans which were generated in San Fernando was declared in the city and not in the loaning center, which was in another locality. For payment of the annual community tax, coordination was made with the personnel officers of all the big firms in the city. The person-

nel officer provided the information on the actual income received by each employee as a basis for computing the community tax. The usual practice was to pay the minimum amount, which was much lower than the actual salaries received.

8.2. Creating the Tax Enforcement Unit

To systematize the collection of business taxes, fees and other charges, a Tax Enforcement Unit (TEU) was formed composed of staff from various offices whose first assignment was to prepare a computerized master list of all persons and establishments doing business or trade activities in San Fernando. Surveys were undertaken to come up with a list, with basic information, on the establishments operating in the city. Tax mapping was done by all the barangays with the help of the residents. The master list served as a reference in determining those who paid and did not pay their taxes. Businesses that paid their taxes were given a plate number with a strip containing the year when the business had paid . The plate was prominently displayed by the firm in their office for easy monitoring. The plate was similar to the ones issued by the Land Transportation Office to car owners when they register. A report was made by the TEU to the treasurer of all those firms operating without business permits and those who had not paid their taxes. The Office of the Treasurer then issued a demand letter to the delinquent taxpayer requesting him to pay his obligations within ten days from the receipt of the letter. The Philippine National Police Investigator then filed a criminal complaint in the municipal trial court against taxpayers with delinquent accounts.

8.3. Setting up the MAYAP, A Watchdog Body

During the last quarter of 2001 another body was formed called MAYAP, an acronym for Mayor's Aid for Peace, Order and Cleanliness. MAYAP, the watchdog of the administration, was tasked with reporting any business establishments not paying their correct taxes, or any wrongful or illegal activities, to the proper authority. The mayor deputized a number of employees in the local government whohad good track records. He also solicited the help of barangay officials in this endeavor.

MAYAP and TEU complemented each other's work. TEU worked primarily before, during, and after the tax period. MAYAP, on the other hand, had no fixed schedule. It worked year round to secure accurate and comprehensive information on business establishments in the city. After identifying the delinquent establishments and any probable causes that existed, a warning was issued, whether it was tax season or not.

8.4 Establishing a One-Stop Shop

A one-stop shop was set up in the treasurer's office where all the offices of the city which collect taxes, fees or charges are represented so that the taxpayer need not go from office to office. Taxpayers were given an assessment form where all taxes, fees and licenses were listed. A simple, easy to follow brochure was also provided informing the taxpayer of the

steps to follow and the documents required per step. For instance, to secure a new business permit, the following documents were required: 1) application form from the treasurer's office; 2) zoning clearance from the Municipal Zoning officer; 3) Department of Trade and Industry Certificate for registering the business name if applicant is a single proprietorship or Securities and Exchange Commission registration certificate if a corporation or partnership; 4) community tax certificate; 5) barangay business clearance; 6) Social Security System clearance if applicant is a corporation or partnership and 7) homeowner's clearance if the business to be set up is inside a subdivision.

For those renrewing their business permits, only the following documents were required: 1) business permit for the past year; 2) application form; 3) community tax certificate; 4) barangay business clearance; 5) official receipt of the permit issued last year and amount of gross receipts or sales of the past year. After filling out the required form and completing all the necessary documents, the person: 1) went to the treasurer's office to have his business permit fee assessed; 2) paid at the teller window; 3) secured a "Fire Inspection Permit" from the Fire Department; 4) secured the sanitary permit from the Municipal Health Office; and 5) got the signed business permit from the Municipal Planning and Development Office.

8.5 Communicating with the Citizenry

The city published a quarterly and yearly accomplishment and financial report summarizing its income and expenditures and the list of the projects implemented, the cost of each project, the status of implementation and the implementing agency for each project. The reports were circulated widely by the city government to inform citizens as to where their taxes went. The citizens were welcome to ask any question on any aspect of the report. The mayor also provided weekly updates on the developments in the city hall including financial transactions. Callers were entertained and issues were clarified or acted upon as needed.

8.6 Recognizing the Taxpayers

Recognition was given to the "First 50 Biggest Business Taxpayers" and the "First 50 Biggest Real Property Taxpayers" through a special program held for the purpose. Each awardee received a plaque from the city mayor. It was the city's way of thanking the citizens for their cooperation. Again, the mayor would report on the accomplishments of the projects supported by taxpayers' money.

VI. Accomplishments and Results
Increased Revenues and Increased Expenditures for Services

The revenues for the city showed a steady increase from 1996 to 2001, both for locally generated resources and external resources (primarily the Internal Revenue Allotment (IRA) Share from the national government). The biggest increase in revenues was in 2001 with a total of P218 million followed by around P158 million in 2000. The increase in local revenues in

2001 was primarily due to the entry of a big mall operator in the city which generated 1,600 jobs and included business firms like Robinson's, Hyundai, Honda and Ford. The smallest was in 1996, amounting to around P86 million only. The increase from 1996 to 2001 in local revenues was around 60%. On the basis of these figures, it can be concluded that the city government had been successful in its revenue generating strategies.

It can be noted that the increase in local revenues was always higher than the IRA from 1996 to 2001, except in 2000 where the IRA share constituted 53% of the total revenues collected while the local revenues were only 47%. The increase in IRA share was enjoyed by all the local government units in the country whether they performed or not or whether they generated their own local revenues or not. The disbursement of IRA share by the national government is decreed by law and its release is automatic. The IRA shares for San Fernando from 1996 to 2001 were based on its status as a municipality but, next year, it will receive a bigger IRA share because its official conversion from a municipality to a city was approved only in mid -2001.

The higher percentage of locally generated revenues vis-a-vis the IRA is significant in the Philippine setting because more than 70% of the local governments in the country are heavily dependent on the IRA, especially in the provinces and municipalities where the usual IRA share vis-à-vis local revenues is 80% to 95%.

While the revenues were increasing, the expenditures were also increasing, especially for socio-economic services. In 1996, socio-economic services constituted only 44 % of the total expenditures, but in 2001 it increased to 61%. Please see Annex 2 for the details.

Using Taxpayers' Money for Projects Citizens Value

The city spent taxpayers' money on high impact, high visibility projects which carried the banner: "Projects implemented with the taxes you paid." These projects/activities and acquisitions are briefly described below.

1. Improved Infrastructure at Reduced Costs

An increase in revenues allowed the city to acquire three dump trucks, one pay loader, one grader and one backhoe worth P6 million which it used in undertaking its own infrastructure projects, conducted by the administration (doing it by themselves) rather than by contracting out. Through this scheme, the city saved more than 50% over what it used to spend. For instance, the city government used to pay contractors the amount of P500,000 for a 100 meter barangay road but spent less than half of this amount by doing the job themselves. Almost all the barangay roads had been paved in concrete, one bridge was built and the city hall was renovated. The city was able to clean and clear all drainage canals, widen the waterways and build new canals. The city built a pumping station worth P33 million. Roads were consistently maintained and filling materials were made available to low-lying barangays for free. A new public

market was constructed to replace the one buried by lahar. The vendors, who used the side streets and sidewalk to sell their stuff were given spaces inside the new market. Plans are underway for the rehabilitation of the old public market to serve as a bus terminal and for a parking area and the construction of cold storage facilities.

2. Improved access to essential services

Because the regional hospital is located in San Fernando, the city government concentrated its efforts on community-based primary and preventive health. A new Rural Health Unit building was constructed in San Augustin complete with staff and facilities to service the health needs of the population residing in the northern part of the city. The city also acquired two ambulances.

The city renovated and repaired 21 elementary school classrooms. A scholarship program from the city supported more than 200 poor but deserving college, high school and elementary students coming from various barangays of the city. Around P300,000 was earmarked per month for their monthly allowances, school supplies and miscellaneous expenses. The city also granted additional allowances to public school teachers to augment their monthly salaries from the Department of Education. A special day for public school teachers from elementary and high school was regularly held to recognize their continuing efforts to improve the quality of public education.

