ASIAN REVIEW OF PUBLIC ADMINISTRATION
Volume 23, Numbers 1-2, January-December 2012

Contents

Editorial Introduction
PAN SUK KIM and ROGER WETTENHALL

Building a Democratic Public Service through Citizen's Charter: Lessons Learnt from Yogyakarta City
AGUS PRAMUSINTO

Labor-Management-Government Relationships in South Korea: The Issue of "Social Concertation"
JUNG WOOK SEO, YUKI MIN and SEON HEE HWANG

Reconsidering "Arm's Length Bodies (ALBs)" as Major Agents in Government Service Delivery Programs
ROGER WETTENHALL

Public Sector Audit Reports in Indonesia: The Issue of Publication and Its Impact on Improving Transparency and Public Accountability
SEPTIANA DWIPUTRIANTI

Reconsidering Decentralization in Asia: Introduction to the Special Issue
MARK TURNER

Excess of Decentralization: Helath Reforms in Japan and the Philippines
YURI HOSONO and OSAMU KOIKE

Does Decentralization Work for Coastal Management? A Philippine Case Study
JOSE RODRIGUEZ and MARK TURNER

Economic Miracle and Upward Accountability: A Preliminary Evaluation of the Chinese Style of Fiscal Decentralization
ALFRED M. WU

Changing Practice in Community Governance in Australia
PETER McKINLAY

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Volume 23, Numbers 1 & 2, January-December 2012

ARTICLES

Editorial Introduction
PAN SUK KIM and ROGER WETTENHALL 1

Building a Democratic Public Service through Citizen's Charter:
Lessons Leanrnt from Yogyakarta City
AGUS PRAMUSINTO 4

Labor-Management-Government Relationships
in South Korea: The Issue of "Social Concertation"
JUNG WOOK SEO, YUKI MIN and SEON HEE HWANG 17

"Arm's Length Bodies (ALBs)" as Major Agents
in Government Service Delivery Programs
ROGER WETTENHALL 38

Public Sector Audit Reports in Indonesia: The Issue
of Publication and Its Impact on Improving Transparency
and Public Accountability
SEPTIANA DWIPUTRIANTI 54

SYMPOSIUM ON ADMINISTRATIVE DECENTRALIZATION

Reconsidering Decentralization in Asia:
Introduction to the Symposium
MARK TURNER 67

Excess of Decentralization: Health Reforms in Japan
and the Philippines
YURI HOSONO and OSAMU KOIKE 70

Does Decentralization Work for Coastal Management?
A Philippine Case Study
JOSE RODRIGUEZ and MARK TURNER 90

Economic Miracle and Upward Accountability: A Preliminary
Evaluation of the Chinese Style of Fiscal Decentralization
ALFRED M. WU 104

Changing Practice in Community Governance in Australia
PETER McKINLAY 122

Editorial Introduction

PAN SUK KIM, Editor-in-Chief
and
ROGER WETTENHALL, Associate Editor

As explained in the Editorial Introduction to *ARPA* Issue 22(2) – the second of the planned 2011 issues – the timing of that Issue was affected by the disastrous Bangkok floods of late 2011, which delayed the holding of EROPA's 2011 Conference and General Assembly until February 2012. This also had consequences for the present Issue.

We have decided to produce this Issue as a 2012 double issue, thus clearing the way for a return in 2013 to our more regular practice of producing two Issues consistently with the normal character of *ARPA* as a biennial journal.

The first part of this issue contains four articles selected and developed from presentations to the Bangkok conference, whose major focus was "Challenges, Opportunities, and Innovation in Public Administration in the Next Decade", with these sub-themes: fiscal retrenchment, the role of the state in managing new challenges, and innovations in service delivery; the four articles reflect this focus and the sub-themes in important ways. And the second part of the issue consists of a symposium on "Administrative Decentralization" prepared under the guest editorship of Professor Mark Turner of the University of Canberra. Prof. Turner provides his own guest-editorial introduction to that symposium; here, we draw attention to some of the main features contained in the articles constituting the first part.

In the first article, Agus Pramusinto of Gadjah Mahda University, Yogyakarta, Indonesia, presents a case study of the introduction of the "citizen's charter" system into his own city's administration, within a broader discussion of the emergence of citizen's charters world-wide delivering innovative benefits in significant areas of service delivery. Perhaps surprisingly, the beginning area chosen for this development in Yogyakarta was the service of birth certificate delivery, seen by an unusually innovative mayor and his colleagues as opening the way for similar moves in a range of regulatory services. The author argues that this reform is opening the way to the raising of democratic values and awareness in important parts of the Indonesian public service.

In the second article, a team of South Korean scholars led by Jung Wook Seo of Yonsei University in Seoul introduces us to the notion of "social concertation", relating to a system of industrial relations involving close collaborative connections between labour (trade unions), management and government institutions. The article explores the emergence of this model relationship system in South Korea, noting the important role of international organizations like the ILO and OECD in shaping responses to economic crisis, and stressing the need for continuing vigour in defending and advancing the concertation system in a political situation where it has many opponents.

The third article by Roger Wettenhall of the ANZSOG Institute for Governance in the University of Canberra, Australia, reports on some recent developments in the use of non-departmental public bodies (NDPBs) as instruments of service delivery in a great many countries. The rising use of the class-name "arm's length body (ALB)" is considered, along with issues addressed by recent public inquiries in Britain, Australia and elsewhere. The article argues that these recent moves have been valuable in directing attention to the needs of the service deliverers themselves, and of those being served, and so countering what the author considers to have been a too-heavy top-down approach in recent consideration of reform issues.

In the fourth article, Septiana Dwiputrianti of the National Institute of Public Administration in Bandung, Indonesia, focuses on the role of the Indonesian Supreme Audit Institution, *BPK (Badan Pemeriksa Keuangan)* and the evolution of its reporting practices, with special attention given to the extent of media attention given to that reporting. She analyses the results of a survey of auditors, MPs at central and local levels of government, and auditees (public sector employees subject to audit) aimed at assessing the views of all these groups about the effectiveness of *BPK* reporting today, and argues convincingly that the transparency and general effectiveness of that reporting are of great importance in helping determine the quality of government in what is one of the world's largest effective democracies.

As Guest Editor Prof. Mark Turner explains in his introduction to the symposium on Administrative Decentralization, the articles in that symposium began life in a variety of contexts, an important one being the Annual Conference of the Asian Association for Public Administration (AAPA) in Hong Kong in February of 2012. We are delighted to be able to present this evidence of a positive relationship between EROPA and AAPA developing through the medium of *ARPA* as EROPA's principal research and publication outlet. This is entirely consistent with Prof. Pan Suk Kim's proposal for a joint professional public administration association covering the East Asian and Pacific region, functioning as a virtual federation of EROPA, AAPA and the new AGPA (Asian Group for Public Administration, a satellite of the International Institute of Administrative Studies or IIAS), and working collaboratively through *ARPA* as a joint publishing outlet (Kim 2011: 10).

Reference

Kim, Pan Suk. 2011. "Integrating Asian Administrative Space through Asianization toward the Asian Union", *Asian Review of Public Administration*, 22(2), 4-17.

Biosketches

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Building a Democratic Public Service through Citizen's Charter: Lessons Learnt from Yogyakarta City[1]

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Yogyakarta, Indonesia

Abstract

This article discusses the "citizen's charter" as an instrument for the development of a democratic public service. Theoretically, linking public service to democracy is a challenging task in public administration. Traditional models of public administration consider the government as responsible for ensuring public service efficiency and effectiveness. On the contrary, the citizen's charter model espouses the notion of involving citizens in determining public service delivery methods. This article will discuss the adoption of the citizen's charter in the service of birth certificate delivery in Yogyakarta city, Indonesia. There was a need to improve the delivery of birth certificate services due to the fact that the process one had to follow to get them was plagued with red tape and uncertainty with respect to procedures, time required, and charges, as it involved several agencies. In fact, possessing a birth certificate influences right of access to delivery of other public services such as education and health services. The participation of citizens has not only contributed significantly toward improving public service quality generally, but has also enhanced political consciousness of the citizen's right to influence government processes. Consequently, local officials such as the village heads and the sub-district heads have become more accountable in providing public services.

Introduction

This article discusses the adoption of citizen's charters in the delivery of public services in Indonesia. In addition, it delves into the inception of the idea of adopting a citizen's charter, comments on the performance of the citizen's charter system, and considers the extent to which it has been institutionalized in the bureaucracy. Various innovations have been introduced driven by the need to improve the quality of public service delivery in Indonesia. Unfortunately, little headway has been achieved in institutionalizing them, a weakness that has undermined their sustainability. But potentially at least, the citizen's charter is an exception.

Citizen's charter practice has been adopted in many countries, especially those in the Anglo-Saxon bloc and Ireland. Moreover, in the European Union, the citizen's charter forms an important part of The Charter of Fundamental Rights (Kumorotomo 2007). Citizen's charter practice has also been adopted in South East Asia, South Asia and Africa. However, the terms used are different from one country to another: Australia (Service Charter), Belgium (Public Service Users' Charter), Canada (Service Standards Initiative), Malaysia (Client Charter), and Portugal (The Quality of Charter in Public Services) (CGG 2008: 1-2).[2] In Indonesia, the adoption of citizen's charter practice constitutes a new phenomenon: it is today considered a new innovation, and has been adopted by many regional governments engaged in public service delivery, notably in the delivery of health

services (Blitar city), in the issue of citizenship identity cards and the handling of disturbance and enterprise operational permits (Semarang district), issue of birth certificates (Yogyakarta city), and citizens' records service delivery (Bogor city) (Kumorotomo 2007).

Conventional public service delivery is based on the idea that the government is the provider of services. Such a model of public service delivery does not pay serious attention to the interests of users of services. On the other hand, the citizen's charter positions the service user at the centre of public service delivery – when based on a citizen's charter, public service delivery accords top priority to the needs and interests of users of services. The assumption is that public service delivery designed on the basis of democratic political accountability mechanisms encourages improvement in service delivery with respect to speed of action, quality of service, and fulfilling the needs of the general public (Acosta et al. 2010). As Diaz Fuentes and Clifton (2010) note, the perception and perspective of the general public about public service delivery is vitally important, and with the citizens charter the citizens' voice is known, analysed and utilized in designing quality improvements. As forms of democratic public service delivery, citizen's charters will have the following implications: (a) they make administration accountable and citizen-friendly; (b) they ensure transparency and right to information; and (c) they involve measures to motivate civil servants (Arora 2008: 3).

To present a discussion of the citizen's charter using the case study of Yogyakarta city, this article is structured as follows. The next section discusses the concept and approach of the citizen's charter internationally. The section that follows deals with changes in public delivery systems in Indonesia, moving from the centralized to a decentralized era. Then comes a discussion of the process of adopting the citizen's charter in Yogyakarta, right from the initial phases of the idea to its implementation. And the final section looks at problems relating to the institutionalization of the citizen's charter.

Citizen's Charters: Concept and Approach

The purpose of the citizen's charter is to increase the level of public satisfaction with public service delivery. John Major, former British Prime Minister, is considered to be the brainchild behind the resurgence of the idea (Cabinet Office 1991). Early use was encouraging, and subsequently Tony Blair's government continued to support the idea by developing it into a concept that became known as "Service First". Throughout the UK, about 400 citizen's charters were formed, in both the public and the private sectors (Shankar 2006). In the United States, President Bill Clinton introduced the same idea in 1993; he called it "Putting the Customer first" (Tindigarukayo 2005: 5).

The formation of the citizen's charter is underpinned by the desire to improve public service delivery: it "is a tool to improve the quality of services, address the needs of citizens' rights and set clear standards of performance" (Shankar 2006: 2). To that end, benefits it is expected to deliver include: (a) ensuring certainty of public service delivery with respect to time, charges/dues, procedures and methods; (b) providing information

on the rights and responsibilities of users, providers and other stakeholders in the entire public service delivery process; (c) simplifying ways service users, the general public and other stakeholders have of exerting control over public service delivery practices; and (d) assisting public service managers to improve delivery processes (Dwiyanto 2004).

Shankar offers several definitions. Thus a Citizen's Charter "is a written, voluntary declaration by service providers that highlights the standards of service delivery that they must subscribe to, availability of choice for consumers, avenues for grievance redress and other related information". Further, it is "an expression of understanding between the citizen and the service provider about the nature of services that the latter is obliged to provide" (Shankar 2006: 2).

The adoption of citizen's charters is very much in line with theoretical movement from the old public administration, through "new public management", to the latest "new public governance". While the guiding principle of the old public administration model lies in its orientation towards obedience of the general public to providers of public services (notably government institutions), the underlying principle of "new public management" is its orientation toward efficient service delivery and output. For the "new public governance" model, orientation of public service delivery is towards the existence of accountability, transparency and public participation.

The difference in public administration models also lies in the focus on the party charged with the management function. The old public administration requires the provider of public services to implement policies that are designed by the government. In "new public management", the provider is charged with the responsibility of managing the input efficiently to turn it into an output that is desired by the customer. Then the "new public governance" model requires taking into consideration the involvement of many stakeholders in the public service delivery process, with democratic involvement in the process that produces the outcome (Denhart&Denhart 2002).

Public Service Delivery in Indonesia: From Centralized to Decentralized Era

Democratization of public service delivery is an important development for an increasingly democratic society. Put in another way, political democratization has resonated into public service delivery practices. Cohen (2005: 5) aptly states that democratization of public service delivery will "provide citizens with new opportunities to monitor and direct government activities; and increase the openness, transparency and accountability of decision-making within the administrative structures of government".

The change in the system of government in Indonesia from a centralized to a decentralized one had significant implications for public service delivery (Pramusinto 2006; Dwiyanto 2011: 25). During the New Order regime, a centralized system of government was in place whereby the central government regulated the delivery of public services to different regions in a uniform manner. The function of government, at both district and provincial levels, was limited to implementing policies formulated by the

central government. To that end, despite differences among regions, the delivery of public services in all regions in Indonesia was done in the same way.

Mechanisms were set for the delivery of various public services, ranging from the availability of health services to the issue of birth certificates, citizenship identity cards and driving permits. Standard operating procedures (SOPs) were also determined centrally, and were the same for all regions. SOPs related to charges/fees, procedures and time required for service delivery. Practically, there was little if any room for innovation. To that end, changes and improvements in delivery methods had to come through policy and operational instructions from the central government.

However, the political reforms of 1998, and subsequent implementation of Act No.22/1999 (later amended to Act No.32/2004) on regional government, brought a change in the system of government which has since been oriented toward local governments (Rasyid 2002, 2003). Local governments gained a lot of authority and opportunity to create and develop public service delivery systems suitable to the aspirations of the regions. Power still resting with the central government is confined to managing religious affairs and public order, foreign relations, monetary policy, and the judiciary. The power and authority to deliver the remaining public services has been decentralized to local governments, largely to district and city governments (Pramusinto 2004).

The political democratization process has strengthened democracy in public service delivery. Today, members of the general public have better opportunity to express their demand and complaints for better public services, and leaders of local governments also have an opportunity to respond to such demands in as quick a manner as possible. Local government leadership no longer has to wait for instructions from the central government in the form of macro policy or more technical instructions about implementation.

Since the onset of the political reforms, Indonesia has witnessed many innovations. Some of the public service delivery innovations in various regions have included:

- one-stop integrated public service delivery (in Sragen, Sidoarjo, Solo, Jembrana, Bandung city, Takalar, Banjarbaru);
- local government performance-based financial incentives (in Gorontalo, Riau, Solok, Yogyakarta city, Jembrana);
- transparent recruitment systems for local government officials (in Yogyakarta province, Nangro Aceh Darussalam, Jembrana);
- formation of a transparency and participation commission (in Lebak, Gorontalo city);
- application of an integrity pact for public officials (in Solok, Yogyakarta city);
- adoption of an integrity pact in procurements of goods and services (in Banjarmasin, East Java);

- public service delivery contract (in Blitar city, Yogyakarta city);
- formation of a public servants assessment centre (in Yogyakarta province);
- formation of an electronic procurement system for public service delivery (in Kota Surabaya, Yogjakarta city, Yogyakarta province, West Java province, Riau, Pekanbaru, East Java province);
- simplification of the organizational structure (in Nagro Aceh Darussalam, Jembrana, Yogyakarta province, Gorontalo province);
- formation of community/peoples participation forums (in Nusa Tenggara Barat, Yogyakarta city, Blitar city);
- establishment of free elementary and junior school education (in Jembrana, Kutai Kertanegara, Riau);
- establishment of free health service delivery (in Jembrana, Kutai Kertanegara, Riau, Yogyakarta city).