The children were also given priority. A total of 42 day care centers were constructed; 40 were distributed among the 34 barangays of the city and two were built in the evacuation center to serve the needs of the Mt. Pinatubo evacuees. The day care workers were trained in child development by the San Lorenzo Child Study Center.

3. Employment and Livelihood Assistance

To support individuals in crisis situations the city, through its Self- Employment Assistance Program, provided skills training and financial assistance to help them start their own livelihood activities.

The city was able to attract major business establishments to locate in San Fernando which created jobs for the residents. The local government had an agreement with these business establishments that 50% of the workers to be hired by them would be residents of the city. Skills training was conducted by the city to provide individuals with the necessary skills needed by industries. A special program for the employment of students was also initiated with around 150 students involved in the program.

4. Other Services

Collection of garbage was made easier with the acquisition of three dump trucks in addition to those donated by the Japan International Cooperation Agency (JICA). With more garbage trucks in service, the surroundings became clean—especially the streets which used to be littered with uncollected garbage. The city government bought a six-hectare landfill amounting to P6 million pesos as a major component

of its recently launched solid waste management program which incorporated the 3Rs—reduce, reuse, recycle.

A major bottleneck that any growing city needs to address is traffic congestion. A traffic management unit was formed composed of volunteer traffic aides. Ten were women who were trained in traffic management to augment the police force. The sidewalks and side streets were cleared of vendors and stalled vehicles for smoother flow of traffic.

The city had its own well equipped 24-hour radio and telephone communications network connecting all the barangays and various parts of the city to give up-to-date information and timely warning on the weather, lahar flow and floodwater especially during the rainy season. Watch points were established in strategic areas in the city to monitor the lahar flow and floodwater.

VII. Key Enabling Factors for Citizen Participation

The mayor attributed the transformation of the city to the people of San Fernando who cooperated and collaborated with the city government in all its undertakings. The people even built, using their own resources, the St. Ferdinand People's dike, a 5-kilometer tail dike along the boundaries of the city which cost around P14 million pesos. Being a calamity prone area, the people have internalized the value of sharing and caring for each other. Participation was not therefore limited to certain tasks only. It was borderless, encompassing all aspects of city life and was a demonstration of the care and concern the citizens have for each other and their city.

Why did citizens participate and own the transformation process in San Fernando? What were the key enabling factors?

1. The Crisis as Enabler

Crisis provides opportunities for people to unite, collaborate, work together. When survival is at stake, people are driven to collective action because they know that they have more chances of surviving when they are united and pursue concerted action than when they act alone. The city government capitalized on the crisis and used it to move people to action.

2. Transparent, Committed and Credible Leadership Indebted to no One but the People

According to a number of NGO and business leaders, the people responded positively to the call for participation of the local government because they believed in the sincerity, commitment and noble intentions of the mayor. He possessed the traits they admire in a leader. His low-key, amiable and gentle personality attracted people to his cause. The mayor preferred to work quietly and help others succeed or do their jobs better. He was like a mentor to his staff, encouraging and supporting them, but he could also get angry if the job was haphazardly done or neglected. No single taint of corruption or wrongdoing was attributed to him.

People admired him when he showed political will in

decreasing the staff in the city government to reduce expenses. While he was people-centered, he also had skills in managing the environment to take advantage of locational advantages and in energizing the bureaucracy to perform and deliver services. He was inclusionary in approach, always ensuring that no group was neglected or left behind in the development of the city. The results of the past three elections show the mayor's resounding mandate from the populace. During the 1995 local elections, he won by a margin of only 1,200 votes; in 1998, it increased to 21,000 votes; and in 2001 to 39,000 votes, not to mention that 9 of the 10 local legislators from his party also won.

Aside from his well liked qualities, the mayor is not captive of the interests of a few elite. His election was not due to the campaign funds donated by certain individuals or groups with vested interests to buy votes. He owed his election to the people themselves who have given him their full trust and confidence. Because he was not pressured by a powerful few, he was free to pursue the people's agenda. He also came along at the right time, when the people and the situation needed somebody like him.

3. Presence of Active Civil Society Organizations

Most of the residents belonged to various organizations in the city. Several NGOs of various types also operate in the city. The educational and consciousness raising efforts of the various organizations have developed a vigilant citizenry conscious of their rights and responsibilities. As such, it is not difficult to connect with the people by listening to and learning from them. To encourage them to be active participants in the governance of the city, the local government created formal and non-formal mechanisms for participation. As they participated in the various programs and processes, ownership of these programs developed. Conscious of their responsibilities, they paid their taxes because they knew where their taxes went—into the programs/projects they themselves identified, planned, helped implement, monitor and evaluate. The tri-media contributed greatly to the continuing dialogue, engagement and exchange between and among the local government and the various sectors.

4. Inclusionary Mechanisms and Processes for Participation

Formal mechanisms are important in channeling people's participation but the informal mechanisms are also as important. And the whole process was perceived by the people as inclusionary rather than exclusionary or favoring certain groups in society. While the city had constituted the code-mandated councils, the informal mechanisms delivered a stronger message to the public in encouraging them to cooperate and collaborate with government. The formal and informal mechanisms and the open invitation to all groups to participate in any of the meetings of the various councils and committees removed the barriers to participation.

5. Efficient and Transparent Management Systems Making it Easy for People to Deal with the Bureaucracy

The local government of San Fernando has strong internal management systems, especially with respect to the financial controls covering the treasury, budget, accounting and assessment. The city government has computerized all its processes including its payroll preparation, real property tax information system and the local service registry. As a multi-purpose organization, they have shown that they have the capacity to respond to the demands of citizens. Transparency, accountability and participation have become a way of life in the city government. It is open to public scrutiny and transparent in all its financial dealings. Broad linkages and close contact have been established with all the constituents. Teamwork among the heads of offices and employees is noticeable. This close coordination was facilitated by the weekly Executive Conference where each department reports on the activities undertaken, the issues and concerns of the department and their plans for the following week.

The city government made sure that once the people were convinced of the need to pay their taxes, the systems were in place to make the payment of taxes a pleasant experience. They set up the one-stop shop to facilitate faster payments. Taxpayers need not go to the various offices to secure the needed forms or clearances, so government made it easy for taxpayers to pay their taxes. However, they also made sure that the information contained in the tax forms more or less approximated the company's actual income. The Tax Enforcement Unit and the MAYAP were formed to ensure that every taxpayer paid their taxes and in the correct amount.

6. Accountability for One's Actions Builds Public Confidence to Participate

Quarterly and annual reports were prepared on the progress of the various projects of the city, the amounts spent for the projects, the agencies involved and the nature of activities. Annual reports were also prepared summarizing the projects accomplished for the year, the amount spent, the agencies involved and the activities undertaken. These reports were circulated to the citizens for their information. The mayor also provided the citizens with weekly updates in his radio program. A continuous feedback and feed forward loop was instituted to ensure transparency, participation and accountability.