Citizen's Charter Practices in Yogyakarta City

The adoption of a citizen's charter in Yogyakarta city got underway in 2003, through a collaboration effort between Yogyakarta city government and the Center for Population and Policy Studies (CPPS) at Gadjah Mada University, with financial support from the Ford Foundation.[3] The initiative emerged during the early phases of the regional government autonomy policy which, as noted above, had given local governments opportunities to respond creatively to the needs and aspirations of the citizens.

At the time the leadership of Yogyakarta government was under the reins of a mayor who was drawn from the ranks of businessmen. Being a businessman, Herry Zudianto nursed the notion of putting in place a public service delivery system that was as efficient as anything in the business world. He was renowned for his innovativeness, but also exhibited an extremely egalitarian character in his relations with his staff. If other mayors feel proud to be associated with public titles, Yogyakarta's mayor preferred being referred to as the chair of public service delivery!

As also noted above, the objective of the citizen's charter is to make public service delivery more responsive (making service delivery consonant with the needs and requirements of the general public), transparent (all aspects of public service delivery, ranging from type, procedures, time and ways of delivering services are easily known to the users), and accountable (users of services have the opportunity to evaluate and assess all aspects and context of public service delivery).

Yogyakarta city embarked on implementing a citizen's charter in the provision of birth certificates. Why was birth certificate provision chosen rather than other services? In Indonesia, the provision of birth certificate services constitutes a very crucial issue for

several reasons. *First and foremost*, from an administrative standpoint, procedures which are followed in obtaining the certificate are very complicated as they involve many institutions, including the hospital which issues the declaration of birth of the baby and names of parent; the village government which issues the letter describing the place of birth and residency; and the district civil administration office which issues the birth certificate itself. This process follows rigid procedures and takes a long time, and the charges imposed are often higher than those indicated in the list of requirements. At the district civil administration office particularly, the process is plagued with red tape, making it very slow. *Secondly*, the possession of a birth certificate bears strongly on rights of access to other public services.[4] Without a birth certificate, there is a likelihood that a person will lose his or her right of access to public services in future in the field of education, child income support, health, job, marriage and inheritance, even driver's licence and citizenship identity card. *Thirdly*, a birth certificate does not involve too many political interests compared to other services such as land certificate and driving license, which deal with a huge amount of money. Without complex political interests, the birth certificate experience was expected to have a successful outcome, which would probably create a high demand for the citizen charter system in other services.

The adoption of the citizen's charter in Yogyakarta followed several phases as shown hereunder.

Phase 1: The Seminar and Socialization Program

The first phase in moving towards adoption of the citizen's charter for the delivery of birth certificates involved a seminar in which many stakeholders participated. The seminar promoted the citizen's charter idea to many people drawn from different sections of society. After the seminar, there was a talk show on the local state TV and radio station, as well as four private sector radio stations. Other publicity came with the dissemination of leaflets, pamphlets and posters, and public announcements in local newspapers.

The seminar also served as a medium for raising public awareness about the importance of the rights of the general public in public service delivery, such rights manifested in the principles of simplicity, clarity, certainty, safety, transparency, efficiency, economy, convenience to the user, and fairness across the board (i.e. there is no discrimination in the process of providing services.

Phase 2: Building a Citizen's Charter Forum

The Citizen's Charter Forum came next. It was charged with the formulation of the contents of this particular citizen's charter in public service delivery. Membership of the forum was voluntary and based on commitment to improve public service delivery, capacity for critical and independent thinking, and knowledge or experience in aspects of public service delivery, including experience in conducting communication and negotiations with public bureaucracy. The aim was to have all groups relevant and vital for public service delivery represented at the forum. Ultimately the ten people chosen represented service users, the city government assembly, NGOs, the media, the maternity

hospital, LPMK (the city population representation institution), and bureaucracy (officials from the citizens records office).

Representatives of users constituted the largest single group. But it was the involvement of NGOs that aroused most suspicion from government representatives. This was because NGOs have often been considered a threat based on their activities in disclosing weaknesses in the realm of public service delivery. However, members of the bureaucracy agreed to their participation after an understanding was reached that required them to avoid the practice of disclosing all the negative aspects that might occur during the process of making improvements in public service delivery.

As the forum was being set up, the sub-district head tried to include as many village/lurah administration heads as possible. The expectation was that, by including such people, the sub-district head would be able to sway the activities and direction of the forum toward his interests and whims. He had seen the existence of the forum as a threat to the bureaucracy, which had for long derived financial benefit from the issuing of birth certificates and other such services. However the designers of the forum reached an agreement that placed a limit on the number of representatives of the bureaucracy and so reduced its influence.

Phase 3: Preparing to operate

With the forum in place, the next phase involved consolidating it by establishing an organizational structure for the election of head and secretary, and for identifying the opportunities, problems and threats that lay ahead. The forum also prepared/developed the instruments which were used in conducting a survey of service users covering such aspects as the problems, needs and expectations of users of public services.

Findings of the survey reflected problems which have long been of public concern, many of which were recognised in the arguments for establishing a citizen's charter. They included (a) uncertainty of timeliness of services; (b) uncertainty of service charges/dues (c) poor and often unethical relationships when providers interacted with users; (d) the compulsory requirement for the user to present two witnesses prior to having services delivered; and (e) delay in completing service simply because the head of the office who is supposed to sign is out of office.[5]

Phase 4: Implementation

Based on the problems found, the forum instituted the following changes in the birth certificate delivery procedure:

1. It clarified the time required for service delivery (three days starting with the day a complete list of all documents is submitted), with the consequence that, in the event that the completion of the processing exercise takes longer than the stated time limit, providers of services are obliged to deliver the birth certificate to the home address of the client.

2. It regulated charges/dues for processing the birth certificate from Rp. 10,000.00 plus other charges, which included paying for the services of witnesses offered by intermediaries or members of the bureaucracy, to Rp. 0 — in other words, it is free of charge.

3. It provided two-day training on service delivery ethics and leadership, carried out by researchers and professors from Gadjah Mada University. Course materials delivered encompassed improving attitude and behaviour in public service delivery, and various methods to gauge the level of satisfaction with public services delivered. A simple survey by members of the citizens' charter forum was used to assess the level of satisfaction of the general public with public service delivery, the survey being carried out once in every three months.

4. It replaced the obligation to present two witnesses to sign the application, which was an official government requirement embodied in regulations, by the requirement that the signing of the application forms is made by an official of the relevant public bureaucracy. Hitherto, the process had required two witnesses who had to be residents of the place where the applicant lives or personnel charged with parking who served as intermediaries and were paid money to compensate for transport fares and service fees.

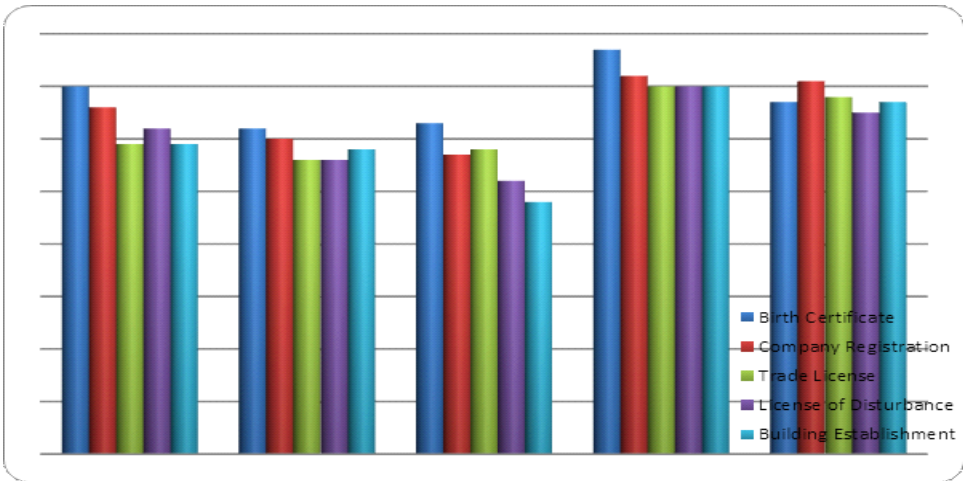
5. Prior to the implementation of the citizen's charter, delays in finishing birth certificates were often caused by the absence of the office heads who were charged with signing them. With the adoption of the citizen's charter, other officials can sign birth certificates on behalf of the office head when he/she is out of office.[6]

Based on the results of a public satisfaction index survey carried out by CPPS, satisfaction was higher in the processing of birth certificates following these changes than in the areas of company registration, trade licenses, disturbance licenses and building establishment approvals (Figure 1). The perception of public satisfaction was based on several indicators, which included: users' rights, facilities provided, time and cost spent by users, fairness in services, and attitudes of service providers. It is evident that, with the exception of the attitude of service providers, public satisfaction was higher with the processing of birth certificates than with delivery of these other public services.

This positive public perception about the application of the citizens' charter in the processing of birth certificates attests to a significant change in the quality of public service delivery attributable to the innovation. Problems relating to public service delivery, which became the concern of the general public prior to the formation of the citizen's charter, were substantially redressed in the wake of introduction of the citizen's charter.

Moreover, in the wake of adopting the citizen's charter for birth certificate delivery in Yogyakarta City, there has been noticeable improvement not only in the quality of service but also in the behaviour of service providers. Sub-district heads and village heads have become keener to deliver public services efficiently to their citizens. Frequent surveys

Figure 1. Users' Satisfaction Index in Yogyakarta City (2005)



Source: Summarized from *IndeksKepuasanPengguna* (Users' Satisfaction Index), Centre for Population and Policy Studies, GadjahMada University, 2005.

by the citizen's charter forum are now being used to assess the performance of public officials. Any sign that quality of public service delivery is poor leads to an invitation by the district head to sub-district and village heads to provide answers as well as explain what the problem is. Punishment waits those village heads who fail to provide clear reasons for the under-performance. Moreover, as a social sanction, records of village heads are displayed in public places, thereby enabling citizens to know and understand, and to follow developments relating to the performance of their leaders.[7]

Phase 5: Replication of Citizen's Charter in other areas of public service delivery

The adoption of the citizen's charter in this area of service delivery in Yogyakarta city has clearly improved the quality of service. Indeed, it has become an inspiration for the application of the same technique in other areas of service delivery.

Thus Yogyakarta City Mayor Hery Zudianto decided to spread the citizen's charter method to other areas of public service delivery. Institutions or agencies charged with delivering some 18 types of public permits were merged to create a "one-stop shop", a measure which made it easy for the service users to process their various permits in one place. Speed and efficiency of delivery have increased markedly across these services.

Problems of Institutionalizing the Citizen's Charter

Although the citizen's charter has been adopted in other areas of public service delivery, several problems have hampered the institutionalization of the system. Innovations have

been attempted to make it more secure, but they have not been sustainable. Several reasons are suggested for this lack of sustainability.

Weak Legal Foundation

The legal framework which has so far been used to support the existence and use of the citizen's charter in Yogyakarta city has been limited to the mayor's decision conveyed in a statement or decree. At the local government level, public service delivery runs smoothly if it is underpinned by a strong legal foundation, in the form of a regulation enacted by the local government assembly. The lack of such a foundation for the citizen's charter has meant that budgetary support is weak; even more importantly, it means that the continued existence of the system depends on continuity in office of the present supportive mayor. In the event that a new individual takes office as city mayor, an unsecured practice based on the innovative policies of the former major can easily be revoked.[8]

Lack of Support from Institutions of Advanced Education

Strong and intensive involvement of institutions of advanced education was limited to the introductory and early implementation phases, and this support has fallen off. Apparently believing that the innovation was going according to plan, they reduced their efforts to monitor progress. Unfortunately, their continuing involvement is necessary to ensure sustainability.[9]

Weak Internalization of the Values of Public Service Delivery within the Bureaucracy

Though many quality innovations have been introduced in the public service delivery system by local governments, commitment to such innovations has been limited to the elites. The result is that there has usually been a deficiency in implementation. Local government leadership is often preoccupied with searching for innovations without paying sufficient consideration to making appropriate arrangements to ensure that their innovations will be implemented in a sustainable manner. The proliferation of innovations brings awards from various institutions both in the central government and in the international donor agencies. This strengthens the image of the leader and increases the interest of donor agencies in assisting in the creation and development of new programs – but so often the effort does not carry through to the implementation stage.

Concluding Remarks

The above analysis shows that citizen's charters constitute a form of participative service delivery, compared with the conventional public service delivery system that is based on the interests of the bureaucracy. With the existence of the citizen's charter, users of public services have the opportunity to contribute to the process of designing the delivery system. To that end, based on the capacity of the organization, providers and users of public services can jointly determine the quality of those services.

The citizen's charter in Yogyakarta city has been successful in increasing the quality of public service delivery with respect to time required, cost/charges users have to pay to acquire services, and attitude of providers of services. This is reflected in the public service delivery satisfaction index, which indicates that the general public has a positive view of the changes that have occurred. The government's decision to adopt the citizen's charter system has had this good result.

One clear lesson is that there is need to give serious consideration to institutionalizing and replicating the citizen's charter principle in other areas of public service delivery. This can be done through taking measures to provide an adequate legal foundation to support adoption of the citizen's charter, and to ensure availability of sufficient financial resources to support the smooth running of the citizen's charter forum as it conducts surveys of service users and works towards enhancing service delivery capacity.

When we look at the dynamics of public administration, it is clear that the citizen's charter model has provided a good way of taking the service delivery function forward consistently with the concept of "new public governance". Now public service and democracy go hand in hand, with citizens involved in the process of creating and developing services, much more than being simply the object of service delivery in ways determined by the service provider or the government. Even the intermediate model which allows for public consultation by government officials is relatively outdated when compared with the citizen's charter. The citizen's charter goes further in positioning the general public as stakeholders who participate in the design of the public service delivery system. Compared with public consultation mechanisms which are liable to manipulation for purposes of achieving legitimacy, and by extension help to create a false impression that the provision of public services is based on inputs from the citizenry, the citizen's charter positions citizens as participants who play a crucial role in determining the form, quality and accountability of the public services which the government provides to its citizens.

Endnotes

[1] Developed from a paper presented at the EROPA Annual Conference, Bangkok, 19-23 February 2012.

[2] Among the many other documents detailing the growth of citizen's charters around the world that I have drawn on in preparing this article are: DIST Australia 1997; Citizen's Charter Unit, Jamaica 1995; Sadler 1999.

[3] This institution and the project were led by Agus Dwiyanto, Professor of Public Administration, Gadjah Mada University, Yogyakarta City.

[4] Interview with Erwan Agus Purwanto, Professor of Public Administration, and Agus H Hadna, Researcher, Center for Population and Policy Studies (CPPS), Gadjah Mada University, 21-22 May 2012.

[5 & 6] Interview with Agus H Hadna, 12 January 2012.

[7 & 8] Information given by one of the forum members of the Citizen's Charter of Yogyakrta City.

[9] Interview with Agus H Hadna, 12 January 2012.

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Biosketch

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Labor-Management-Government Relationships in South Korea: The Issue of "Social Concertation"

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Abstract

Existing studies have argued that the Korean economic crisis was a core factor for explaining emergence and evolution of social concertation system when the Korea Tripartite Commission was established in 1998. The Korean economic crisis partially contributes to the advent of social concertation; however, it is inappropriate for explaining the evolution of social concertation in Korea. This study suggests that international organizations, including the ILO and the OECD, have played an important role in evolving Korean social concertation. Furthermore, we propose that Korean government positively accept universal norms about relationships among labor, management, and government by international organizations for another leap in a stagnant Korean social concertation system.

Introduction

SOUTH KOREA, which has grown continuously, underwent an unprecedented economic crisis at the end of 1997. The International Monetary Fund (IMF) offered $ 55 billion dollars in bailout to South Korea, while it forced measures of labor market flexibility such as layoffs and structural adjustments to Korean labor, management and government struggling for a compromise to meet the requirements of the IMF. The fulfillment of the IMF requirements led to sacrifices and oppositions of labor. On 8 February 1998, labor and management reached agreement in the "Korea Tripartite Commission" (KTC) of labor, management, and government – the 1998 social pact[1] was a tripartite agreement for balancing labor flexibility measures with labor's basic rights.