VIII. Reaping the Rewards

The city of San Fernando is one of the most awarded and recognized cities among the 114 cities in the country. Two of its major awards are described below:
a). The city was recognized in 2000 by the Galing Pook (good place) Awards for Innovation and Excellence in Local Governance for its program entitled "Breaking Financial Barriers" because of its creative strategies in increasing its local revenues without increasing the tax rates to be collected. The Galing Pook Awards program was then managed by the

Center for Development Management of the Asian Institute of Management in cooperation with the Department of the Interior and Local Government and The Ford Foundation. For the past seven years, the Galing Pook Awards received a total of 2,100 program applications from various local government units in the country. It has recognized 70 outstanding programs (10 per year for the past seven years) based on these five selection criteria: effectiveness, positive socio-economic and environmental impact, people empowerment, transferability/sustainability and creative use of powers provided by the 1991 Local Government Code.
b) The latest recognition the city has received is from the Philippine Cities Competitiveness Ranking Project 2002, managed by the Policy Center of the Asian Institute of Management in partnership with the Department of Trade and Industry. The project assesses the capacity of the city to provide a nurturing and dynamic environment for its local enterprises and industries; the ability of the city to attract investments, entrepreneurs and residents; efficient use of natural resources in the context of sustainable development; and the ability to raise the standard of living of residents. The cities are assessed by businessmen based on the identified drivers of city competitiveness such as linkages and accessibility, dynamism of local economy, cost competitiveness, quality of human resources, infrastructure, responsiveness of local government and quality of life. In 2002, San Fernando rose to number two, compared to its previous ranking of number four in 1999, among all the cities included in the ranking. It was considered most competitive among small cities in 2002. The city was rated very highly by businessmen on responsiveness of the local government.

IX. Lessons Learned

1. The story of San Fernando shows that the people participate because they know it is for their own good and they benefit from the process. They paid their taxes because they saw where their taxes went. The credibility and transparency of the local government were important in convincing the citizens to get involved and even contribute financial resources in major infrastructure activities like the building of a dike.
2. Sound fiscal administration is important to enable citizens to participate and it does not exist in a vacuum, nor is it separated from the overall development efforts of the city government. It should be linked to performance, to successful high impact/high visibility projects which the people see as important to them. Doing something relevant and worthwhile generates more public support.
3. Leadership matters—a leadership that has a clear vision and mission, with qualities deemed by the people as important, like credibility, warmth, sincerity, simplicity, openness, transparency, etc. The leader also needs to communicate regularly with the internal and external stakeholders and must have the ability to balance the various competing and conflicting needs of its multiple stakeholders. And more importantly, leadership should not be indebted to nor controlled by a special few.

4. Internal management structures and systems, especially financial controls, are important to satisfy the citizens' demands for accountability and transparency in all financial transactions of the city government. A highly credible leadership is a product of transparent systems and processes.

5. Transferring power and functions, coupled with the transfer of resources and the power to raise their own revenues, increases the capacity of the local government to become effective in performing its mandated functions and responsive to the priority needs of its citizens.

6. Success in generating local revenues requires learning to be efficient first in tax collection before moving on to increasing taxes to get the support of the citizenry.

X. Conclusion and Prospects for Sustainability and Replicability

The case points to the transformative dimension of citizen participation with the local government as enabler. The twin problems faced by the city government and the citizens were effectively addressed. Guided by a clear mission, the partnership drew strength from each other. They have done what they promised to do. Citizen participation in the case of San Fernando was like a seamless process, a continuous flow of involvement and chain of events which were interconnected and encompassing. The experience showed the important role of leadership, in tandem with effective internal management structures and processes, in credibility and effectiveness when harnessing financial resources and making the citizens active partners in governance. The citizens and the city government did not wait for the national government or any external entity to help them. They relied on their own strengths and resources and trusted each other as they blazed a trail to the transformation of their city. The case certainly represents good local governance in action.

Will the journey continue even with the change in leadership?

A major resource is the people who would be involved in defining their own needs priorities and who also have the resources to meet those needs. A local government should think about where to get resources only after it has defined what it should be doing in partnership with its citizens.

The San Fernando story showed the changing roles of local government from provider of services to enabler of people's participation for the greater good. Building ownership by the community of the programs and processes is key to sustainability.

Participation has become second nature to the people of San Fernando through inclusionary formal and informal processes and mechanisms. At the start of the mayor's administration, formal structures were introduced and, as the years went by, the city government and the citizens relied more on informal means of engaging with each other.

The structures are in place, and the values of transparency, accountability and participation have been embedded to some extent in the hearts and minds of the people. Perfor-

mance standards have been set by the administration of Mayor Aquino. And to quote one city mayor in the Philippines:

"Getting the right people, building their capacity, creating distinct structures to operationalize the programs, putting in place the legal basis through the passing of ordinances …. These we have actually done precisely to ensure sustainability. But more than these, we have been trying to institutionalize things in the minds and hearts of our people. Somehow, I am confident that if the people feel the full impact of what we have been trying to do, then it would become part and parcel of public expectations from the local government and it becomes the standard. With my remaining days in the office, I will try to lift that standard as high as I can."

Can the San Fernando case be replicated?

What the city of San Fernando did was nothing magical. They simply implemented what they were mandated to do by the Local Government Code. It required a lot of political will combined with a host of other factors that produced the desired results. This can just as easily be done by other cities in the country. But three key factors need to be present—a strong civil society, local elected officials indebted to no one but the people, and a broad revenue base.

However, the local government landscape in the Philippines is marked by hundreds of small municipalities, with no economies of scale—out-migration areas, small population size and a narrow revenue base. The highly fragmented set up has been attributed to the practice of gerrymandering or creating new turf for politicians whose terms have expired and can no longer run for public office unless they move to a new area or unit.

Given the present distribution of local governments, the strategy employed by some local governments who have realized their limitations was to enter into inter-LGU cooperative arrangements such as managing ecosystems or pursuing joint economic development efforts.

There is a need to study the possibility of amalgamating small municipalities to increase their capacity to achieve genuine local autonomy so that they are able to generate their own resources and are not dependent on external sources for continued survival.

The Local Government Code of 1991 has been up for review and several amendments have been proposed to increase the financial capacity of local governments. Various sectors were clamoring for a re-examination of the present distribution formula (population, land area and equal sharing) of the Internal Revenue Allotment to include municipal waters, equity and performance considerations. Equity considerations would be giving more resources to resource-poor local governments; performance-based issues would be to provide incentives to those who do their job well; and municipal waters are important because most of the municipalities are located in the coastal areas, the Philippines being a country of 7,100 islands.

Being an archipelagic country, the national government was right in decentralizing powers and functions to the local

governments. The country is too spread out for a central government to manage effectively. Inspiring stories abound of how local communities in partnership with their local governments have transformed their localities into pleasant places to live, serving as concrete examples of how devolution has worked in the country. So many more challenges remain but success stories inspire us to continue to move forward, to hope that better things can come when individuals participate and assert the collective will for the common good. For indeed, the San Fernando story has shown what the local governments and citizens' groups can do as effective partners of the national government in pursuing the people's development agenda.

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B. Primary Data

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**ANNEX 1: Some Non-Government Organizations and Type of Services Rendered, Year 2000**

NAME OF NGO	TYPE OF SERVICES RENDERED
Soroptomist International	Skills training for victims of domestic violence
San Lorenzo Ruiz Center for Studies	Seminar Workshop on Scouting, Early Childcare and Development
Kiwanis Club of San Fernando	Social Upliftment/Livelihood Programs for Disabled
S A C O P	Scholarship for mendicants
CLIT	Scholarship for deserving out-of-school youth
Pepsi Bottling Company	Skills training for out-of-school youth
Cosmos Bottling Company	Materials for day care centers
SHEAVERS	Skills training
Pag-asa ng Buhay Foundation	Skills training
FUMTA	Services for out-of-school youth
SURE	Street children counseling
PNB Employees Association	Assistance for street children
Christ In You	Skills Training/Services for Disaster Victims and Street Children

ANNEX 2: Financial Performance of the City of San Fernando, 1996-2001, in Millions