Is there a high possibility that social pacts are made during economic crises? Or is an economic crisis a key factor in the emergence of social pacts? Many researchers regard the 1997-98 Korean (Asian) economic crisis as a main cause of the emergence of the 1998 social pact and the evolution of KTC as a Korean social concertation. Such an assumption seems reasonable when we trace the process of the 1998 social pact. In addition, economic crisis is an important factor in the emergence of social pacts in European countries including The Netherlands, Italy, and Ireland (Visser & Hemerijck 1999; Baccaro 2003). The recent European cases also support this assumption.

The authors suggest that economic crisis is a negative factor for evolving Korean social concertation. It cannot be argued that economic crisis is helpful for the evolution of social concertation even if it strongly induces the emergence of 1998 social pacts. Moreover, the assumption that economic crisis is considered as a key factor for explaining the evolution of social concertation can lead to the wrong assumption that a new

economic crisis is needed for new advances in social concertation. When the economic crisis is over, very few studies predict revitalization of the Korean social concertation because studies normally pay attention to economic crises.

We believe that our discussion as a special case helps social scientists understand social concertation with a new perspective that external pressures of international organizations can foster a social concertation system of one nation. This study reanalyzes the past evolution of Korean social concertation and seeks an alternative for explaining it. The study reviews the theoretical concept of social concertation. Next, the authors argue that economic crisis has a negative effect on the evolution of Korean social concertation. Third, this study suggests that appropriate pressures by international organizations such as the "International Labour Organisation" (ILO) and the "Organisation for Economic Co-operation and Development" (OECD) positively influence the evolution of Korean social concertation. Finally, we believe that positive acceptance of the universal norms of international organizations revives the now-depressed KTC activities.

Defining Social Concertation

Social concertation is the policy making process for "explicit negotiated formal or informal agreements among the government-management-labour and the codetermination of public policy by governments, employers, and trade unions" (Compston 2002a:1). Social concertation is the systemization of the concept of neo-corporatism. Therefore, we first review the concept of corporatism to understand social concertation. Schmitter (1979) defines corporatism as (pp. 20-21):

> A specialized organization pattern of representation among labor-management-government where the range of the participation-guaranteed labor and management organizations is decided by government and those labor and management organizations have the traits such as singular, compulsory, noncompetitive, hierarchically ordered and representational monopoly.

Schmitter stresses the organizational nature of corporatism because he defines it as a pattern of organization rather than a mode of policy making; on the other hand, Lehmbruch's (1979) definition emphasizes its nature as a course of policy formation and policy decision making (p. 150):

> Corporatism is an institutionalized pattern of policy-formation in which large organizations cooperate with each other and with public authorities not only in the articulation of interests, but in the authoritative allocation of values and in the implementation of such policies.

Later, Schmitter (1982) called Lehmbruch's definition "concertation" and called his own definition "(neo-)corporatism" in order to separate the two definitions. Lehmbruch (1984) differentiated concertation from neo-corporatism (p. 62):

> Concertation involves not just a single organized interest with privileged access to government but rather a plurality of organizations usually representing antagonistic interests, and these organizations manage their conflicts and co-ordinate their action with that of government expressly in regard to the systemic requirements of the national economy.

Diverse participating organizations can exist in the concept of concertation (Lehmbruch 1984); on the other hand, in the concept of neo-corporatism, the only representative labor and management organizations acknowledged by government can participate in corporatist systems. Neo-corporatism still emphasizes a structure of the interest-representation system (Molina & Rhodes 2002; Baccaro 2003; Siegel 2005). Concertation has evolved into a wider and more flexible concept than corporatism because it renounced structural characteristics which are some of prerequisites of neo-corporatism. Schmitter's corporatism (later called neo-corporatism, social corporatism or democratic corporatism afterward) is described as a form of centralized organizational structure in which the representatives of labor, management, and government participate. Lehmbruch's concertation (later called social concertation or policy concertation afterward) is described as a policy making process among labor-management-government that does not accompany any special form of organizational structure.

The definition of social (policy) concertation is an important theoretical background to analyze the Korean case as an irregular one. Compston (2002a) defines social concertation as (p. 4):

> Policy making process in which employers and trade unions are involved in the making of decisions that are ultimately the exclusive province of the state, in particular decisions on the contents of legislation, regulations and administrative orders. Hence policy concertation is defined as the codetermination of public policy among government representatives, representatives of peak employers, and representatives of trade union organizations about the formation of government policy in areas including fiscal policy, monetary policy, industrial policy, trade policy, labour market policy, employment law, social welfare and regional policy (Compston 2002a: 4).

Unlike social (policy) concertation, neo-corporatism as an institutional theory often show critical limitations on its capacity to explain why tripartite bargaining system is surviving the weakening of the large, powerful employer and union organizations that neo-corporatist theory sees as being crucial to its existence and why the system is coming into existence in countries, such as Ireland, that lack these institutional 'prerequisites' (Compston 2002b:311).

History of Social Concertation

Before the 1980s, some political scientists tended to explain the occurrence of tripartite systems through the theory of neo-corporatism because scholars hardly differentiated social concertation from neo-corporatism and these were regarded as similar concept. However, neo-corporatism that emphasizes structural prerequisites does not have an appropriate power to describe and explain the cases of Britain, Ireland, Australia, South Africa, Brazil, and South Korea. The authors suggest that social concertation emphasizing policy making process is more appropriate to describe and explain the above cases. This study reinterprets and reanalyzes the cases through the lens of social concertation.

Historically, concept of social concertation is closely associated with the emergence of national crisis such as financial crisis and war. External and internal threats or economic crises can realize the politics of the legitimized social concertation based on policy

consultation among labor, management, and government. The First World War, The Great Depression, the Second World War, and the 1970s Stagflation were crucial motives to create social concertation and social partnership in Western European countries[2] (Sun 2006: 430-431). Social concertation among labor-management-government in the Western European countries tried to make a big deal between improving productivity and competitiveness for business and strengthening social equity for labor. Sense of crisis that labor and management shared became the backdrop of big deals in countries of Western Europe.

The Second World War led to the development of social concertation system in Britain where the experience of such system was largely absent. The Britain government negotiated and bargained with labor and management to improve efficiency in industrial production and decrease labor unrest for military and economic purposes. However, it was easily abolished because such tripartite system was reluctantly accepted during wartime as well as during peace time (Williams 2002). The economic recession in 1974-75 resulted in a slowdown in growth and soaring inflation, which were considered as a threat to instability of workers' income and employment in Italy. As a countermeasure of such economic crisis, the EUR program, the first comprehensive attempt at social concertation among labor-management-government, started in February 1978. The unions accepted wage restraint and the flexible use of labour as a reciprocity for the promise of a voice in industrial restructuring and new investments (Bedani 2002: 200).

In The Netherlands, the wage explosion and the expansion of welfare system from the late 1960s to the early 1980s provoked inflation and economic recession. As real labor costs exceeded productivity gains, the profit position of international firms deteriorated and unemployment rate rose dramatically. As an emergency measure of the internal threats (so-called Dutch Disease), a new and reformative social concertation system was operated in 1983-93 to promote voluntary wage restraint for business profitability, investment growth and employment growth, job redistribution, and welfare reform (Hemerijck 2002: 230-232). In Ireland, the unemployment rate was 16.8 percent, and the national debt was 117 percent of the GDP in 1987. To mitigate to the economic crisis, the government launched a national-level social concertation program among government, trade unions and employers, called the "Programme for National Recovery" (PNR) in October 1987. This program was aimed at the economic stabilization by reducing the national debt, pursuing a policy of wage restraint and attracting inward investment to create employment (Donaghey 2008).

In many European countries, tripartite bargaining systems at the national level during the 1960s and 1970s (the golden days of European countries) were considered as a neo-corporatism system (Landesmann & Vartiainen 1992; Pohjola 1992). A government can easily build structures of neo-corporatism with its stable initiative because it has various economic incentives to embrace business and trade unions in an economic boom. The organizational goal of such systems was to achieve both full employment and wage stabilization based on the principles of Keynesian economics. At that time, this prescription effectively attained the two objectives of Keynesian economics (Schmidt 1982). In the structural deterministic view, the following prerequisites were needed for stable settlement of the neo-corporatist system: (1) strong centralization and internal controls of labor and management organizations that are entrusted with authorities and powers by the

government (Headey 1970; Schmitter 1979, 1982; Regini 1984; Bruno & Sachs 1985; Paloheimo 1990); (2) balanced power between labor and management for consensual wage determination, collective bargaining, and political change (Cameron 1984; Maier 1984; Regini 1984), and; (3) domination of a powerful leftist party (Headey 1970; Panitch 1977; Cameron 1984; Lange & Garret 1985; Garret 1998). The neo-corporatist perspective concentrated on how thoroughly European countries satisfied the prerequisites. Meanwhile, social concertation did not get much attention because it was giving way to the neo-corporatist perspective.

Since the 1980s, change in the world economic structure has resulted in rapid decline of neo-corporatism in European countries. The spread of neo-liberal capitalism and globalization has forced European countries to strengthen labor market flexibility and to open the national economy since 1980s (Rhodes 2001). It also led to collapse of the Keynesian demand management system. The prerequisites of neo-corporatism became extinct – i.e., the number of union members decreased and collective bargaining proceeded not on a central but a corporate-level (Traxler 1995; Crouch 2000). In the 1990s, there were some cases of social concertation by the strategic choice of the representatives of labor, management, and government without meeting the neo-corporatism prerequisites (Rhodes 1998; Falkner & Leiber 2004; Siegel 2005).

Again, social concertation came under the spotlight as a theoretical alternative to neo-corporatism at that time. The progress of social concertation was remarkable in small European countries with open economies, which keep the competitive power of the national economy through flexible labor market, wage suppression, and welfare reforms (Ebbinghaus & Hassel 2000; Regini 2000; Hancke & Rhodes 2005). Economic crisis was highlighted as an important factor for explaining the emergence of social concertation in that economic crisis strongly induced agreement between labor and management where there had been confrontation (Crepaz 1992; Auer 2000). Table 1 shows the policy areas covered by social concertation between 1990 and 1997 in 10 Western Europe countries.

Non-European countries such as Australia, Brazil, and South Korea that hardly have experiences of neo-corporatism and its structural prerequisites showed various types of social concertation systems. The countries introduced social concertation system as a countermeasure of economic crisis.

In Australia, the Hawke government had built up a social concertation system based on the "Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions Regarding Economic Policy" since 1983. The Accord was aimed at pursuing a policy of wage restraint, increasing employment opportunities, and controlling inflation to deal with stagflation starting from 1972 (Archer 1992). In January 2003, Brazil government established a new social concertation system among representatives of business, unions, social movements and non-governmental organizations (NGOs), the "Conselho Nacional de De-senvolvimento Econômico e Social" (CDES: National Economic and Social Development Council). This system was aimed at the reform of social welfare, the tax system and labour laws to climb out of economic recession, reduce unemployment, and improve income distribution in Brazil (Capellin & Giuliani 2004:59).

Table 1
Policy Content and Frequency of Concertation in Western Europe, 1990-97

Country	*Policy Areas Covered*
Wide-concertation countries with frequent concertation	
Austria	Social policy, fiscal policy, investment policy, industrial policy, social welfare, labor law, job creation and training, employment, EU issues
Wide-concertation countries with sporadic concertation	
Ireland	Overall macroeconomic policy strategy, social welfare, government spending in general, employment policy including active labor market policy, regional policy
Medium-concertation countries with sporadic concertation	
Italy	Taxation, expenditure (especially pensions), labor law
Narrow-concertation countries with frequent concertation	
Denmark	Labor market policy, work environment policy
Netherlands	Social security, employment policy
Sweden	Many sectors until 1992, then restricted to labor market policy and pensions
Germany	Social insurance, labor law, health, reconstruction of the East
Narrow-concertation countries with sporadic concertation	
Spain	Employment law and social security
France	Employment law and social security
Non-concertation countries	
Britain	None

Source: Compston 2002b: 313.

We cannot see the whole image of the introduction of the Korean social concertation through the only economic crisis factor. The pressures of international organizations critically influence the introduction of social concertation in Korea. This paper pays attention to the roles of international organizations such as the ILO and the OECD as a new factor.

Reinterpreting the Economic Crisis Factor in Korean Social Concertation

Until the mid-1990s, scholars showed skepticism for introducing neo-corporatist systems in Korea depending on the structural deterministic perspective that emphasizes some

prerequisites of neo-corporatism (Kim 1995; Song 1994: 254). At that time, the labor environment of South Korea did not satisfy even one of the neo-corporatism prerequisites. In the 1960s and 1980s, the Korean authoritarian government coerced obedience of the Federation of Korean Trade Unions (FKTU) with the control strategy of "divide and rule". The Korean government maintained an unequal labor-government relationship by suppressing the Korean Confederation of Trade Unions (KCTU). The government also hindered the centralization of labor (unions) by adhering to the principle of company unions and obstructed the emergence of a leftist party by spreading anticommunist ideology fostered by the division of Korea into north and south.

The existing explanations by neo-corporatists are not persuasive in the advent of the Korean social concertation. In the 1990s, the democratization of the political system and settlement of grassroots democracy were an important signal for emergence of Korean social concertation. Collapse of the authoritarian regime and spread of democratic ideology induced the Korean government to open the table for tripartite agreements among labor-management-government. In other words, without satisfying the neo-corporatism prerequisites, the entry-level social concertation was started and operated through tripartite conversation.

European countries promoted the politics of social concertation and social partnership when they faced domestic and foreign economic crises such as the First World War, the Great Depression of the 1930s, the Second World War, and the stagflation of the 1970s. The existing studies of social concertation in Europe accept a proven fact that social concertation is born in emergency such as economic crisis and is likely to collapse when the crisis is over and the stabilization comes again (Ahn 2000).

There were many studies to find the fundamental reasons when social concertation systems and social partnerships were introduced in South Korea. In a similar context with the European countries, many existing studies asserted that the KTC as the Korean social concertation system was rapidly established as a result of the 1997-98 financial crisis. The following assertions are examples:

- The biggest economic crisis since the Korean War……had led to new social pacts (Kang 1999: 155-156);

- The economic crisis was a strong motive of the introduction of the KTC in 1998 (Kim 2003: 16);

- (Organizations for social agreement are) a product of a timely situation, that is, the financial crisis (Kim, T 2006: 205), and;

- The Korean social pacts was stirred by the economic crisis (Kim, YC 2006: 75)

Did the economic crisis induce the emergence and evolution of the Korean social concertation? This paper diachronically investigates various economic indicators to answer the question. Table 2 shows the international balance of payments of South Korea between 1986 and 2000. The balances of both the current account and the capital account have

severely fluctuated widely in that period. The balance of the current account was in the red between 1990 and 1997. Korea faced a growing sense of crisis because exports of the manufacturing industry were a main force for improving Korean economic growth. A trend of deficit was a predicted path in the Korean economy. The surplus of the current account was the result of the upswing in exports under the Korean protective trade policy. Under the Cold War, the United States implicitly supported Korean government's trade policy as a security strategy in Northeast Asia. After the end of the Cold War, South Korea was exposed to the fierce competition of the world economy and received heavy market-opening pressure from developed countries – i.e., Korean government's protective policy could hold no longer. These factors resulted in the adverse balance of trade and South Korea was in deficit in the current account after 1990.