	1996		1997		1998		1999		2000			
REVENUES												
Local Sources	49	-57%	55.34	-52.00%	58.39	-53%	75.16	-51%	73.7	-47%	112.15	-51%
Aids and Allotments	37.19	-43%	50.57	-48%	51.92	-47%	72.49	-49%	84.28	-53%	106.27	-49%
TOTAL	**86.19**	**-100%**	**105.92**	**-100%**	**110.31**	**-100%**	**147.65**	**-100%**	**157.98**	**-100%**	**218.42**	**-100%**
Increase			-2.88%		-4.15%		-34%		-7.00%		-38%	
EXPENDITURE												
General Government	33.41	-47%	45.19	-48%	45.79	-44%	52.38	-43%	56.44	-42%	74.8	-39%
Socio-economic Services	30.71	-44%	45.39	-48%	53.75	-51%	65.22	-54%	77.78	-57%	115.95	-61%
Capital Outlay	6.51	-9%	3.33	-2%	4.88	-4%	2.94	-2%	1.41	-1%	0	0.00%
TOTAL	**70.64**	**-100%**	**93.9**	**-100%**	**104.43**	**-100%**	**120.54**	**-100%**	**135.63**	**-100%**	**190.74**	**-100%**
Increase			-32.93%		-11.21%		-15.43%		-12.52%		-40.64%	
SURPLUS/ DEFICIT	**15.56**		**12.02**		**5.89**		**27.11**		**22.35**			

Source: Office of the City Administrator, San Fernando, Pampanga, 2002

ANNEX 3: Revenues Generated, Local and External, 1996-2001 (in millions)
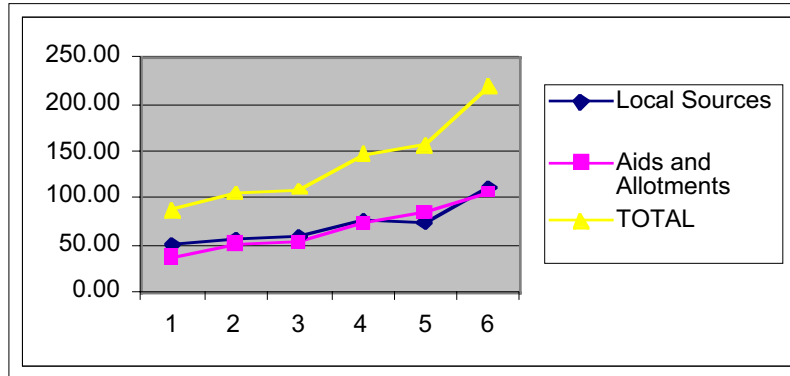
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Initiating Participatory Democracy in Indonesia: The Case of Surakarta Municipality

by Pratikno

Abstract

Citizen participation in public policy making was absent in Indonesia during the centralized and military-bureaucratic authoritarian regime, 1965-1998. Following the meltdown of the government in 1998, decentralization was promoted and the first free and fair election in the last 44 years was conducted. The emergence of civil society organizations and freedom of the press has colored the political reform. This article shows that political reform aimed at decentralization and democratization do not guarantee an increase in citizen participation in public policy making. Local parliaments' increased strength in local government structures does not increase people's involvement or control over policymaking and implementation. Local bureaucracy tends to be defensive and reluctant to change its exclusive policymaking. A more politically active society, civil society organizations and the local press are able to speak loudly but are unable to develop more effective participation. The sustainability of any promotion of citizen participation will be endangered unless greater energy is invested in most municipalities in Indonesia, making it possible for them to learn from each other.

I. Introduction

Citizen participation in public policy making is almost totally absent in the history of Indonesian politics. Following the takeover of military forces by the national political leadership from the civilian government in 1965, political authoritarianism was the main feature of Indonesian politics. The military bureaucracy dominated politics without interference from other institutions. Centralization characterized political as well as economic life. Society was excluded from the political arena and disadvantaged by government practice.[1]

When the people's movement successfully forced President Suharto to step down and end his 34 unchallenged years as president in 1998, the political structure started to change. State control over the society declined significantly, and there was room for individuals to express their views freely. Democratization and decentralization became two of the most important demands made to the newly weaker government. 1999 was an important year because of the state's declaration of support for decentralization and democratization. National laws on the political party and election systems, as well as on the law of local government, reflect the new policy options.

Following stipulation of the laws, local autonomy and democracy began to grow. Municipal governments received more authority from the central government. These governments had more freedom to generate local revenue and to spend according to local policy. Municipal assemblies became

much stronger and took over political control previously owned by higher bureaucracies. Their members were elected in the 1999 election, the first free and fair election since 1955.

Has the new macro political environment brought changes for citizen participation in the municipal government policy-making processes? This question will be the focus of this paper. The case of the budgeting policy in a single municipal government of Surakarta, in Central Java, will be elaborated on in this paper. This is one of a limited number of cases of improved citizen participation in Indonesia at this moment. This case shows that initiating citizen participation in public policy making in Indonesia is hardly complex and difficult, even in a highly developed city like Surakarta. Many lessons can be drawn from this case about participatory public policy making in a post-authoritarian government like Indonesia's.

II. From Centralized to Decentralized Government

After the military regime under Suharto came to power in 1965, a highly centralized political structure was developed in the name of national integration, political stability and economic development. Although unity in diversity (*Bhineka Tunggal Ika*) was a dominant political slogan during this time, the political arrangement made no room for the emergence of competing powers outside Jakarta. Local power was seen as a threat, and subject to central government repression, even through such crude military operations as were demonstrated in the cases of the former East Timor province, West Papua and Aceh.

In providing a political basis for this highly centralized political arrangement, the Soeharto government channeled much of its energy into weakening local power. In doing so, one important strategy was the institutionalization of a highly centralized and bureaucratic local government. In this respect, the promulgation of Law No. 5 of1974, was the most significant. It provided the constitutional basis for the operation of a highly centralized political structure at the local level. Below the central government there are three levels of local self-government: province; district (kabupaten, for rural and semi-urban areas), and municipality (kota, for urban areas); and the village government. Apart from having its own authority in some affairs (*Urusan Rumah Tangga Daerah*), the local government had the responsibility to secure and implement national and provincial policies.

The supervision and control by the central government's Ministry of Home Affairs was significant, throughout a wide range of issues at all levels of government, for implementing national policies. The government structure was monolithic in character, with a governor and head of district who were guaranteed to hold all power through the concept of *penguasa tunggal* (the one and the only authority). On behalf of and for the sake of national interests, the head of region had the right and responsibility to "guide," meaning to intervene in, all political forces, including parties and legislative branches in a given territory.

The local legislative body was simply a subordinate of the governor or mayor, who were the central government's

political arm. Local parliament, for instance, had no political right to elect a governor or mayor. Local parliament also had no significant role in politically controlling or supervising. At the same time, both governor and mayor had no obligation of responsibility to the local parliament. In addition, both the internal structure and the rules for running the local parliament gave almost no power to its members. Taking into account the fact that the political recruitment of members of any local parliament, as well as its very existence, was fully controlled by and depended on the national political power, the significance of local parliaments as representative of local interests was meaningless.

The highly centralized political structure was also reflected in, as well as maintained through, over-regulation and over-bureaucratization of local affairs. Almost all local government policies, programs and activities were subject to central government regulations and approvals. Policies, programs and activities were very much determined by Jakarta. Within this context, citizen participation in municipal decision making was, of course, absent. However, elite bureaucrats at the central as well as at the local government level benefited from the practices of the system.

Pressure for a more decentralized system of government was coming mostly from outside of Java Island. The political arrangement during the Suharto government provided room and legitimacy for central government to have control over the economic resources of local areas. Activities such as mining and forestry in outer islands were managed directly by the central government. This, in turn, provided the material basis for Jakarta to get even more political control over local areas. Uneven distribution of economic resources between Jakarta and the rest of the country allowed Jakarta to have a very strong material base. It led to a local dependency on the center, providing more reasons for a highly centralized political structure to continue.