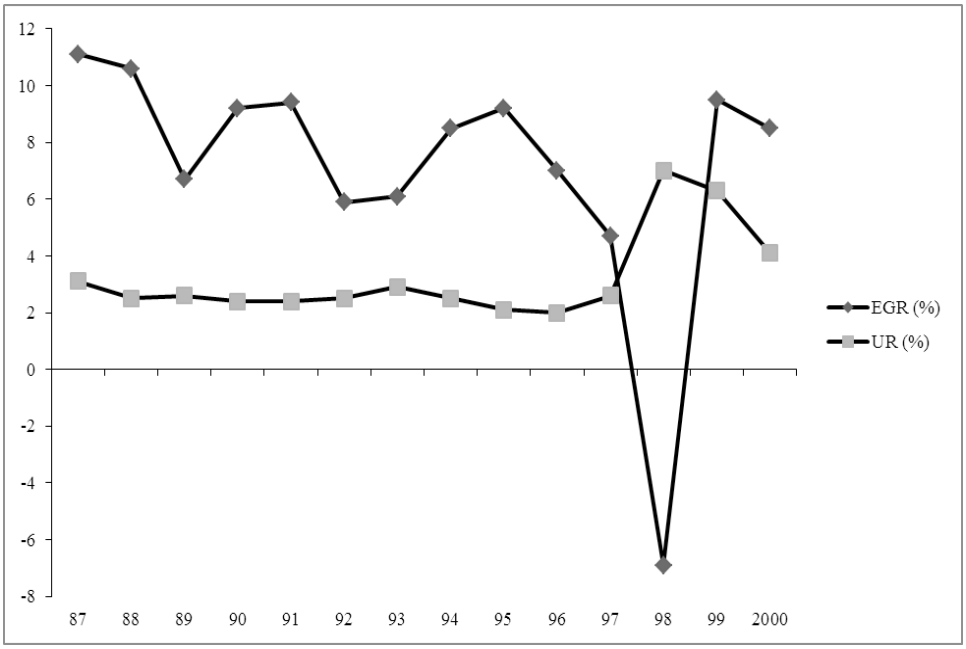
Table 2
International Balance of Payments between 1987 and 2000 (Dollars in Millions)

Year	*Current Account*	*Capital Account*
1987	10,058.40	-10,368.60
1988	14,505.40	-5,067.50
1989	5,344.20	-2,885.90
1990	-2014.40	2,564.40
1991	-8,417.40	6,411.80
1992	-4,095.20	6,587.00
1993	821.1	2,740.70
1994	-4,024.20	10,295.10
1995	-8,665.10	16,785.60
1996	-23,120.20	23,326.80
1997	-8,287.40	1,314.40
1998	40,371.20	-3,196.70
1999	24,521.90	2,040.30
2000	12,250.80	12,110

Source: Korean Statistical Information Service (www.kosis.kr)

The Korean government contrived a financial crisis when the Korean economy was in the red after 1990. The Korean government attributed the deficit trend to immoderate demands for labor's higher wages and citizens' excessive consumption while ignoring structural factors of the deficit of the current account after 1990. In fact, the international balance of payments (sum of the current account and the capital account) was negative in 1987, 1991, and 1997. Rather, the balance was almost always in the black (see Table 2). Between 1987 and 2000, the excessive surplus of the international balance of payments was the problem as a potential risk factor of soaring inflation in that it is desirable to have a balanced finance.

Figure 1
Economic Growth Rate and Unemployment in South Korea (1987 to 2000)

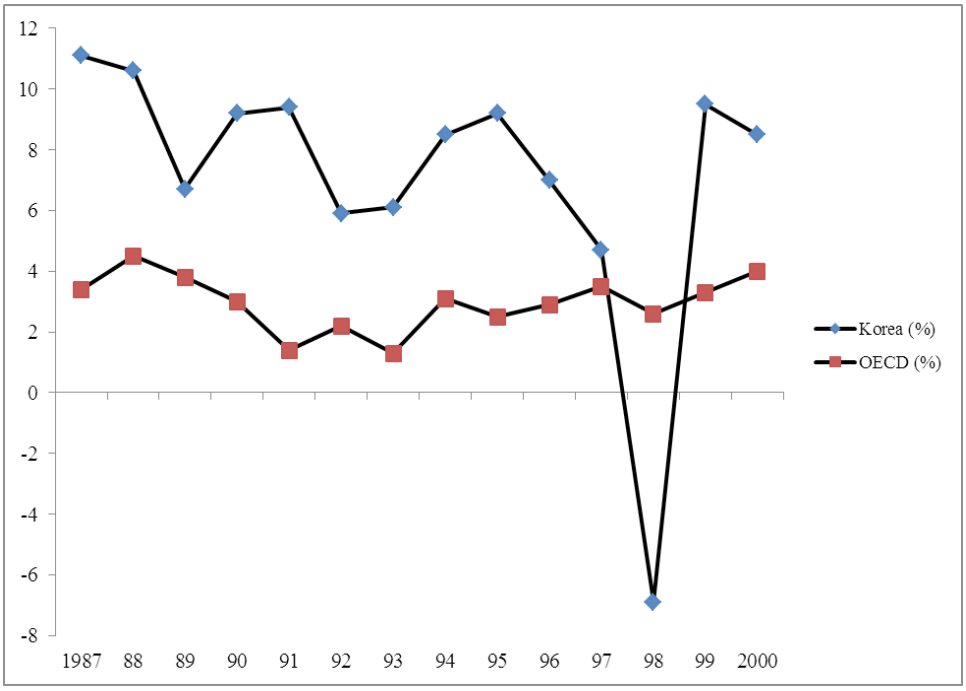


Note: EGR: Economic Growth Rate; UR: Unemployment Rate
Source: Korean Statistical Information Service (www.kosis.kr)

The financial crisis claimed by the Korean government is considerably exaggerated when we examine the economic indicators such as the economic growth rate and the employment rate. Before 1998, we cannot find any objective symptom for supporting the Korean government's view on the two economic indicators (see Figure 1). The employment rate maintained 2 percent level that means full employment before the 1997-98 financial crisis. Before 1998, the average economic growth rate was more than 8 percent. In addition, the economic growth rate of South Korea exceeded the average economic growth rate of the OECD countries except in 1998 (see Figure 2). The above economic indicators including the balance of international payments, economic growth rate, and unemployment rate show that the Korean economy was quite strongly growing. However, the economic crisis claims of the Korean government were very persuasive to citizens.

With the political scare-mongering of the exaggerated economic crisis claims, the Korean government controlled labor wage through the establishment of quasi (not real) concertation systems such as "Grand Forums among Labor-Management-Government" in 1991 and 1992[3]. These systems were created by the authoritative top-down approach of the Korean government to rule trade unions to control tightly labor wage for the economic revival. These are more similar to state corporatism of the 1930s, epitomized by anti-democratic, authoritarian, repressive, fascist, and top-down structures than to the democratic neo-corporatism principles of the 1960-70s (Adams 2004:78).

Figure 2
Economic Growth Rate of South Korea and Other OECD Countries



Note: This study uses average economic growth rate for the OECD countries.
Source: OECD Main Economic Indicators (www.oecd.org/std/mei)

Nevertheless, this study explores the correlation of the economic crisis view and the emergence of social concertation because the quasi social concertation systems were the mother of the later social concertation system. If the financial crisis was an important factor for establishing the Korean social concertation system, the government would have frequently mentioned the financial crisis in the discussion about creating it.

The government hardly referred to the financial or economic crisis in the early stages for building social concertation system. For example, the government promoted the amendment of labor relations law to prepare for industrial peace to mitigate the confrontation of labor and management and a decrease in productivity induced by a sharp wage increase when the "Labor-related Laws Research Commission" (LLRC) was established in 1992. However, there was no mention that the government established the LLRC because of the financial crisis. Also, the government established the "Labor-Management Relations Reform Commission" (LMRRC) to build harmonious labor-management relations. The economic crisis factors such as stagnation and recession were scarcely mentioned when the LMRRC was established in 1996.

Many scholars' view that there was a strong correlation between an economic crisis factor and the emergence of Korean social concertation is likely to be wrong. This view

came from the unconditional applications of the European cases. Next, many researchers focused only on the time between the 1997-98 financial crisis and the establishment of the KTC in the social concertation process. This paper is more concerned about significant differences of labor-management relations and neo-corporatist foundations in European countries and Korea rather than such similarity of time factor – social pacts of both European countries and Korea were established in economic crises.

Until the 1980s, Korea did not have social concertation processes among labor, management, and government. Many European countries experienced a relatively long period of corporatism. Some European countries have more than 100 years of corporatist tradition and had a strong corporatist foundation because of the progress of neo-corporatism reaching its zenith in the Keynesian economics. For a long time, these countries thus maintained the equal relations between labor and management where wage control and employment stabilization were part of a political change. Labor had new opportunities to participate in building social safety nets including social insurance and general labor policy making processes although labor did not gain appropriate compensation increases and employment stability due to the change in economic structure by the spread of neo-liberalism (Molina & Rhodes 2002). New opportunities enabled leading labor organizations to preach the righteousness of the participation in social concertation system to rank-and-file union members. However, South Koreans have experienced the social concertation processes among labor, management, and government since the 1990s.

The second difference is the agenda of neo-corporatism. The political tradeoffs between wage control and employment stability were easily observed in the European neo-corporatist systems during the 1960s and 1970s. These tradeoffs were never discussed in South Korea because Korean labor did not have an effective and centralized salary negotiation system. Labor and management negotiate their wage, salary, and employment in each business unit.

The third difference comes from the relations among the agents of social concertation. In European countries, the bargaining table between labor and management was a tool for negotiating wage control and employment stabilization, and government mainly was a mediator for adjusting conflicts between labor and management. On the other hand, negotiation and bargaining between labor and management was not centralized in the Korean social concertation process. Labor and management both thought that they were not serious in negotiating with each other. In other words, bargaining between government and labor and bargaining between management and government were considered to be more important than collective bargaining between labor and management. Labor strongly pressed the government as depending on the support of international organizations, and management always pressed the government in terms of potential risk factors such as aggravated productivity and stagnation.

For the emergence and evolution of social concertation, economic crises worked differently in Korea and European countries because they had entirely different corporatist foundations. Economic crises were a positive factor for the progress of social pact politics in Europe. Economic crises were not good factors for explaining social pacts in Korea

because these chiefly emphasized labor market flexibility as the sacrifice of labor. Kim (2000) argues that labor policies including realizing basic labor rights and employment stabilization were regarded as secondary because rapid and full structural adjustment was required according to neo-liberalism. Operation of the Korean Tripartite Commission (KTC) as a center of social concertation did not satisfy the principle of social concertation – equal and balanced tripartite relations among labor, management, and government.

Reconsidering the Roles of International Organizations

This study reveals that an economic crisis cannot be a strong factor for explaining the emergence and evolution of social concertation, at least in South Korea. The following discussion examines the conditions that are considered to be key factors for Korean social concertation. A key factor must be applicable in the past, present, and future. It is not a key factor if it has only temporary explanatory power. A key factor has a positive effect on the advent and evolution of the social concertation system. We cannot accept an economic crisis as a key factor with these conditions.

International organizations played an important role in the emergence and evolution of Korean social concertation[4]. The pressures of international organizations helped build the social concertation system including the LLRC and LMRRC that provided bases to establish the KTC – in particular, the ILO's pressure for the LLRC and the OECD's Pressure for the LMRRC.

The IMF scarcely contributed to the settlement of the Korean social concertation systems. Why do international organizations exert different influences in the development of social concertation? These are from different ideologies and roles of international organizations. Neo-liberalism lies at the heart of the IMF and it advocates a reduced role of government in a market economy. In contrast, the ILO and the OECD value basic labor rights as much as economic growth and they stress the compromise and cooperation of society members that are fulfilled by active government intervention. In this context, it is obvious that the ILO and the OECD show supportive attitudes for social concertation, which strongly recommends government intervention in labor-management relations. Figure 3 shows basic ideologies and roles of international organizations and some Korean government organizations.

IMF helps countries suffering from financial and currency instability for their prompt recovery by offering bailouts. Besides providing bailouts, the IMF is directly involved in economic policy making of a concerned country. The IMF's restructuring policies for improving international competitiveness include controls of foreign exchange rates and interest rates, trade liberalization, and securing market rationality including the labor market through deregulation[5]. These IMF's prescriptions finally lead to a reduced government intervention in the market economy based on the neo-liberalism ideology. On the other hand, the ILO and the OECD do not directly intervene in government policy making. They exert their influences on the member countries through indirect methods such as "recommendation" and "monitoring".

Figure 3
Ideologies and Roles of International and Korean Organizations

		Principle of Operation	
		Market Autonomy <=========> Tripartite Concertation	
Degree of Government Intervention	*Negative*	IMF	
	^	WTO	
		OECD TC	OECD ELSACILO
	v		
	Positive	MOFE (Korea)	KTC (Korea)

Note: TC – Trade Committee; MOFE – Ministry of Finance and Economy; ELSAC – Employment, Labor, and Social Affairs Committee; WTO – World Trade Organization

The ILO was established for drawing up and overseeing international labor standards. The ILO makes an effort to realize social justice and to promote "Decent Work" for all. "Convention", as an autonomous norm of labor, is achieved by the consensus of representatives of workers, employers, and governments. The ILO persuades its members to keep up with ILO conventions. The ILO emphasizes neo-corporatist solutions because of the belief that these are an effective way to realize "Decent Work" for all. The ILO strongly recommended the use of the social concertation system to member countries through the "Declaration concerning the Aims and Purposes of the ILO" (ILO Declaration of Philadelphia) declared in 1944 and the "Tripartite Consultation (International Labour Standards) Convention, 1976" (ILO Convention No. 144).

The ILO recommended that the Korean government amend its labor relations act[6]. Korea was a country that did not ratify any one of the ILO eight core conventions[77] until December 1997. Korea had ratified only four core conventions when the Roh Mu Hyun government was launched (February, 2003). In September 2011, South Korea has ratified 24 of 188 ILO conventions, while the average number of ratified conventions of ILO member countries is about 41 and of OECD member countries is about 72.

The OECD established in 1961, now has 34 member countries. Its main mission is to promote policies that improve the economic and social well-being of people around the world. In detail, the OECD emphasizes pluralistic democracy, open market economy, and respect for human rights[8]. The OECD is concerned about diverse social issues such as employment, education, environment, and consumer protection as well as the progress of the world economy and enlargement of world free trade[9]. The OECD has been more interested in basic labor rights including the rights of collective bargaining and freedom

of association since the ILO adopted "the ILO Declaration on Fundamental Principles and Rights at Work" in 1998 (Evans 1999).

The OECD Employment, Labour, and Social Affairs Committee (ELSAC) as one of the 43 intergovernmental committees and the Trade Union Advisory Committee (TUAC) as an consultative (advisory) committee played an important role in building Korean social concertation[10]. Obviously, recommendations and monitoring by the ILO and the OECD committees showed some limitations – i.e., relatively weak influences on agreements of the tripartite concertation system because these were not direct interventions that have a compulsory power. Nevertheless, we cannot ignore the fact that the ILO and the OECD have exerted continuous interest and pressure for the settlement of the Korean social concertation since the conservative Roh Tae Woo government (1988-92).

Few existing studies stressed both the roles of the ILO and the OECD and their continuous pressures. This study suggests that the degree of international organizations' pressures significantly affects the rise and fall of social concertation in Korea. That is, the Korean social concertation system emerged and developed when international pressures was relatively strong, while the activities of social concertation slowed when international pressure are weak. The authors explore below the relations between roles of the ILO and the OECD and the social concertation systems including the LLRC, the LMRRC, and the KTC.

(1) *Labor-related Law Research Commission (LLRC: 1992-96)*

The LLRC was launched for building sound and responsible labor-management relations in April 1992. The LLRC was for realizing autonomous labor-management relations, reinforcing autonomous conflict management between labor and management, and respecting international labor standards through amendment of the labor relations acts. The ILO had exerted pressures on the Korean government to improve the labor environment and to protect basic labor rights since Korea became an ILO member country in December 1991. This is considered to be one direct reasons why the military-backed Roh Tae Woo government established the LLRC because official pressures of the ILO were considerably strong and the LLRC was established just after joining the ILO. The Roh government operated the LLRC to publicly show evidence in response to the ILO's demands concerning industrial relations.

(2) *Labor-Management Relations Reform Commission (LMRRC: 1996-98)*

The ILO and the OECD pressed the new civilian Kim Young Sam government (1993-97) to improve basic labor rights that met the international standards. The OECD demanded the fulfillment of the ILO core conventions and the amendment of labor relations acts as a prerequisite for joining the OECD (Yoo 1999; Lee 2003). In addition, the OECD required the government to present a specific policy plan and a concrete time schedule for reform of labor management relations. At that time, the Kim government requested the cooperation of some European countries that had opposed South Korea to become an OECD member country, promising the advancement of labor relations through social concertation system.

The Kim government declared the settlement of "New Labor-Management Relations" based on participation and cooperation in April 1996. President Kim's idea was specified by the establishment of the LMRRC in May 1996. The international organizations carried out an important role in the establishment of the LMRRC. The LMRRC composed of the representatives of labor, management, government, and civil society was an advisory committee responsible to the President. Key issues of the LMRRC were the improvement in both labor market flexibility and basic labor rights. However, bargaining for improving labor relations in the LMRRC were moving at a snail's pace, so those European countries strongly opposed South Korea's entry into the OECD. South Korea was finally granted into the OECD in October 1996 after once denied due to such strong opposition.

The conservative ruling party in the Korean National Assembly rushed through a revised labor bill, breaking agreements among labor-management-government in LMRRC, in December 1996 just after South Korea became an OECD member – i.e., when the pressures of the OECD decreased on the Korean government. The bill hardly reflected labor intentions such as the permission for third-party intervention and political activities by unions, but it included the business requests such as the introduction of the layoffs, flexible use of labor, and the worker dispatch system. In addition, this bill had a serious procedural problem in that there was no discussion or agreement between the ruling and the opposition parties.