The political implications of this policy were very clearly that most regions outside Java, especially those having rich natural resources such as West Papua, East Kalimantan, Riau and Aceh, were left unsatisfied. It is understandable then that soon after President Suharto lost power in 1998, formerly delayed regional movements emerged. Defining themselves as ethnically or religiously different from the dominant group, many regions demanded control of more political and economic resources. Some even asked to have independence, as in the cases of the provinces of Aceh and West Papua. Therefore, for the sake of national unity—the same reason that was given by the Suharto government in 1966—the Habibie government in 1999 declared an intent to decentralize government.

III. The 1999 Regulation on Local Autonomy

During the weak and short period of the Habibie government in 1998–1999, new laws regarding local government and central-local financial relations (Law Numbers 22 and 25 in 1999), and guaranteeing autonomy and parliamentary democracy at the regional level, were stipulated. These laws have far-reaching implications for changing the structural character of central-local government relations in Indonesia.

Law No.22 (1999) decentralizes authority to the district and municipal level more than to the provincial level. The authority of the national government is limited to five areas of public affairs, especially international affairs, defense, monetary policy, religion, and the judiciary. Central government offices at the provincial level are also limited to these five issues, while their presence at the district and municipality level is now dissolved. Central government regulation No. 25 (2000), names in detail all kinds of activities and authorities belonging to central and provincial governments; others that are not on the list fall into the hands of districts and municipal governments. However, in all cases the central government still has authority to set standards and to monitor and supervise the local government in implementing its autonomy.

The law also strengthens the position of the local parliament at the district and municipal levels, giving it the right to determine local regulations and elect the head of region without any intervention from Jakarta. Parliament even has the right to impeach a mayor under presidential approval. The new law clearly stipulates that if the accountability speech that the mayor is required to deliver every year in the plenary session of local parliament is rejected twice, then he or she has to resign. To give some examples, in 2001, the district head of Semarang, Central Java, decided to step-down from his office due to political pressure from the local council. In 2002, the head of the Surabaya municipal government was also forced to resign by the local parliament.

Apart from the strong constitutional base provided by the new law, new local parliaments have very strong political legitimacy. This is so because they were elected through a democratic process, i.e., a free and fair election. Despite the persistence of debate among Indonesians in regards to the question of whether or not a new council represents local people, parties, or even its members, the fact that it is a result of a democratic political process makes it a reflection and representation of the local people's aspirations. Unlike in the past, all members of new local parliaments are freed from political screening. Moreover, most of them are from outside the bureaucracy. However, the presence of appointed military men remains. Their number has been reduced significantly to only about 10% on average; but from a democracy point of view, their presence is still problematic.

In terms of local government financing, Law No. 25 (1999), on central-local financial relations, also makes some important changes. This law stipulates that 25% of the national revenue should be allocated for block grants to local government. In the past, there was no guarantee of how much money would be delivered to the local government. Another important change is the introduction of revenue sharing between central and local governments generated from natural resources such as oil, mining, forestry and fishery. In the past there were only property taxes, a national tax that was shared between national government and local government. Now, a district producing oil receives 6% of the total revenue generated from this source, and the provincial government receives 6% of it.

The regions rich in natural resources, such as East Kalimantan, Riau, West Papua and Aceh, of course, celebrate this policy. It reduces political tensions between Jakarta and these regions, which emerged in 1998–1999 since, as discussed before, one of the sources of political conflict between Jakarta and regions such as these was their economic dissatisfaction. However, this policy does not contribute to the regional budgets of those regions with poor natural resources.

IV. Some Macro Problems in Implementation

The undergoing changes in central-local relations as well as in local political arrangements are a promising sign that the country will be able to cope with existing regional problems. As promised by the new laws, a wide-range of local autonomy will be introduced. This kind of political arrangement seems to be the proper answer to the problems of political dissatisfaction in the outer islands. At the same time, it will also lead to the fulfillment of democratic principles in the country, especially at the local level. However, during the transitional period, especially with what Indonesia experienced in 1999–2001, there have been some problems.

One major issue with the implementation of the decentralization policy is the notion of locality, closely related to the concept of ethnicity or religion, which is seen by political leaders in Jakarta as endangering nationhood. There are more than 70 proposals from local areas asking the central government and national parliament to give them the right to be independent districts, cities, or even provinces. Most of them justify their demands on the basis of different ethnic and other primordial categories. In this context, the transfer of power from Jakarta, therefore, would also mean providing room for contending local political groups based on ethnicity and religion to compete with each other for control of power. In addition, local autonomy also provides conditions for the revival of local aristocracy. There are some indications that the new arrangements in local politics are also bringing back the old feudal structures. In some cases, this leads to the spread of horizontal conflict within society, such as in North Maluku province.

Political elites in Jakarta, including former President Megawati, have often pointed out that local autonomy has led to the emergence of conflict among districts or municipalities, or between district and municipality within the province. Conflict between fishermen from different districts, which emerged in several regions, is often connected to the issue of local autonomy. Also, many governors are disappointed by the absence of district and municipal government heads at coordination meetings.

Another important issue has been the spread of corruption down to the local level, especially among local parliament members and political parties. Evidence from some regions reveals that the transfer of power from Jakarta also means the transfer of corruption, collusion and nepotism. Whilst corruption in Jakarta has not been reduced yet, the spreading of corruption to the local level has increased significantly. It seems that despite significant change in local political structures, including membership, there is no significant change in the attitude of power holders. Money

politics is now one of the most discussed issues in explaining the behavior of members of parliament at the local level.

Political tension, as well as collusion between the executive and legislative branches, is also an important public concern. New politicians try to compensate for their inferiority by over acting, while bureaucrats remain arrogant and have no respect for the new politicians. Consequently, there is the possibility for local parliaments to undertake a kind of political intervention with the bureaucracy, resulting in an even deeper politicization of local bureaucracy. From the bureaucrat's side, there is a possibility of boycotting. Any of these would jeopardize the whole process of governance, development and public services at the local level.

Finally, soon after the laws were released, local governments instituted many new local regulations. Unfortunately, most of the regulations were mainly concerned with the effort to generate local-owned revenue which, consequently, according to the Indonesian Chamber of Commerce, discourages investment from outside.

Since November 2000, a variety of new local taxes and charges have been introduced in many provinces, districts and municipalities. The most common kind are local taxes or charges directed to those transporting goods that exit or enter the region. The province of Lampung, for instance, collects taxes from traders transporting agricultural products from Lampung to other regions. The district of Pasaman obligates traders transporting goods to and from Pasaman territory to have a letter declaring the origin of the goods which has been legalized by the district government. To get the letter the traders have to pay a charge. This kind of regulation has encouraged public debate which has attacked the decentralization policy being implemented.

Indeed, many cases have appeared in the public discourse implying that some of the practices of local governments in Indonesia during the first year of the decentralization policy in 2001 were irresponsible and cannot be accounted for. Therefore, it is crucial to ask about the quality of the participation of the people in the process of public policy making at this level of government.

In answer to this question, this paper will focus on the case of the Surakarta Municipality in Central Java. Both local society and the municipal government have undertaken some effort to initiate more participatory decision-making. This case will show the difficulties in doing so in a post-centralized and authoritarian government like Indonesia.

V. Transition in Surakarta: The People's Movement

Surakarta, more commonly known as Solo, is an interesting city in many ways. For Indonesian tourism, it is one of the most important destinations in Indonesia, especially in Java. Located in the middle of the Central Java province, this city is also one of the most important centers of trading in Java. As an old city, Solo has a long heritage dating back to the Kingdom of Surakarta Hadiningrat, established in the seventeenth century. The people of Solo are known as polite and friendly, associated closely with the old Javanese culture. However, Solo is also interesting because it was the most

burned over city outside of Jakarta during the political crisis of 1998–1999.