(3) *Korea Tripartite Commission (KTC – 1998 to present)*

In December 1997, the president-elect Kim Dae Jung proposed the introduction of a tripartite consultation mechanism to overcome the 1997-98 economic crisis. The first-phase KTC was established in January 1998. In February, the commission adopted 90 social agreements for overcoming the economic crisis (or receiving the IMF bailout) under the participation of labor and management[11] on structural adjustments and burden sharing (Yang 2010: 456-457). However, the operation of the first-phase KTC lasted no more than one month (January 1998 to February 1998) – i.e., its operation ended after the IMF bailout was provided. It had not enough time for the ILO and the OECD to exert influences on the Korean labor-management relations.

As the Korean economy gradually recovered, the ILO and the OECD exerted influence on Korean labor and management policies in the second-phase (June 1998 to August 1999) and third-phase KTC (September 1999 to April 2007). In the second-phase, the main agenda were the agreements on basic labor rights that were adopted in the first-phase KTC but legislation was delayed. Key issues were the permission to participate in labor unions by laid-off workers and to organize teachers unions. The ILO recommended that the Korean government permit laid-off workers to participate in labor unions seven times. At that time, Korea was the only member that did not permit laid-off workers to join labor unions among the 29 OECD states. In addition, the ILO strongly continuously recommended the Korean government permit teachers' unions in that the ILO core convention fundamentally guaranteed the right to organize labor unions.

Table 3 summarizes the influence of international organizations (the ILO and the OECD) and of the economic crisis as a factor in the Korean social concertation system.

The OECD and the ILO had positive effects on establishment and activities of the Korean social concertation systems including the LLRC, LMRRC, and KTC, but the economic crisis had negative effects.

Table 3
International Organizations, Economic Crisis, and Korean Social Concertation Systems

	Influences of the ILO and the OECD	*Economic Crisis (Influence)*
LLRC	- Positive effects on its establishment and activities	- Obstructed the announcement of the agreement (Negative)
LMRRC	- Positive effects on its establishments and activities	- Distorted and discarded the LMRRC agreement (Negative)
KTC	- Positive effects on the 2nd and 3rd phase KTC activities	- Positive effects on the establishment of the 1st phase KTC (Positive) - Negative effects on the legislation of 1998 Social Pacts

The Korean government discontinued activities of the LLRC when the influence of the ILO decreased and activities of the LMRRC also sharply weakened after Korea was to be an OECD country – i.e., the influence of the OECD on the Korean government decreased. The economic crisis made partial and positive contribution to the establishment of the KTC, and its activities (1st phase KTC) depended considerably on the economic principles of the free market. That is, its activities concentrated on rapid structural adjustments and burden sharing, and therefore its operation ended within one month. The activities of the 2nd and 3rd phase KTC were revitalized as the Korean economic situation stabilized and the influences of the ILO and the OECD increased.

Conclusion

Korean social concertation now stands at the crossroads. It is evident that the bargaining system concerning making social pacts through tripartite agreements has decreased since the historic 1998 social pact. The following are the obstacles to Korean social concertation revitalization: the ruling right-wing party, deepening neo-liberalism, a definite difference of opinion between labor and management, low union organization rate of labor, and lack of ability of the government to mediate or arbitrate between labor and management. Hasty and inappropriate, however, is the statement that Korean government doesn't need the social concertation system any longer because the economic crisis ended. Compston (2002a) notes that "although social concertation is now interrupted due to conservative governments coming to power, we might expect a resumption of social concertation when social democratic parties return to office" (Compston 2002a:10).

We still need the social concertation system because it has the ability to mitigate side effects of the market economy. There is still room for progress in the Korean social concertation. Recently, the political exchange function of the social concertation system

decreased remarkably in European countries; what labor obtains is only that it participates in government's policy decision making processes. Yet, Korean labor can obtain basic labor rights as political exchanges through the operation of the social concertation system because the guarantee of labor rights is still weak.

It is important that the efforts to find driving forces for revitalizing the now-stagnant Korean social concertation system continue. This study pays attention to roles of international organizations that many existing studies overlooked. The authors suggest that international organizations including the ILO and the OECD can play an important role in the evolution of social concertation through tracing the history of social concertation systems in South Korea. This study suggests that current committee members in Korean social concertation positively accept the universal norms and standards of international organizations. The authors believe that Korean social concertation based on tripartite agreements among labor, management, and government will make more progress if it is realized.

Notes

[1] Social pacts designate policy products in documentation through the agreement of labor-management-government in the social concertation system such as KTC.

[2] Lehmbruch (1984) also suggests that (pp. 62-63):

> Social concertation first emerged during the First World War when organized business and labour cooperated with governments in the war economy. And then it re-emerged in some countries during the economic crisis of the 1930s – for example, in Sweden and Switzerland – and spread to many others during and after the Second World War.

[3] These systems were one-off discussion table on wage and autonomous negotiations among the participants are not practically possible. These fail to satisfy the neo-corporatism prerequisites.

[4] International organizations refer to the ILO and the OECD that demanded the acceptance of labor-friendly policies to the Korean government.

[5] There are some debates about whether its restructuring policies in South Korea are successful or not. However, this study leaves that out of the discussion in that this paper mainly explores the roles of the IMF in the emergence and evolution of the Korean social concertation.

[6] This amendment was for the following things – unions of government workers and teachers, permission of multiple unions in a company, wage payment of full-time union workers, reduction of essential public service workplaces, guarantee of union activities of laid-off workers, and abolition of the bans on third-party intervention on union activities and political activities by unions.

[7] ILO eight core conventions on fundamental human rights:
C-29 Forced labour convention (1930)
C-87 Freedom of association and protection of the right to organise convention (1949)
C-98 Right to organise and collective bargaining convention (1949)
C-100 Equal remuneration convention (1951)
C-105 Abolition of forced labour convention (1957)
C-111 Discrimination (employment and occupation) convention (1958)
C-138 Minimum age convention (1973)
C-182 Worst forms of child labour convention (1999)

[8] http://www.oecd.org/document/26/0,3746,en_2649_34223_1814170_1_1_1_1,00.html

[9] It is an obvious difference from the World Trade Organization (WTO), which mainly stresses free trade policies across national boundaries.

[10] For reference, Works of the OECD are very broad – e.g., TC (Trade Committee) more focuses on open market economy and free trade around the world.

[11] The representatives of labor were the Federation of Korean Trade Union (FKTU) and the Korean Confederation of Trade Union (KCTU). For business, the Korea Employers Federation (KEF) and the Federation of Korean Industries (FKI) were participated in the commission.

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Biosketches

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Reconsidering "Arm's Length Bodies (ALBs)" as Major Agents in Government Service Delivery Programs

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Abstract

"Arm's length body" (or "ALB") is a new class-name for a large group of non-departmental public bodies (NDPBs) that has been engaged in delivering service-delivery programs for governments virtually since the beginnings of modern governance.

This paper will begin by noting the rising interest in service delivery as a major issue in public administration and public management. It will then review the field of non-departmental bodies as it stands after the first decade of the 21st century, noting the introduction of the new class-name and explaining how this has come about. To some degree at least, these bodies stand outside the central apparatus of government and are granted autonomy from the normal processes of government. Finding a balance between the need to preserve that autonomy and the need for some central monitoring and steering is vital in securing their successful operation.

This is a major challenge being faced by many governments today. The paper concludes by noting and commenting on some recent inquiries of a policy nature in big and small jurisdictions that have sought to provide better order in this important area of governance with emphasis on service delivery.

Introduction

We are currently experiencing a period in the practice and the study of public administration in which there is much interest in the ability of governments to deliver services not only efficiently but also with due attention to the accountability of the service providers to the communities being served.[1] There is, of course, nothing new about governments delivering services to their communities: some do more of it than others, and some do it better than others, but to a greater-or-less degree it has been going on ever since the world has known organized government. There is also nothing very new about public administration practitioners and academics debating the issue of how best to deliver the services that are mandated by the relevant policy-making and decision-making authorities. So we should not assume we are entering new territory when we come to conferences such as the present one that give priority attention to matters of service delivery.[2]

It is, however, likely that there are new elements at work in the current situation, that we are not, as we often are when we apply new language to existing practices without significantly changing those practices, merely in danger of reinventing wheels when we debate the challenges inherent in that situation. "Arm's length body" (or "ALB") as a class-name for a group of public sector organizations is such new language.

In the first short section of this paper, I comment on the current intense interest in the matter of service delivery. In the second section, I note the long use of non-departmental bodies to deliver a wide variety of public services in many countries, but also that use is often very ad hoc, lacking in systematic arrangement; and I consider some misunderstandings that circulate about the use of these bodies, in part generated by this state of disorder. In the third section, I look at some recent relevant inquiries and reports, and identify issues they raise that deserve further sustained consideration as we seek to improve our service delivery processes.

My own experience is drawn primarily from working in Westminster-based systems, and that will inevitably flavour the discussion that follows. However I have had sufficient contact with students and practitioners from non-Westminster systems to lead me to believe that many of the issues involved have much wider application. I am aware of some recent and not so recent papers on the Thai situation that suggest that, while the organizational responses to these service delivery pressures may differ in some important ways from those in the Westminster-based systems, there may be considerable similarity in the underlying issues and problems (Suwanabol 1979; Suwanabol & Jones 1990; Bowornwathana 2004, 2005; Lorsuwannarat 2007).

I hope that this paper may stimulate research on these issues in countries of the Asia-Pacific region. The reports to which I will draw attention – mainly British and Australian – certainly take our knowledge of the field forward, but they acknowledge that there are many questions still to be answered about how the ALB network should be operated to improve our service delivery arrangements. Systematic research that further explores the connections between the many services needing to be delivered and the administrative arrangements for delivering them is to be welcomed.

The Service-Delivery Situation and the Public Agencies that Deliver Services

My belief that there is a strong interest now in the matter of service delivery comes from monitoring the programs of many recent public administration/public management conferences, and exercises in reporting and discussion in my own country and some others. As I will argue later in the paper, the heavy emphasis in the quite recent past has been on the matter of improving the coordination/integration of government operations through solutions described as “whole of government”, “connecting government” or “joined-up government”. The newer conceptual connection between ALBs and service delivery issues becomes apparent as reforming spirits begin to see that strong central coordination is not everything, that the needs, interests and values of those being served are important too, and that decentralized forms of administration are often crucial to meeting these needs, interests and values.

A beginning “port of call” in exploring the opportunities that may exist for better service provision in the future may be to consider what factors may be producing the present intense interest in the subject, and a probable explanation may have two elements: first, that our communities are demanding more and better services as they themselves become better educated; and second, that their demands are often finding themselves

in collision with all the heavy pressures to economize faced by the service-providing governments. The area is thus a very volatile one, with cross-currents a-plenty and tensions inevitable as these opposed forces face each other as the intertwined destinies of our states and communities are being mapped out.

There is a great variety of ways in which governments can deliver services, though with a fundamental beginning choice: they can deliver them either through PUBLIC instrumentalities, or through PRIVATE organizations in some way licensed and supported financially by public instrumentalities. This article focuses on the first, but within that it recognizes that there are other choices to be made, almost as fundamental as the first: the services can be delivered (1) by the central government itself through its core departments and public service; (2) by decentralized public sector units which are still part of the central government apparatus but have a degree of autonomy from the centre; or (3) by local governments, representing a form of territorial decentralization. The new class-name ALB directs us particularly to arrangements made under option (2), and that is the primary focus here.

A Disorderly Part of the Machinery-of-Government Framework

In most modern government systems, a sorting of the organizational units will immediately produce the two broad categories of

- departments headed by ministers (or minister-equivalents, such as the secretaries of US executive departments), and

- non-departmental bodies (not headed directly by ministers or their equivalents).

In parliamentary systems, oppositions will often deplore the fact that non-departmental bodies are used (because of their alleged lack of accountability), but experience shows that, if and when they come to government, the old-opposition-but-now-governing parties find non-departmental bodies very useful and make much use of them themselves. As Prof. Matthew Flinders (2011: ev.30) told a recent British inquiry (see more below), “you will find arm’s length bodies used in every advanced liberal democracy in the world”.

Even for native-born English speakers, terminology is a major problem in understanding them. The term “arm’s length body” is now coming increasingly into vogue, having been given a major boost in the UK Institute for Government Report of 2010 provocatively titled *Read Before Burning* (Gash et al 2010). Other often-used class-names for more-or-less the same group of organizations have included “non-departmental public body (NDPB)” and “quango”, with the adjectives “independent” and “autonomous” (often qualified by “quasi” and “semi”) also getting a run. The term “agency” is also often used in this connection, but it is especially problematic and will be further considered below. Moreover the broad group of bodies to which they are applied includes sub-groups, notably “statutory body” (“statutory authority” or “statutory corporation”),

"executive agency", and "government-owned company" (or "state-owned company"), and other variants of those types such as "public corporation". All these categories are fairly malleable, making firm definitions virtually impossible. Not surprisingly, therefore, reforming spirits in many countries have built a desire for clarification into their agendas.

What sorts of organizations to use, and when to use them, are questions that face all governments as they contemplate extensions to, or changes in, the service delivery arrangements. They are not helped in their decision-making by all this imprecision. In the report of one of the most recent inquiries, that conducted in Britain after the formation of the Cameron government in May 2010, there were many references to the chaos of delivery bodies that "clutter the landscape"; one new minister facing relevant problems declared that this "very untidy" situation was the result of the "random process" of quango creation. The inquiry located around 900 such bodies in Britain, but Flinders, with wide academic and consulting experience, advised that there were more "created off the radar", and that many ministers he had worked for did not even know what bodies they were responsible for (HC PASC 2011: 3, 41-43, ev.35-36).

Massive Use – and not just products of NPM!

The term "agency" is particularly problematic because it is often used as a synonym for organization – virtually any sort of organization, and government departments can thus also be described as agencies. It is also used in more precise ways, but even that confusingly: (1) as a synonym for all NDPBs or quangos; and (2) as a term intended to be limited to a set of bodies within that group but with less autonomy than others in the group. Fuelled by NPM (New Public Management) pressures to disaggregate units in the public sector and move to private-sector management styles, the action word "agencification" has emerged along with assertions that there has been a huge increase in the number of such bodies over the last couple of generations (eg Pollitt et al 2001; Pollitt et al 2004).[3] The assertion seems to draw from experience with lesser-autonomous bodies in some countries, but the difficulties with sorting and definition have intervened, and it has been widely assumed to cover all NDPBs. An awareness of relevant chapters of administrative history shows that assumption to be manifestly wrong.

Some countries use these bodies (whether with more or less autonomy) more than others, and within countries there have been rises and falls in their popularity from time to time – right now, at least in Britain and Australia, calls for whole-of-government (or joined-up government) solutions to administrative problems have led to some diminution in their use (and to the British inquiry noted above, considering Cameron's desire to "shrink the quango state": HS PASC 2011). What relevant chapters of administrative history teach is that:

- Britain was making big use of semi-autonomous and autonomous bodies in the 19th century to develop and manage port and highway systems and provide urban services such as street lighting and cleaning (Webb & Webb 1922).

- The British liking for them passed to many parts of the then Empire (Dawson 1922; Wettenhall 1963; Scott & Thynne 2006).

- They found popularity also in the United States, marked by famous federal bodies such as the Interstate Commerce Commission and the Tennessee Valley Authority and a mass of state-level boards and commissions (Walsh 1978; Mitchell 1992).

- Sweden became well-known as the exemplar of an arrangement for separating large service-delivering executive agencies from small policy ministries (Andren 1961).[4]

- Around the time of World War II, emigre German scholars were drawing attention to the use in that country of bureaus outside departments to provide many services (Brecht & Glaser 1940; Brecht 1941: esp. 247).

- These experiences were sufficient to lead a German-American team researching the German Railways in the 1930s to report that, in "achieving a combination of stability and flexibility in the conduct of the economic activities of government, semi-autonomous forms of organization seem appropriate. A vast amount of spontaneous experimentation [towards that end] has occurred throughout the world" (Macmahon & Dittmar 1939: 482).

- Bodies described as "parastatals" outside the regular bureaucracies emerged in large numbers in developing countries after World War II, especially in Africa (Hirschmann 1999).