The city of Surakarta was established back in the eighteenth century when the capital city of the Mataram Kartasura Kingdom was moved to a village known as Solo in 1745. Solo then grew rapidly and became the capital city of a new kingdom called Surakarta Hadiningrat. Solo became the center of the Javanese culture and economy. Benefitting from its location in the province, it also became the center of trading activities.

Following Indonesian independence from Dutch occupation in 1945, the formal political position of Surakarta Kingdom ended. Unlike the Kingdom of Yogyakarta, which maintained political position in the Special Province of Yogyakarta, the Kingdom of Surakarta became merely a monument of the Javanese cultural heritage. The form of local government in Surakarta is similar to many district and municipal governments in most parts of Indonesia.

Modern Surakarta is a middle-sized city for Indonesia. The population is slightly over 750,000 at night, and rises to 1 million during the working day, due to the workers who come from outlying areas. A vast majority are Javanese, with the minority ethnic groups being Chinese, Arab and Indian. Soloneses are recognized for their hospitality, wisdom and friendliness as well as for their feudalistic values and social attitudes. The Kasunanan Surakarta Hadiningrat heritage still has a strong influence culturally on the people of this city.

Inequality is inherent in the economic structure of Solo, with the minority Chinese ethnic group being the most dominant one. Back in the Dutch colonial era, the Chinese ethnic group had the most government support for doing business after the Europeans. The majority indigenous Javanese were the lowest ranking community and lived in poverty. The Chinese dominated the textile and batik painting industries, the most important business activities in Solo for centuries.

Economic inequality and domination by the Chinese ethnic group continued to grow until modern times in Surakarta. The textile industry, one of the most important manufacturing industries in Surakarta, is owned by the non-Muslim Chinese ethnic group. This group dominates the big trading companies located in the central city as well. Big houses and luxury cars are associated with this group. On the other hand, poverty is closely affiliated with the indigenous majority Javanese group. One hundred percent of pedicab (*becak*) drivers come from this latter group. Understandably, therefore, social and political relations between the Javanese majority and Chinese minority have been problematic throughout Surakarta's history.

Within the social and economic context, the majority Javanese have seen the position of government as supporting the Chinese ethnic group in exchange for bribery. Indeed, corruption has been a common feature of national and local bureaucracies in Indonesia, including in Surakarta. The increasingly richer Chinese minority and senior bureaucrats are perceived as being part of the serious poverty problem in Surakarta and are an important source of society's distrust of the government.

The government and the ethnic Chinese have been the main targets of riots by the people's movement in Surakarta. During the political crisis of 1998–1999, Surakarta was the site of some of the most extensive rioting and burning in Indonesia. In May 1998, a few days before President Suharto stepped down, there was a massive riot with arson that destroyed most of the economic facilities, such as factories, shops, malls banks, as well as the residences of the Chinese ethnic group.

Less than a year later, there was more rioting and burning. Following the dismissal of an illegal motocycle racing crowd in December 1998 by the local police, an angry crowd attacked the police station and many police cars were burned. The ultimate riot took place when Megawati Soekarnoputri, the leader of the PDIP and winner of the 1999 presidential election, was defeated by Abdulrahman Wahid in the MPR (People's Consultative Assemblies) plenary session on October 20, 1999. The Surakarta City Hall and many other government buildings seen as symbols of the previous government were burned.

These events were traumatic for most of the people of Surakarta, especially those in the Chinese minority group and the municipal government. In the 2002 fiscal year, the Surakarta Municipal government had to allocate more than 34 billion Indonesian rupiahs, approximately 5% of the total budget, to rebuild the burned down city hall. However, for grassroots communities, it was evidence that they can challenge the domination of economically and politically elite groups, even if by violence. In other words, it creates a more confident grassroots society, and a more careful dominant group.

VI. Democratization and Its Problems

Below the municipal government, there are two layers of government that are known as the *kecamatan* (sub-district or sub-municipal) government and the *kelurahan* (village) government. The Surakarta Municipality consists of five *kecamatan*, which are then divided into 22 *kelurahan*.

Following the implementation of the 1999 law on local government, the Surakarta municipal government, like other municipal and district governments in Indonesia, controlled a minimum of 11 important public affairs, including education, health, social services, and land administration. In the 2002 budget year, this municipal government controlled 70 billion Indonesian rupiah, far above the average for district and municipal budgets in Indonesia at that time.

Unlike what had been practiced from 1965–1999, the role of politicians in the municipal council has increased in recent years. Elected in the 1999 election, the first free and fair election in the past 44 years, the municipal council has a strong political legitimacy in the political structure of Surakarta. Legally, the new law regarding local government provides significant power for the legislative body to legislate and supervise the executive branch. As mentioned earlier, the council has the right to dismiss the mayor, especially if a mayor's speech of accountability at the end of the budget year is rejected.

At the end of the 2001 budget year, the Surakarta council rejected the accountability report that the Surakarta mayor,

Slamet Suryanto, delivered on 16 April, 2002. The mayor was given one month to revise his report, which was then accepted by the council in the council plenary on 23 May, 2002. Money politics then became a public issue in Surakarta. It was widely discussed that the mayor had to bribe the councilors in order to gain support from the council.

In practice, the influence of the council is not only limited to the macro policy of the municipal government, but is also expanded to the daily practice of government. In the opinion of local bureaucrats, dominant groups in the council are able to intervene in the appointment and promotion of bureaucrats. Under pressure from the councilors, the Mayor of Surakarta dismissed the General Secretary of the municipality, a purely career bureaucrat, on 22 September, 2001. Following the mayor's speech of accountability in May, the council was penalized due to the misconduct of three senior bureaucrats.

Indeed, many bureaucrats feel that their careers are easily affected by the council. This kind of intervention also takes place in activities previously controlled by the bureaucracy. The process of municipal development planning is an important dispute between bureaucracies and the politicians. The opportunity for corruption in designing projects is now open for the local politicians as well. Indeed, politician tension is not only appearing between the legislative and executive branches, but more specifically between politicians and bureaucrats. It also appears clearly in the process of planning and budgeting policy.

Traditionally, since the 1970s, the process of public policy making at the local level was nationally designed. According to the central government's regulations, development planning should be bottom-up, starting at the *kelurahan* (village) government level, then the *kecamatan* (sub-district) level and moving to the municipal government level. However, citizen participation in the process is not guaranteed, and is even excluded from the process.

According to the national standard, (known as P5D), development planning at the village level, whether to be executed by this level of government or to be proposed to a higher level of government is decided by a representative body called LKMD. The members of this institution are appointed by the village head who automatically is the head of the institution as well. There was no obligation to include villagers in the process. What had been happening in practice was that the village head monopolized the policy making process.

For the formulation of municipal planning and budgeting policy, the proposals of the village governments was compiled at the sub-municipal (*kecamatan*) government level. This level of government had to prioritize programs based on the villages' proposals. However, since no village representatives were involved in this stage, the sub-municipal government had full autonomy in decision making, regardless of proposals sent by the village governments. Again, the elite bureaucrats at the sub-municipal government level dominated the policy making.

The proposals of the sub-municipalities were then submitted to the municipal government and discussed in a

meeting of the municipal planning body, consisting of all sectoral agencies and the heads of sub-municipal governments. In a centralistic political environment, the bureaucracy at the municipal government level could easily ignore proposals of the sub-municipality governments. The officially bottom-up planning process became a top-down one in practice. More importantly, the bureaucracy dominated the process.

Based on the development plans formulated by the municipal bureaucracy, the municipal budgeting committee, consisting of bureaucrats and council members, drafted municipal budgets. The draft was then presented to the plenary session of the municipal council. However, since the government political party dominated the council, the council approved whatever was proposed by the bureaucracy.

Following political reform in 1999, including the stipulation of the decentralization and democratization policy, the position of the municipal council became much stronger. The process of the planning and budgeting policy in Solo, in 2000, was just the same as in previous years. However, whilst in the past the municipal council was just like a rubber stamp, the council elected through the 1999 election had strong political legitimacy and formal political power. As presented above, the council could intervene in many aspects of governmental processes traditionally controlled by bureaucracy.

The budgeting process in 2000 was a depressing experience for the municipal bureaucracy. Whilst in the previous year the bureaucracy controlled the whole process of policy making, in 2000 the policy draft prepared by the bureaucracy was almost totally rejected by the politicians. The politicians proposed some detailed projects to be financed by the municipal budget. A senior bureaucrat said that the council proposed that each village government should have at least one new computer. Rather than giving autonomy to the village government to purchase them on their own, the councilors argued that it should be purchased by the municipal government and financed by block grant allocations to be given to the village government. In addition, the councilors proposed the name of the computer shop at which to make the purchase.

This case shows how more parties are becoming involved in the corruption. While in the past corruption was mostly dominated by municipal bureaucrats, after the 1999 election municipal politicians became involved as significant actors. Furthermore, this also demonstrates the emergence of a new pattern of relationships based on "mutual distrust" between the municipal bureaucracy and politicians.

It is important to note that most of the new members of local parliaments are from outside the bureaucracy. Since most of them have had negative experiences with bureaucracy in the past, they have a strong tendency to use their current political positions as a means to enact political revenge. This is aggravated by the fact that in terms of level of education and experience, most members of parliament are lacking. There is a psychological problem involved here. As mentioned before, the new politicians try to compensate for their inferiority by over acting, while bureaucrats remain arrogant. Consequently, there is a tendency for municipal

councils to try to intervene in bureaucracy, resulting in an even deeper politicization of local bureaucracy.

In the case of the planning and budgeting policy process, the 1999 election did not bring any significant changes in citizen participation. The vast majority of people are still excluded from the process. The difference was in the shift from the domination by municipal bureaucracy to the domination by politicians and political parties. Centralization of policy making and corruption still continue to grow.

VII. The Partnership and Initiation Process

The idea of developing participatory planning and budgeting policy is not a new one in Surakarta. Many components of civil society, especially non-governmental organizations and academicians, worked hard to make it happen. Due to the authoritarian and closed system of government in place until 1998, most civil society organizations concentrated their agendas on strengthening the organization of community groups in general rather than on specifically increasing direct popular participation in public policy making.

Since the 1970s, Solo has had some civil society organizations, especially NGOs, universities and the local press. As early as 1978, an NGO called LPTP (*Lembaga Pengembangan Teknologi Pedesaan* or the Institute for Rural Technology Development) which later became one of the most outstanding NGOs in Solo, was established. Energized by some well-educated activists, this NGO has been contributive in many aspects, including in organizing the grass-roots community in Solo. The NGO's presence grew significantly in the mid 1990s with the peak in 1999–2000. Now, Solo is a city rich in NGOs, in terms of number, density and plurality.

There are some NGOs concerned with specific issue such as the environment, like Gita Pertiwi (environmental issues), and gender equality, like Mitra Wacana, Gerakan Anti Kekerasan Terhadap Perempuan Indonesia, Lembaga Studi Pengembangan Perempuan dan Anak, Pusat Studi Wanita of UNS, and UMS. But the most massive NGOs at this moment are those concentrating on organizing local communities. KOMPIP (Konsorsium Monitoring dan Pemberdayaan Institusi Publik) is an important one that has been able to organize some marginalized communities. SOMSIS (Solidaritas Masyarakat Pinggiran Surakarta) and P3S (Paguyuban Penata Parkir Surakarta) are other examples.

Most interesting are the NGOs working on developing understanding among groups in Solo. Paguyuban Masyarakat Surakarta (PMS) is an example of an NGO trying to develop more effective communication among ethnic groups, especially between Javanese and Chinese ethnic groups. Another important organization in this regard is Paguyuban Pasopati, an association of soccer maniacs, which has been able to bridge the social and cultural gaps among ethnic, religious and economic classes in Solo. All of them are working on the society itself.

NGOs which focus on bridging the gap between state apparatuses and the society are almost absent. NGOs in Indonesia, as in most parst of the world, see themselves as being autonomous, critical and independent from the state.

Keeping a clear distance from, even having no contact with, the bureaucracy and politicians is a common strategy. On the governmental side, bureaucrats and politicians are reluctant to have contact with the NGOs as well. Therefore, a partnership between government and NGOs is difficult to establish.

Until 2000, the idea of developing popular participation was a rejected idea by local bureaucrats and politicians. Seing themselves as being in a much stronger position compared to the society at large, no local state apparatuses were interested in the idea of a participatory decision making processes. Both municipal bureaucracies and politicians benefited from the elite-dominated policy process. It is evident that civil society organizations in Surakarta were unable to convince the municipal government to be more open to a participatory budgeting policy.

Following the riots and burning in 1998–1999, civil society organizations found a new argument for the political crisis being the product of a centralistic policy making process which excluded people for over three decades. A group of NGO activists, moderates[2] and academicians tried to find partners from within the bureaucracy along with politicians to promote participatory policymaking.

On the bureaucracy side, especially among some well-educated bureaucrats in the Municipal Development Planning Body (*Bappeda*), the idea of participatory planning also started to grow. As a theory, this idea was not new in Indonesia at the time. But the momentum of political freedom starting in 1999 made the bureaucracy think about the possibility of applying participatory planning.

Following the establishment of a new Municipal Council in 1999 with a strong and dominant political role, the position of the bureaucrats weakened significantly. The intervention of councilors in the daily activities of the bureaucracy has been getting stronger over time. Individual councilors can easily intervene in plans already drafted by the Municipal Planning Body. The feeling of insecurity following the dismissal of their colleagues also encourages bureaucrats to gain support from other institutions, especially NGOs, media and the vast majority of the population. The promotion, by some bureaucrats in the Development Planning Body, of participatory planning was partly driven by these interests.

Some NGO activists started to find partners in the bureaucracy, especially among senior bureaucrats in the Development Planning Body. For the first time in more than three decades, people coming from previously different worlds started to interact, making discussion and working together possible. The idea of developing partnerships between government institutions and civil society organizations started to grow.

While many other NGOs in Surakarta concentrate on strengthening community organization, these partnerships focus on supporting the bureaucracy in evaluating the previous planning and budgeting policy making to identify potential factors for developing a participatory decision making process.

An organization called Indonesian Partnership for Local Governance Initiative (IPGI) was established in Solo in 2000. It may be the first important NGO concentrating on and able

to develop partnership between civil society and government in Solo. While most NGOs in Solo concentrate their programs on strengthening local community as such, IPGI's commitment is to promote democracy by strengthening the capacity of societal groups and local government as well.[3] In the case of Solo, one of its most important programs is to develop popular participation in public decision-making.

IPGI of Solo is a part of the networking group of IPGI at the national level. With its national secretary in Bandung, West Java, the National Secretary of IPGI has three local networking groups consisting of IPGI of Bandung, IPGI of Solo, and IPGI of Riau. All the groups concentrate their activities on developing participatory planning and public policy making. In terms of membership, the three local "branches" are comprised of NGO activists, local academicians and bureaucrats.

The IPGI of Solo is headed by a senior academician who is supported by a long-standing NGO activist and a senior bureaucrat as vice-heads. Below the directorships, there are some positions filled in by, again, some academicians, NGO activists and bureaucrats. This composition is expected to make the partnership between civil society and government more workable.

VIII. Mobilizing Support

The main agenda of the partnership is to mobilize support from stakeholders for participatory public decision-making. First of all, it is very important for the group to gain support from the state apparatuses, especially the bureaucracy, which previously monopolized the decision making process. Secondly, it is also imperative to gain support from the local community at the grass roots level, from other NGOs and from the local media in Solo.