In the Thai case, the materials available to me suggest that NPM influences in the late 20th century may have been significant in transforming a unitary administrative system into one using many autonomous or semi-autonomous public organizations for a variety of service-delivery functions (Bowornwathana 2004, 2005; Lorsuwannarat 2007).

However their use was not new. Concerned particularly with the more commercially-oriented bodies, Suwanabol wrote (1979: 311) thus of Thailand's method of organizing state-owned enterprises (they were deliverers of services too!) in the pre-NPM period: "Public enterprises (*ratavisahakij*) in Thailand, since 1976 when the Post and Telegraph Department (a *rattapanij*) was transformed to a public corporation, are legally in two forms: public corporation (*Ongkarn-rattavisahakij*) and state-(and semi-state) company". By 1990, he and a colleague (Suwanabol & Jones 1990) were identifying these categories: (1 & 2) agencies established either by Royal Decree or by specific acts of parliament, with capital wholly owned by government, (3) public corporations established under the Civil and Commercial Codes, with at least part of the capital government-owned, and (4) others established by Cabinet Resolution, operated and controlled by the relevant government ministries.

In the Australian case, my University of Canberra colleague Chris Aulich and I finished a recent study with the observation that, while the term "agencifcation" may have been new and belonging to NPM advocacy, the process it described was almost as old as organized government itself (Aulich & Wettenhall 2011). The NPM effect produced

many privatizations, led to the replacement of some service-delivery bodies in the statutory form by ones in the company form and to the replacement of some bodies that had been privatized by regulatory ones, and also caused some movement of departmental functions to new non-departmental bodies (see eg Halligan 2008). Essentially, however, the tradition of wide use of non-departmental bodies was long-established and little affected.

Earlier Efforts to Establish better order among ALBs

There is also nothing new about critiques of the resulting disorderliness, or of efforts to develop frameworks that will help policy-makers and system-designers and so lead to improvements in service-delivery arrangements. The notion that the assortment of these bodies in any governmental system resembles the great variety of animals in a zoo gets quite frequent mention in the period of NPM stimulation (e.g., Gill 2002, discussed Wettenhall 2003). Seeing themselves as innovators, few moderns are interested to know that that notion was circulating around the time of the then-influential Ditchley (UK) and Williamsburg (US) conferences where leading scholars and practitioners explored the whole range of organizations across a spectrum from fully governmental through quasi-governmental and quasi-non-governmental to fully non-governmental. These innovators of the 1960s and 1970s coined the acronyms GO (where O stands for "organization"), QGO, QNGO (leading to "quango") and NONGO (e.g., Hood & Mackenzie 1975; Barker 1982). Soon Hood (1978, 1982, 1984, 1986, 1988) and others were talking about "the world of para-governmental organizations", even the "quangocratization of the world", with the great variety leading at that time to the metaphor "animals in a zoo" (Hood 1984: 8, 1986: 188) – upstaging another British metaphor even 20 years older which suggested that the great variety of quasi-government bodies had grown "as variously and profusely and with as little regard to conventional patterns ... as flowers in Spring" (Street 1950: 160).

That metaphor helped trigger Chester's exercise in classification which proposed a machinery-of-government model made up of three primary categories: (1) the departments which formed the central core of government, (2) local authorities providing services decentralized from the central core, and (3) a range of bodies operating with a degree of autonomy and performing many functions that had also been decentralized from the central core — but on a functional rather than territorial basis. Chester observed that the organizations constituting this third category were very varied, making for a highly disordered sector of administrative activity – so much so that he simply labeled that third sector "the rest" (Chester 1951).

There is no space here to identify and describe other older exercises in exploring the world of non-departmental bodies engaged in delivering services of one kind or another, and coming to the almost unanimous conclusion that this was a large, long-lived and continuing, and very messy area of administrative activity.[5] Sufficient to say that we need to view with a great deal of caution any modern treatments claiming that so much of it (perhaps all of it!) started with NPM. Such claims look pretty silly in the light of this available historical evidence.

What have we learnt about these bodies after such massive use of them? Must we assume that the nature of the services required to be delivered by most government

jurisdictions is simply so diverse that there can be no straight-line answers to questions about how they should be established, organized, managed, supervised, financed and staffed, and how they should relate to other parts of the governmental system (and especially their supervising departments) – and assume that, consequently, the pragmatic service-by-service responses to system design issues that we now experience are here to stay? Or does the recent spate of inquiries help point the way to a better path forward? Can any clear lines of policy development that will improve our service-delivery mechanisms be discerned?

Some Recent Inquiries – and do the ALBs need liberating from whole-of-government thinking?

Whether or not NPM was the integrating administrative reform force that its adherents believed – I have to say I never believed it! We have moved fairly decisively through a stage in which reformist impulses have pushed for greater vertical control by central governments in the interests of securing the so-called whole-of-government or joined-up-government solutions believed to be necessary to break down the "silo" effect of departments and agencies "doing their own thing" in performing their functions. In related texts, service delivery would have got some mention, but it was the architecture of the whole system that commanded most attention. What we are now seeing is a reversal in which service delivery is taking centre-stage, with delivery agencies to a degree liberated from the tight co-ordination ethic of the whole-of-government paradigm – but it has been a slow and complex journey.

This whole-of-government emphasis is evident in numerous contexts. In any discussion of agency study and agency practice over the last decade, the output of the Europe-centred "COBRA" project on the governance of public sector organizations needs to be accorded an important place. A 12-country survey investigated issues of autonomy, steering and control of agencies, leading to a concerted effort to produce the outlines of an "agencification policy" that might be widely adopted, to improve the operation of agencies engaged in carrying out public tasks, in implementing policies, in regulating and in service delivery. While there is acknowledgement that agencies devolved from the central ministries can bring service delivery closer to the citizen, and can make the political will to deal with specific problems visible to citizens, it cannot be said that service delivery issues are a major concern in the works of this European-based network (van Thiel et al 2011: 3).[6]

In the Australian case, a major report on Commonwealth (federal) government administration two years ago laid itself open to the charge that it was so focused on the need for whole-of-government solutions to administrative problems that it gave inadequate attention to the importance of ALB-type agencies performing vital public services away from the central departments. Part of the argument was that a public sector is broader than the "public service" as usually understood, and that inquiries and reports with this public service focus fail to do justice to the broader entity, which of course contains many service-delivery agencies (Moran 2009; Wettenhall 2009, 2010). As a federal system, Australia contains nine major governments, and without considerable research

it is not possible to track all such inquiries and reports of the recent period. However it is relevant to note another Commonwealth exercise of the fairly recent period, and one in Queensland, that directed attention particularly to the area of non-departmental bodies, in both cases adopting what was essentially a top-down stance that gave far more attention to the needs of the coordinating and supervising apparatus at the centre than to those of the bodies actually delivering services (Uhrig 2003; Webbe & Weller 2008, 2009).

When New Zealand reformed its untidy network of "crown entities" in 2004-05, the primary motivation was to improve the alignment of state sector agencies with the government's objectives by clarifying relations between ministers and the non-departmental bodies making up the ALB network. Whole-of-government was to the fore: service delivery gained little mention (State Services Commission 2005).

As recently as 2011, a major inquiry into governance arrangements in the self-governing Australian Capital Territory produced a report which sought further consolidation of the administrative machinery (whole-of-government again), and had much to say about strategic policy advice, capability, capacity, effectiveness and public value – but again service delivery rated scarcely a mention (Hawke 2011).

The already-cited British report *Read Before Burning* (Gash et al 2011) suggests that a subtle change may be occurring. While the new British government was clearly looking to cut costs, there was a significant bottom-up perspective in the reforms it wanted to pursue. The major focus within this reform program on non-departmental bodies delivering services of various kinds had the effect of introducing a policy perspective that would seriously dent the older whole-of-government approach. While it is too soon to conclude that a dramatic change is occurring, the *Read Before Burning* report certainly takes us some distance towards a priority appreciation of service-delivery issues. Whole-of-government is there, but there is a matching concern with the public and its needs that is stronger than anything similar to be found in the other reports on which I have so far commented.

The report takes a broad view of the policy situation, identifying "major challenges" (p.11) within a general remit to develop "a clear and sensible division of responsibility between ALBs, their sponsor departments, and ultimately with the public" (p.63). The challenges lie mainly in the areas of cost reduction and improving performance and cost-effectiveness (ch.3), and the discussion of them responds to strong criticism, in contemporary British political discourse, that the whole ALB sector is lacking in efficiency and accountability (p.29). In responding, it seeks to temper the "harder" conservative and generally anti-public-sector line in many of these criticisms with a "softer" concern for service to the people. Awareness that the report is being directed towards a coalition government may be a factor here

On machinery-of-government issues, the incoherence of the field gets frequent mention (esp. p.39). The authors of the report clearly see this as a major weakness giving rise to much of the criticism. An overarching conclusion is that, while all governments need to put some functions at arm's length, degrees of necessary independence will differ, and that this needs to be reflected in the ways ALBs are formed and managed

(Lord Bichard's Foreword, p.5). So there is no single pattern, rather a need to think clearly about what arrangements are appropriate in each case — on the other hand, an undisciplined rush to many patterns is to be avoided. To this end, a division of the ALB field into just four categories reflecting the required degrees of independence is proposed, along with the stipulation that purely advisory bodies should be more firmly attached to departments and not have "independent legal existence" (p.14). One important recommendation is that there should be "sunset clauses" for all new ALBs, to ensure that bodies which are no longer "fit for purpose" are phased out (pp.29, 52).

Service Delivery and ALBs: The Essential Connection

Before concluding with some speculations about the rise of the service-delivery paradigm in Australia, I note a prophetic observation by a New Zealand public administration academic, made in 2004 in a discussion of that country's "frenetic' NPM-style restructuring in the 1980s and '90s: "The challenge is to focus on real service delivery rather than the rhetoric of reform" (Norman 2004: 170).

The notion of service delivery as an identifiable area on the official policy agenda has emerged in Australia over the last few years. The emergence has been significant for those in the welfare community, but until recently not much noticed by the mainstream administrative reform community. The impetus has probably come from rising concern about disadvantaged members of society such as the indigenous population, the poor, the homeless and the disabled. It led to the establishment by the Commonwealth government of an advisory Australian Social Inclusion Board (in 2008: Philanthropy Australia 2009); there had been earlier activity in some of the states (South Australia had a Social Inclusion Unit in its Department of Premier and Cabinet from 2002: SIU/SA 2010).

The role of the Commonwealth agency Centrelink has also been important. It was initially established in 1997 to take over functions like administering the pensions and employment assistance schemes from central departments; before long a new Department of Human Services was created, and Centrelink and a couple of other statutory bodies (now we could call them ALBs) moved to its portfolio; and there has been substantial integration in this group. Then, in December 2009, the Minister for Human Services announced a "service delivery reform agenda" aimed at simplifying peoples' dealings with government and expanding the capabilities of the administering agencies – initially it would impact on the agencies in that portfolio, but the intention was clearly that the initiative would spread to a wider group of service delivery agencies. In the 2010-11 Commonwealth budget, some A$113.4 million was committed to furthering this scheme (Bowen 2009; DHS 2010; Moran 2011: 31-33; and, on Centrelink, Halligan 2008).

The notion of "citizen-centred public services" quickly emerged. Action had already commenced to review a scheme that had operated in the Commonwealth public sector since the late 1990s to provide an accountability framework for both departments and non-departmental bodies,[7] and a workshop was convened in Canberra in February

2011 to consider appropriate accountability structures for the citizen-centred services – which were, of course, engaged in various forms of service delivery. It is too early to be able to report on final outcomes of this review, but documents for the February 2011 workshop prepared by a former senior public servant-turned-academic give some idea of the thinking taking place (Podger 2011a, 2011b).

One important passage (Podger 2011a: 1) indicates a broader appreciation at the official level that "different organizational structures may display different benefits/ disbenefits in public policy terms":

> different balances can be created between competing principles to optimize effort, including:
>
> - the extent to which policy and administration needs to be integrated;
> - the extent to which generic or composite organizational entities are preferred to more specialist and niche agencies;
> - the extent to which citizens or communities should be able to influence service design and priorities (i.e. the importance of 'downwards' or 'outwards' accountability);
> - the extent to which democratic, political (ministerial) oversight of administration is desirable (i.e. upwards accountability;
> - the extent to which administration should be independent of politics e.g. to ensure impartiality or expert judgement or the application of commercial principles.

What emerged (Podger 2011b: 2-3) was, in effect, a matrix presentation seeking to map the way "different key principles" might affect "service delivery structures". At this point of time, we wait to the shape of the new arrangements to come. The significance here is the indication provided that bringing the idea of service delivery to centre stage as an organizing concept is having these sorts of effects. The population of ALBs will certainly be affected, in the Australian Commonwealth as well as in any other jurisdiction that undertakes this kind of review.

A Fairly Positive Conclusion

This paper has attempted to connect the areas of service delivery and non-departmental public bodies (NDPBs, or now ALBs) by showing just how popular these bodies have been, over a long period of time and in many countries, in discharging service-delivery-type functions. In doing so, it has had to observe the great variety of organizational types within the broad NDPB/ALB field, and to comment on earlier attempts to classify and so create some sense of order in what has often been viewed as a chaotic field.

The rising interest in service delivery as a public-policy agenda item in its own right is seen as, to a significant degree, replacing "whole-of-government" as the primary reform concern. The paper has noted how public discourse over the last few years — as reflected in several major inquiries and reports – has been moving to associate this interest with a review of experience with non-departmental bodies, demonstrating the closeness of the connection.

Has this spate of inquiries and reports has done much to point the way forward? For those long involved in the study of quangos, non-departmental bodies and the like,

there will be a temptation to conclude that we have merely been reinventing the wheel, since so much of the "thinking" about these bodies, their connections with central government and so on, was already there in works produced over several generations (to some extent reflected in the references to this article). So the field is not new, and the debates about it are not new. The question arises: whether in fact the recent work has done much to advance our knowledge and our readiness to progress through better machinery-of-government policies and structures?

I draw a fairly positive conclusion. This is that the emergence of serious concern with service delivery as a distinctive and self-conscious policy issue, and the connecting of that concern with the review of ALB experience, introduce a new chapter in machinery-of-government studies, and that this coming-together presents significant opportunities for further research which might point the way forward to exciting innovations and improvements in the service delivery field. All fresh studies leading in that direction are to be welcomed.

Notes

[1] Thus, in Australia, several recent conferences and other meetings arranged by the public administration community have featured "service delivery" as a major theme, and its most-recent budget committed the Commonwealth (federal) government to spending A$113.4 million on a package of "Service Delivery Reform" measures: Moran 2011. Discussed further below.

[2] It needs to be explained that, in much of this discourse, the term "service delivery" is used fairly broadly to include quasi-commercial services such as public transport, roads, telecommunications and postal services, police and prisons, even the collection of taxes, and of course social services like health, housing and education, particularly as aimed at the less advantaged members of society.

[3] Remarkably, one European scholar with a leadership role in a Pan-European (with some extensions) survey of the "autonomy and control of state agencies" has come close to equating NPM with the spread of these bodies (van Thiel 2004: 197; van Thiel et al 2009: 4).

[4] Bernard Schaffer (1958) used this Swedish experience to develop his argument about the distinction between administrative (today we would say policy) and executive (operational) work. Elsewhere (1956, 1973; and see also Willson 1955) he traced the 19th century British evolution, demonstrating that a miscellany of boards etc existed before consolidation into large multi-purpose departments in the later 19th century, so contradicting the NPM-related view expressed by Schick (2002) and others that that consolidated structure preceded the emergence of the non-departmental bodies. I have discussed these contradictions in more detail in the journal *Public Management Review* (Wettenhall 2005).

[5] For a consideration of these exercises in classification, see Wettenhall 2003.

[6] For major outputs of this program, see Verhoest et al 2010; Lægreid & Veerhoest 2010. A report on the Australian section of this survey can be found in Aulich et al 2010. Hong Kong was the other EROPA-region jurisdiction to gain attention: see Painter et al 2010.

[7] On this scheme and the way in which it developed, see Wettenhall 2007.