When first initiated within the government, most municipality bureaucrats rejected the idea of participatory planning openly until the mayor's decision promoting participatory planning was stipulated. Among the reasons was belief that participatory planning would reduce the role of bureaucracy in the planning process significantly. In addition, since for decades only the Surakarta bureaucracy was familiar with what had been done, the new initiative was seen as impossible. This kind of perspective was common among bureaucrats at every level of government, from the municipal down to the sub-municipal government, including the village level. Most village heads were also reluctant to support the idea.

Following much lobbying and persuasion, the partnership was able to gain support from the mayor. This was one of the most important steps toward gaining larger support from the bureaucracy. The partnership's ideas on participatory public policy making were adopted by the mayor, to be stipulated in his decision. Following the stipulation of the mayor's Decision on Promoting Participatory Planning and Budgeting Policy (*Surat Edaran Walikota*) in January 2001, open rejection from the local bureaucracy declined significantly. The following year, this decision was renewed and further strengthened by Mayoral Decision No. 410/45-A/1/2002 (Keputusan Walikota tentang "Pedoman Penyelenggaraan Musyawarah Kelurahan Membangun, Musyawarah

Kecamatan Membangun dan Musyawarah Kota Membangun di Kota Surakarta Tahun 2002"). Although it does not guarantee the full support of the whole municipal bureaucracy, its positive impact on participatory planning is clearly significant.

The mayor's decision stipulated that decision making on development planning and budget allocation should be participative through the following several steps:

1. Processes at the village level
— Started by meeting at each neighborhood association.
— Meeting of neighborhood representatives and village government officials (as Organizing Committee) to prepare general meeting at the village level: (a) drafting rule of the game for the general meeting, and (b) identifying some crucial public issues.
— General meeting, involving all householders in the village, discussing: (a) the OC's drafts; (b) formulating village government budget allocation; and (c) proposing development plans to higher levels of government.
2. Processes at the sub-municipal level
— Meeting of sub-municipal government officials and village representatives (as organizing committee) to prepare general meeting at the sub-municipal level to: (a) draft rule of the game for the general meeting, and (b) identify some crucial public issues.
— General meeting, involving larger representation of villages, representation of business community, CSOs and social leaders, to discuss: (a) the OC's drafts; (c) proposing development plans to be submitted to the municipal government.
3. Processes at the municipal level
— The municipal bureaucracy, under the coordination of the Municipal Development Planning Body, organizes a meeting with the heads of sub-municipal governments, chambers of commerce, and CSOs to: (a) establish an organizing committee; (b) draft rules of the game; and (c) draft spatial and sectoral development plans based on the sub-municipalities' proposals.
— General meeting at the municipal level discussing drafts prepared by the organizing committee. Development plans are then proposed to the municipal parliament.

To ensure the procedure, a significant amount of energy should be dedicated to making it happen. Since the local bureaucracy has no experience in facilitating citizen participation in local decision-making, and is reluctant to do so, the role of the partnership (IPGI) and other NGOs is crucial. A series of focus group discussions with local people was organized to develop better understanding of the importance of the role of the people in the process. Training of facilitators recruited from each village was also conducted. The process in each village and each sub-municipality was closely followed, monitored and supervised.

Figure 1. PARTICIPATORY DEVELOPMENT PLANNING MECHANISM
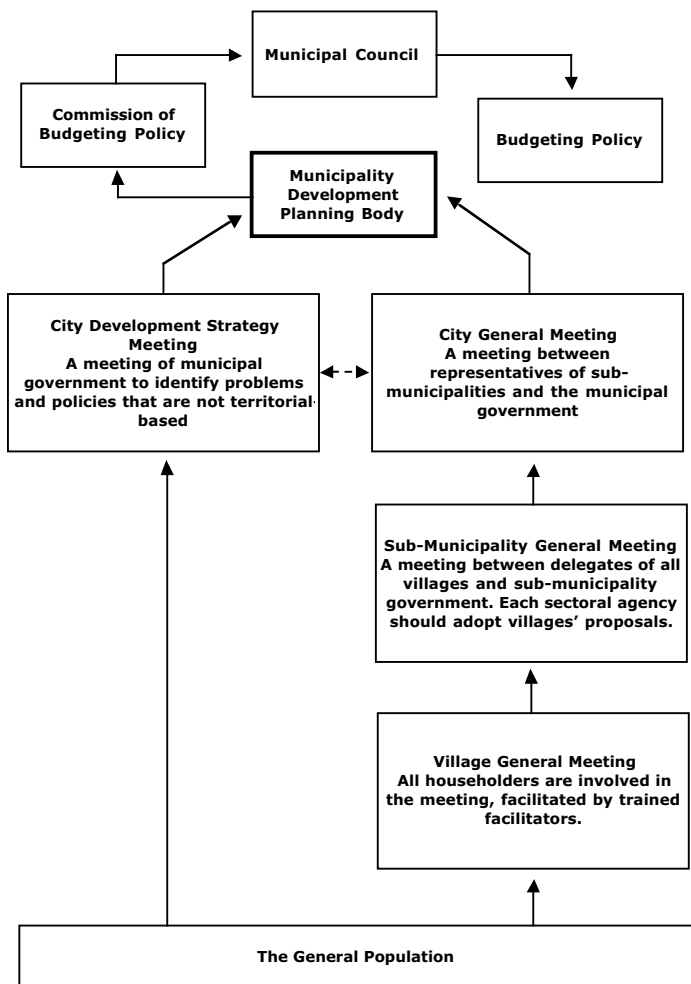
IX. Achievements and Limitations

What has been practiced in Surakarta Municipality is an exercise rather than a definitive model. It has only been implemented for two years as a first step learning process. Most stakeholders have no experience in participatory decision-making. However, its role in developing democracy is clear as it promotes a greater role for local citizens in public policy making.

Although basically as many people as possible are involved in the process of decision making, in most villages, those invited to the village general meeting are the house-holders. Since, culturally, householders are always male rather than female, what happened in 2001 was that almost all participants at the village general meeting were men. This was seen as insensitive on the issue of gender equality. Starting in 2002, some villages started to initiate more inclusive meetings by inviting both the husband and wife of each household. However, the experience in Surakarta was that not many women joined the meeting.

Another important achievement of participatory planning was the establishment of a more important role for the people in budget allocation. It was the first time in the history of Surakarta that the majority of people, the poor, were involved in the policy making process. Better budget allocation for the poor started to appear. Budgeting policy in some village governments is interesting. Because many of the villagers are pedicab (becak) drivers, the village general meeting is used to allocate money to provide soft loans for them to buy pedicabs.

Lastly, because of greater participation by citizens in public policy making, the people have come to know government policies and development programs better. Demands for more transparent government have increased significantly. It is expected that a cleaner and less corrupt government will emerge.

One last question to raise is whether the process will continue. Looking at the incentives for bureaucrats to support the idea, one apparent reason is to gain support to compete with the politicians. Once the support is not needed anymore, will the bureaucracy take back the right to participatory planning? The level of the support of the politicians is still unclear. If greater support from local politicians is achieved, the future of participatory public policy making in Solo will be more secure.

It is quite reasonable to believe that the process of participatory policymaking will continue. The local people who have started to enjoy the results of participatory policy making will not be willing to lose what they have just gained. If they did, it would not be impossible to imagine the traumatic experiences of the burning of Solo in 1998–1999 happening again.

ENDNOTES

1.   In the literature of Indonesian politics, this period, 1965-1998, was labeled as either Bureaucratic Authoritarianism or Bureaucratic Polity.

2.   For the type of NGOs in Indonesia in regard to their relation to government.

3.   See IPGI's newsletter "Media Partnership IPGI" which first published in 2001.

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