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Biosketch

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Public Sector Audit Reports in Indonesia: The Issue of Publication and Its Impact on Improving Transparency and Public Accountability [1]

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Abstract

*BPK (*Badan Pemeriksa Keuangan) *is the Indonesian Supreme Audit Institution (SAI), and its reporting practices are of great importance in helping determine the quality of government in what is one of the world's largest effective democracies. This article reports briefly on the evolution of those practices, and analyses the results of a survey of auditors, MPs at central and local levels of government, and auditees (public sector employees subject to audit) aimed at assessing the views of all these groups about the effectiveness of BPK reporting today.*

Introduction: Some History

Prior to Indonesian independence in 1945, public administration and auditing were dominated by the Dutch administration and Javanese culture, which strongly influenced the bureaucratic culture with patrimonial and patronage practices. After independence these influences continued. The President was a state leader elected by the representatives of the Indonesian people and was powerful and strongly influenced by the bureaucracy and government, including BPK. Under the 1945 Constitution and People's Consultative Assembly (*Majelis Permusyawarahan Rakyat or* MPR), however, BPK had no independence from the government. It reported to the Parliament which was subordinate to the MPR and dominated by the Golkar Party, the majority ruling party and single winner in the first election. In this period, the President (Sukarno) had increasingly drawn power "from balancing the opposing and increasingly antagonistic forces of the army and Indonesian Communist Party (PKI)", and by 1965 PKI "had extensively permeated all levels of government" (Wikipedia 2012: 1).

The transition to the "New Order" in the mid-1960s introduced a new President (Soeharto) and a new government, but it did not change BPK's situation much. Corruption became systemic under the power of the President and his cronies. There were no external audit institutions independently examining public financial management and government accountability.

From 1945 to 2004, BPK's reports were never published as they were considered to be state secrets and confidential documents. In this period, BPK was very remote from the public; if there was any news about it, it was presented in a small column in the middle part of newspapers or magazines, indicating it to be news of limited interest.

There was also duplication of audit functions in the public sector, occurring not only between BPK and internal audit institutions, but also among the internal audit institutions themselves. The Financial and Development Supervisory Board (*Badan Pengawas Keuangan dan Pembangunan or* BPKP) was such an institution, and it had the same roles and functions as BPK in conducting post-audits, instead of examining the planning and management of the internal public sector agencies' financial budgets and reports. And BPKP had a much higher budget, and more qualified auditors, representative offices, and other audit resources from which to conduct public sector audits. The result was that BPKP had greater auditing scope in regional governments, state owned enterprises (SOEs) and regionally owned enterprises (ROEs), with BPK only auditing central government. The function and role of BPK in examining the public accountability of public sector agencies was diminished by this reduction in resources and audit scope, and the duplication of audit functions burdened both state finances and auditees (Dwiputrianti 2011: 386-387).

The three subsequent events that turned BPK into an effective SAI were the third amendment of the constitution in 2001, the Law of Audit passed in 2004, and the Law of BPK passed in 2006. The first curtailed the power of the People's Consultative Assembly, enhanced the power of the Executive and Legislature to act together in the spirit of democracy, and clarified the position of BPK as the only external audit institution, thus opening the way for further developments to make it an effective SAI.

Up to this time, it has been convincingly argued (Satriyo et al 2003: 32-34), the Indonesian public had insufficient understanding of the meaning of accountability and lacked information on possible benefit of audit reports in enhancing their right to hold government accountable. As the Asian Development Bank pointed out at this time with reference to Indonesia (ADB 2004: 52): "Public sector accountability is constrained by a weak capacity of oversight institutions and lack of awareness of the public on the role of government institutions, such as the audit institutions". A 2002 study by LP3ES (Economic and Social Research, Education and Information Agency) had found that only 53 per cent of the public in 10 big cities of Indonesia recognized BPK from television and only 7 per cent from school (LP3ES 2002). Recognition had improved by 2004 (LP3ES 2004: 13-18), but BPK reports were not evenly distributed throughout the small villages and districts regions where there was little access to the media (ADB 2004).

In the emerging Indonesian democracy, the public has been demanding accountability and transparency in the administrative system. Following the changes in the third constitutional amendment, the Law of Audit (2004) and the Law of BPK (2006) have given BPK greater power to examine the public accountability of public sector agencies. Indeed, they establish the responsibility of BPK to publish audit results for transparency in state management; this also indicates the willingness of government to provide the public with the right information on public administration while considering the protection of private data and confidential state information. For its part, BPK has reformed its organization and strengthened its roles and functions. Its reports are now published to provide the public with information on the transparency, performance and accountability of the government and all agencies that use public finances.

Note on the Literature

Many scholars have stressed the value of audit reports where their publication opens opportunities for the public and media to get information on the government's performance and policies. For example, Widodo (2004:19-24) pointed out that publication of audit findings and recommendations enhances the value of auditing information beyond the scope of "being obscure" from the public, who are thus enabled to participate in assessing the information being reported. Mikesell (2003: 156) argued that publication of audit reports into bad practices of government institutions was important in reducing the possibility of the same bad practices happening again. Guthrie saw more generally (1992: 27) that the very act of publication attracted attention and so not only increased awareness of critical issues in public sector auditing but also contributed to improvement of reporting practices.

The importance in democratic countries of a direct relationship between the mass media and the concept of audit publicity has also been emphasised. Thus Santiso (2008:67-84) presents the unsurprising view that the publication of audit reports in the media makes a positive contribution towards implementation of audit findings by auditees. Along similar lines, Arter (2003: 97) suggests that, to improve the effect of audits after they are finished, a summary that highlights any positive and negative conclusions should be published promptly, also in the media.

There should be a limited exemption for unreported audit results in certain circumstances — for instance, security interests. The significance of such exemptions will become clear when the survey results are discussed below: obviously they should be closely monitored in the interests of maintaining government spending efficiency and effectiveness, and maintaining public trust in the auditing institution. Others have found a cultural aspect: Hope et al (2008: 271) consider that national cultures affect the quality of financial reporting, with auditors more willing to disclose findings in some cultural systems than in others. In corporate organizations belonging to the public sector (such as state-owned enterprises or SOEs) other considerations may operate: where commercial information is involved "commercial-in-confidence" rules may prevent full disclosure.

Current communication technology developments provide the opportunity to publish audit reports electronically by presenting them on a website, supplementing publication in printed form. In both ways, therefore, they become much more widely available than before. How good is the quality of information they provide? And how well do they arm the public with the knowledge necessary to assure that the administration is truly accountable?

The Reformed Formal BPK Reporting System:
Publish as widely as possible, but there are restrictions

Under the reformed system, after BPK audit reports are submitted to Members of Parliament they must be published or their existence immediately declared to the public, as stipulated by the Law on Audit (2004, Article 19, Paragraph 1) and the Law on BPK

(2006, Article 5, Paragraph 4). But reservations relating to the publication of confidential information are also governed by these laws (notably Law on Audit 2004, Article 19, Paragraph 2). BPK's own "audit standard" (BPK RI 2007) is a further instrument of regulation, providing that where confidential information is not published a reasonable explanation of this withholding should be provided in the reports. There is also provision allowing some kinds of confidential information to be disclosed and submitted to certain authorised parties. The "audit standard" provides guidelines to help BPK auditors assess specific non-publishable information, take into account public interest, and provide reasons for decisions regarding the non-disclosure of specific information in the report (BPK RI 2007: 53).

In the case of performance audit reports, Paragraph 33 of the audit standards reporting provision (BPK RI 2007: 89) requires auditors to indicate the characteristics of information that is deleted; in doing so, they must take into account the public interest and evaluate the provisions that prohibit the disclosure of such information. If the auditors decide to delete particular information, they must state the nature of the deleted information and the reasons for such deletion. Moreover, the audit standards (BPK RI 2007: 90) indicate that information may be excluded from the audit reports or not be publicly disclosed if this information affects public safety and security, for instance, detailed to the security of assets.

Where these restrictions do not apply, the media ought to operate as a significant tool for BPK in disseminating its work and providing transparency and accountability in public administration. Within the spirit of transparency, the media and through the public have access to data and information about the Indonesian public sector to help them participate in influencing government policies, decisions and performance.

Have the important reforms of the last decade enabled this to happen? There has so far been little serious research on this area of Indonesian public administration. The survey reported in the next section seeks to help remedy this gap by providing an overview and analysis of the effect of these changes, and particularly of the role of the media in publishing BPK's findings and reports and so promoting public sector accountability.

The Survey

The survey followed the well-understood triangulation method that involves collecting data from multiple sources and cross-checks to ensure reliability. The data came from in-depth interviews, observation and document analysis.

The primary data collection involved questionnaires to selected respondents, observations at the Indonesian State Audit Institution (BPK), and unstructured in-depth interviews with other informants. The respondents and informants (auditees) came from public sector agencies, notably departments with large expenditure budgets, state-owned enterprises drawing large subsidies from the central budget (notably the National Electricity and Oil Companies), regional enterprises with water and sanitation responsibilities, the Central Bank and some publicly-owned commercial banks, and local

governments; also included in the survey were members of the central and regional parliaments; BPK auditors and management, and others such as researchers and academics, an ex-auditor of BPK, an ADB team leader and an NGO manager. The secondary data collection came from government documents (regulations, reports, statistical data, audit results and photos), printed media (newspapers, magazines), academic papers presented in local and international conferences, and relevant national and international seminars.

The findings can be summarised fairly easily, all revolving around what turned out to be the key questions: How extensively have the BPK reports been published in the post-reform era? What has been the effect of the several restrictions on publication contained in the new auditing regime? And, balancing one with the other, how generally effective has the reporting regime been in promoting the transparency and accountability of government?

Survey Results: Publication of Audit Reports

A first comment must be that the survey revealed no striking differences of opinion among the informants surveyed, and also that the views generally expressed were mostly backed up by material in the documents and reports studied.

Since BPK was mandated to publish its audit reports for the public every semester after first reporting to Parliament, print and internet media have regularly published BPK findings on irregularities, corruption, and other criminal offences. This has supported transparency by providing public information on government officials' activities. Beginning in 2005, BPK began publishing its reports on its website as well as via the print media, and to better support this dissemination of information through the internet the capacity of its local area network (LAN) has been expanded.

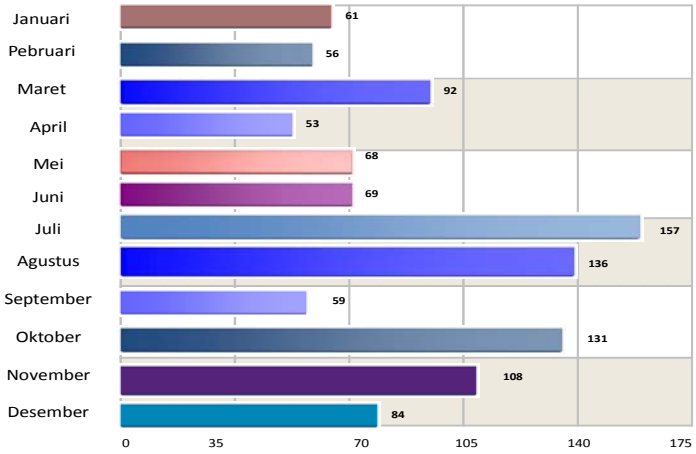
After being submitted to the legislative institutions (national and regional), audit results are announced in the newspapers and discussed in business, management, finance and economic magazines. Since the reforms, news about BPK has made the headlines of print media and increasingly features on television and radio. This indicates the high level of public interest in audit findings and in the role of BPK in contributing to the accountability of government. Adverse findings can also be useful in complementing formal punishments for auditees who have not complied with laws and regulations. Criticism of government performances helps the public to be more careful in making their electoral choices and in understanding the role of government, parliament and public service in the democratic process.

The audit findings and reports revealing inefficiency, poor public administration and corruption can result in protests and demonstrations against the lack of government accountability. There is general agreement about this: it means that the public and media do significantly participate in controlling the quality and accountability of public administration, aided by the quality of information in BPK reports. Besides, the participation and responses of the Indonesian people to information in BPK reports

related to malpractice by government officials do significantly influence the effectiveness of follow-up action taken by government.

Figure 1 indicates that, after introduction of the new mandate to publish its findings, BPK reports, in particular those detailing instances of irregularities, fraud and corruption in state finances, had become an interesting and important topic for public attention and were often discussed among various public groups.

Figure 1
Number of Media Articles on BPK's Findings through 2006, as Mandated by Law on BPK



Source: Adapted and processed from Clippings of BPK, BPK Public Relations Division, Jakarta, 2007.

Illustrative of the corruption cases where BBK reports led to discussion in the media after the Law on BPK came into effect in 2006 were the following:[2]

- corruption over the procurement of an army helicopter (M1-17) in the Department of Defense, bought from Swift Air Company in Russia which had been closed since 1999 (*Indo Pos*, 8 June 2007; *Republika*, 8 June 2007; Loppies 2007);

- state finances lost Rp.28.7 billion (US$3,24 million);

- the BULOG (Logistic Agency) case where the agency accepted illegal funds from commodity procurements with the loss of millions of Rupiah; and

- the case of BLBI (Liquidity Aid of Indonesia Bank), which involved about Rp.144 trillion (US$15,8 billion) for recapitulated banks during the Bank Rush resulting from loss of customer trust in banks as a result of the economic crises in 1997

(*Republika*, 13 January 2006), and in which 90 per cent of the money was accounted for (Kian Gie 2008).

The publication of BPK and related reports about corruption provided hard evidence that the Indonesian public service used public money for its own purposes rather than carefully and accountably. Moreover, at the local level, BPK findings on irregularities of government agencies and Parliaments were also published in national and local media:

- One example was an irregularity to a value of Rp.13 billion (US$1.45 million) in the DKI Province government budget of 2004 due to excessive payments made to Members of Parliament and government projects, and irregularities in expenditure (such as expenditure without proof) (Ihsan et al 2006; *Koran Tempo*, 4 January 2006; *Rakyat Merdeka*, 6 January 2006; *Suara Pembaharuan*, 16 May 2006).

- In 2004, an irregularity amounting to Rp.3.2 billion (US$384,826) was found regarding the budget of Tangerang City Government and Parliament for welfare and health, housing, maintenance and operational costs, and other activities to support the head and Members of Parliament (Ihsan & Johansyah 2006; Johansyah 2006a).

- That same year, the Tangerang Regency Government budget also showed irregularities, in this case to the value of Rp.6.1 billion (US$657,327),(Ihsan & Cipta 2006a; Johansyah 2006b).

- Another example was an irregularity of Rp.3.3 billion (US$355,603) in the 2004 budget of Bekasi City government and Parliament budget for 2004 and indicating irregularities and corruption valued at Rp.7.6 billion (US$818,655) in the 2004 budget of West Java Province (*Indo Pos* 14 March 2006).

- A final example related to the 2004 budget of Kupang City where a loss in state finances valued at Rp.2.55 billion (US$284,784) occurred when the money was wrongly used by Members of the regional Parliament (Pukan 2006).

BPK audit findings of SOEs were also published in the media:

- One finding concerning the National Electricity Company (PLN) was an indication of corruption in the funding bonus (*tantiem*)[3] valued at Rp.4.34 billion (US$457,034) which can only be distributed if the company has made a profit and in this case PLN made a loss (*Rakyat Merdeka*, 16 January 2006; *Republika*, 14 January 2006).

- Another PLN case regarded procurement for a truck at Borang gas power electricity station in South Sumatra that was bought for Rp.122.43 billion (US$12.9 million), far above the normal price (Yasin 2006). Another audit related to a proposal from PLN to increase electricity rates and reduce subsidies (Supriyanto 2006; *Jakarta Post*, 10 March 2006; *Jakarta Post*, 11 March 2006).

- The National Telecommunication Company (PT Telkom) case with indications of trillions of Rupiahs corruption (*Rakyat Merdeka*, 2 December 2006).

- Irregularities in using the investment fund account or RDI (state loans) outside their proper business with a total value of Rp.6,2 trillion (US$652.9 million), such as PT Rajawali Nusantara Indonesia (RNI) valued at Rp.1,6 trillion (US$ 168.5 million), PT Dirgantara Indonesia valued at Rp.7,3 billion (US$768,745) plus the sub-loan agreement with the government valued at Rp.1,06 trillion (US$111.6 million), and PT Djakarta Lloyd valued at Rp.122,6 billion (US$12.9 million).

- A finding that involved opinions from BPK on SOE financial statements with 53 per cent (81 SOEs) judged as very healthy or healthy, 34 per cent (53 SOEs) as not healthy; and 13 per cent (20 SOEs) which were unable to be judged (disclaimer) because they did not submit financial statements to BPK and/or the auditors doubted the truth of the information and data presented in their financial statements.

- Irregularities and Non-Performing Loans (NPL) of a state-owned bank: (a) 97 irregularities were found and 4.6 per cent of NPL to a value of Rp.2,628 trillion (US$276,758 million) state loss at BNI'46 (Evy 2006; *Indo Pos*, 12 January 2006; *Republika*, 13 January 2006; *Jakarta Post*, 12 January 2006); (b) 23.4 per cent NPL of Mandiri Bank which was much higher than normal NPL (maximum 5 per cent) (*Republika*, 13 January 2006).

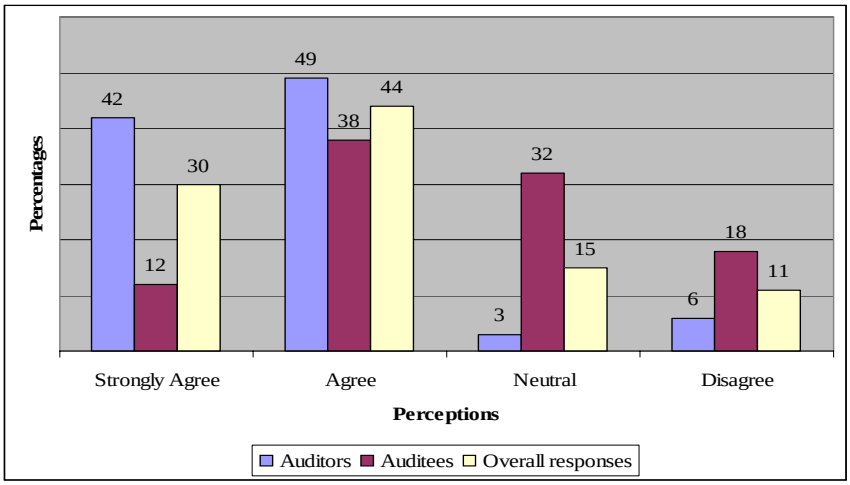
It seems reasonable to suggest that these cases reveal the serious determination of BPK and the media to publish various audit findings safeguarding state finances. BPK's openness in this matter has raised the level of public trust in its performance in safeguarding state finances. It is not so surprising that the media is more interested in reporting information relating to irregularities or corruption scandals, rather than public sector efforts to improve efficiency, effectiveness and overall performance. However the publication of all the audit reports helps the public be aware of how state finances have been used and to evaluate the performance of public sector entities in upholding their public accountability.

Did the auditors and auditees in the primary part of the survey support this positive view? Fairly well, it would seem. As Figure 2 shows, of those surveyed 30 per cent "strongly agreed" that BPK had published its audit reports transparently/effectively, and 44 per cent "agreed" that it had done so. However 32 per cent were "neutral" on the question, and 18 per cent "disagreed". What is important here is to identify the views of those who held the more negative opinions.

Less Than Full Transparency?

These views may be divided into a few main groups. First were those who insisted that the reports as published were incomplete. Responding to an auditee who asserted broadly that "BPK reports were not published transparently", a BPK official (auditor) conceded

Figure 2
Perceptions of BPK Publishing



Source: Fieldwork survey .

that "Some information about audit findings was not published on the orders of the Parliament in consideration of its bad impact on the public". Another auditor referred to the practice of not publishing *all* findings at the request of auditees, and one observed specifically that he preferred findings not to be published where follow-up action had not been completed. There was thus a degree of dissatisfaction due to unreported findings, but also some acceptance that there may be circumstances justifying that course.

But it would seem that the stifling may be more deliberate and sinister. As one respondent BPK auditor put it: "The accountability culture of government officials in Indonesia is very low. High officials think they know everything, so they are reluctant to be criticised and reveal their mistakes". On the one hand the paternalistic culture was still strong, and officials (including auditors) felt they could not criticise their leaders. On the other, the reports could be deliberately misused for political purposes. Another auditee explained that the media and non-government organizations had sometimes used BPK audit findings and reports on sensitive cases (such as corruption and other criminal matters) as political tools: revealing misuse of state funds by high officials can be used by political opponents to bring down those officials, and so not surprisingly there will be resistance to publishing reports for this reason.[4]

Even with the best intentions, the printed reports are often not widely available and/or are hard to find and use. BPK submits them to the secretariat of the appropriate parliamentary commission, which sends them on to its individual members according to their tasks and functions. In addition, as noted above, BPK is improving its capacity to publish its reports on its website. But a BPK auditor canvassed in our survey argued that some members of parliament, especially at the regional level, were not familiar with

accessing information on the internet and were not favouring this approach. More generally and in support, Sudibjo (2009: 20) has commented on the lack of quality and integrity of members of parliament at the central level during 2004-2009, with indications of many absences in meetings and hearings, low educational backgrounds, and inability to use technological aids like computer, email and internet; and with even worse standards at the regional level.

One very revealing case to which our respondents drew attention concerned a disagreement about publishing BPK audit reports relating to a state-owned bank. Auditees in the bank were very critical of the BPK decision to publish, attracting this response from BPK's chairman: "There is a campaign by politicians, authorities or certain employees to stop BPK reporting its audit results to the public''. In the case of non-performing loans and irregularities in one such bank, BPK published the relevant audit results on its website, including findings about debts and bad creditors. But it was criticised by bankers on the ground that such reporting will cause lack of trust in the banks by their customers; there was argument (Djunaedi 2006) that it had contributed to a low credit expansion of some national banks, a slower economic recovery, and a reduction in the general rate of fiscal expansion. To this BPK's chairman responded (Nasution 2007) that "BPK has to provide its audit results to the public, because public finances are used by government to recover the national banking conditions that are known to have been misused and abused. As a consequence, the banking risks would be returned to the public".

Respondents to the survey also drew attention positively to BPK's own efforts to establish programs to increase public understanding of the state audit system and to enhance public capability in influencing government performance and demanding transparency in the management of public resources. The program involves media participation at national and local levels and connects with leaders of religious groups, academia, professionals and relevant international bodies such as the International Organization of Supreme Audit Institutions (INTOSAI) and Transparency International (TI). Thus BPK has a public education campaign aiming to provide understanding for the public on how Indonesian state finances (public moneys!) are spent, and what the benefits are for the public; this is a huge advance on the secretiveness that existed before the reforms of the 2001-2006 period.

Conclusion

The survey that provided the trigger for this article revealed the existence of a range of views about BPK's publishing activity under the reforms then introduced. There is certainly plenty of such activity, with the media picking up many of the more significant reports and facilitating debate about them and what they reveal about governmental standards. Clearly it is far from complete transparency, with various kinds of important reservations expressed by the survey respondents. The situation is, however, much improved on that operating before the reforms began, and "the BPK system" can be said to have made a major contribution to the development of a robust Indonesian democracy.

Notes

[1] This is an edited version of a paper originally presented at the EROPA Conference in Bangkok scheduled for late 2011 but eventually held in February 2012.

[2] Editorial note: During the period of the 2012 EROPA Annual Conference in Jakarta, two such BPK reports received considerable notice in the English-language press. The first drew attention to the practice of members of parliament demanding kickbacks from SOEs in exchange for funding approvals during deliberations on the 2013 state budget (Sarigah & Azwar 2012). The second related to alleged malpractice when the relevant department sought additional funding for the construction of a proposed new sports centre (Aritonang & Tampubolon 2012).

[3] Bonus that is given by profit companies at the end of the year to their executives and employees

[4] As noted above, some confidential information relating to defence, international relations, and other state security matters is specifically reserved

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[Note: Some Indonesian authors have only first name, without surname.]

Biosketch

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Reconsidering Decentralization in Asia: Introduction to the Special Issue

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For more than two decades decentralization has been the dominant trend in central-local relations in Asia. The starting point was the 1991 *Local Government Code* in the Philippines that followed 'people power' democratization. This legislation introduced significant political decentralisation into a country that had undergone considerable centralization under the authoritarian regime of Ferdinand Marcos. Functions were transferred to provincial, city and municipal administrations. Finance to pay for the new responsibilities was also sent out from the centre to the regions while new democratic institutions were installed at each level of the subnational hierarchy. The Philippines provided both a model and inspiration to other countries in Asia where centralization had been the dominant theme across the continent. But other countries did not simply follow the Philippine model. Their responses were variations on the theme of decentralization that had been initiated by the Philippines. For example, in Thailand, constitutional provisions were enacted that promised considerable decentralization but implementation was slow in coming. In Cambodia, the achievement of political stability at the end of the 1990s encouraged the government to introduce modest programs of political and administrative decentralization. By contrast, in Indonesia the Asian Financial Crisis led to the overthrow of the authoritarian New Order regime and gave the political space to the interim government to introduce a radical 'big bang' political decentralization involving the devolution of most service delivery functions and the accompanying finance to democratically elected local governments. Even where decisive action on decentralization was not in evidence, debate on the subject and future possible central-local arrangements was opened up. A situation arose in which the question was not so much whether a country would decentralize but rather what form it would take.

In recent years, the enthusiasm for decentralization has abated somewhat as citizens, civil society, the private sector and governments have taken stock of the results of decentralization. In many instances, decentralization has not brought the welfare gains predicted in decentralization theory. More efficient, effective and responsive services have not been evident, and in a few instances there have been declines in service delivery performance. Accountability is supposed to be enhanced by decentralization but this has not necessarily occurred as patronage networks have colonized subnational politico-administrative structures. These networks have often worked primarily for the benefit of the patrons and clients and not the citizens in general especially the poor and disadvantaged. There has also been disappointment with the degree of democracy in decentralization. Elections have become almost ubiquitous but other democratic institutions and participatory practices have been slower to emerge leaving citizens feeling themselves to be without voice. Finally, there has been a focus on institutions and their operation at the local level and neglect of the centre's role in decentralization. There has been too little consideration and action on defining what central government agencies should do in a decentralized

polity. How far should they be securing compliance, monitoring and helping subnational governments?

These emergent problems should not be interpreted as saying that decentralization has failed. Rather, they reflect the growing appreciation of the complexity of decentralization and the difficulty of getting the right balance in central-local relations. The articles in this symposium are part of this wave of reflection and represent some of the recent re-thinking of decentralization and how it can better serve citizens across the Asia-Pacific. They deal with diverse topics and take contrasting analytical approaches but are all indicative of new findings and thinking on central-local relations.

The first article, by Koike and Hosono, focuses on service delivery and asks questions about the most appropriate system of central-local relations for providing high quality, efficient and accessible health services to citizens. The authors take a comparative historical perspective by tracing the development of health services and changes in health status for Japan and the Philippines. Japan has taken a more centralized approach to providing health care to its citizens while the Philippines, especially in the last 20 years, has adopted strongly decentralized arrangements. From these two experiences, the authors argue that decentralization is not a panacea for enhanced health service delivery and improved health outcomes. They are concerned that when central government is not involved and where local government units are small and poor, there are likely to be tendencies towards disparities in health service provision. A major implication of their analysis is that there must be cooperative arrangements between central and subnational governments. Through such collaboration steps can be taken to address emerging inequalities or even avoid them while still maintaining or improving overall health service performance.

The second article, by Rodriguez and Turner, continues the theme of service delivery and once again poses the question of whether decentralization leads to performance improvement. The focus of enquiry is coastal management using the case study of the Lingayen Gulf in the Philippines. Rodriguez and Turner delineate the management changes in coastal management that were brought about by decentralization in 1991 and look at their operation in various coastal management initiatives that have been introduced to address the problems of the Gulf such as overfishing and pollution. They find that the projects have been unable to provide the desired levels of integration of effort and resources among the various stakeholders. Rodriguez and Turner found that local governments "were unprepared, used to central domination, lacked the appropriate range of skills and knowledge, possessed organizational structures not necessarily geared to effective coastal management, suffered severe budget constraints and had to grapple with corruption". On a positive note, they did find that partial integration had occurred in most initiatives and that all stakeholders agreed that greater collaboration was necessary for effective coastal management. But this expressed desire for greater cooperation still needs to be transformed into practice.

The third article, by Wu, is on fiscal decentralization in China over the period since economic reforms began in 1978 as there has been speculation about fiscal decentralization's major contribution to the spectacular economic growth experienced by

China. In the early reform years, revenue and expenditure decentralization gave local governments considerable fiscal independence and incentives to vigorously promote economic growth. However, in 1994, declining central government revenue led to fiscal recentralization whereby central government established a nationwide tax system and gathered much more of the country's tax revenue to itself. As the author demonstrates, this has led to increasing fiscal dependence of local governments on the centre. Local governments' imperatives for action are now obtained from their upward accountability. The article shows that two mechanisms for such accountability have been in place for many years: the *nomenklatura* system and the target responsibility system. These have now been joined by an even stronger force for upward accountability: revenue recentralization. Together they have created powerful incentives to satisfy performance targets set by the centre while increasing local dependency on the centre. While this has meant the continuation of economic growth it has placed great pressure on local governments as to how they can maintain or even increase social welfare provision. The provision of services has become a major policy concern of governments at all levels in China and to address both citizen and government needs there may well be further changes to central-local relations.

The final article, by McKinlay, moves on to the topic of community participation and how communities are finding their voices in modern governance. His focus of concern is the new ways in which local councils in Australia are managing their relationships with the communities they serve. He provides a wide range of innovative examples of ways in which councils and communities across the country are working together and he also introduces some emerging relationships between community banks and local citizen groups. Overall, he paints a picture of increasing collaboration and innovation but he does warn that his survey is 'preliminary' in nature and great care should be taken in extrapolating these early findings to councils and communities in general.

Biosketch

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Excess of Decentralization: Health Reforms in Japan and the Philippines

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Abstract

The authors hypothesize that decentralization reforms should be offset with the establishment of policy network of policy professionals across the country. To verify it, this study compares the development of health service systems and decentralization reform consequences in Japan and the Philippines.

Japan started promoting decentralization of health services, after establishing national health administration. The Philippines decentralized health administration prior to the establishment of a national health system, resulting in fragmentation of public health services.

The comparative study of health reforms emphasizes that an excess of decentralization will widen the gaps among communities. Intergovernmental management is a key factor in making decentralization work.

Analytical Framework: Decentralization Theory

Decentralization has been recognized as a popular remedy for the excessive concentration of decision-making and authority in the hands of central government. Proximity, relevance, autonomy, participation, accountability and even democracy are the positive connotations of decentralization (Turner and Hulme 1997: 151). In classical literature, John Stewart Mill espoused the importance of local self-government by saying that a local institution is "a school of political capacity and general intelligence" and "the school, moreover, is worthless, and a school of evil instead of good, if through the want of due surveillance, and of the presence within itself of a higher order of characters, the action of the body is allowed, as it so often is, to degenerate into an equally unscrupulous and stupid pursuit of the self-interest of its members" (Mill: 114). He described a democratic local government "is like a school in which there is no schoolmaster, but only pupil-teachers who have never themselves been taught" (Mill 119). In the United States (US), James Viscount Bryce claimed that "the best school of democracy, and the best guarantee for its success, is the practice of local self-government" (Bryce 1921: 150). However, we should be aware that they wanted to emphasize the role of local government in the promotion of democratic governance. They feared the emergence of autocratic government that suppressed freedom of the people, while recognizing the important role of national government in the provision of equal public services across the nation. In the present day, we face widening gaps of wellbeing among communities due to the promotion of decentralization backed by the dubious theory of New Public Management (NPM) that attempts to reduce the role of public administration.

We know that it is difficult for poor communities to be rich only through the promotion of decentralization. We also know that it is necessary to establish an integrated system of public administration for the provision of quality public services for the wellbeing of people. It should be recognized that the promotion of decentralization is not a goal, but a measure to empower local people in the establishment of democratic governance and equal society. Current discussion, however, overemphasizes political decentralization or devolution, while neglecting the importance of public administration reforms. It requires a review of the theories of decentralization and an examination of the outcome of decentralization reforms.

Types of Decentralization

The concept of decentralization has multiple meanings. When applying it to the governing of a nation, it can be divided into two main categories: political decentralization and administrative decentralization (Jun and Wright 1996: 4). Political decentralization describes a condition in which important tasks, functions, activities, and obligations have been allocated between or among a central government and its various regional (local) governing entities (Jun and Wright: 4). In political movements, quests for political decentralization often seek self-government or local autonomy from a centralized power. On the other hand, administrative decentralization means the devolution of authority or duties to a subordinate or substitute within an existing organizational entity (Jun and Wright: 5). There are several dimensions of the term administrative decentralization. Jun and Wright (1996: 5) classified the conceptual differences of administrative decentralization into four main types: (1) deconcentration of administrative functions, (2) devolution of decision-making authority, (3) localized program innovation, and (4) citizen participation in the policy process. In the promotion of administrative decentralization, however, the domain of power and authority is still delimited by the central government.

As Rondinelli and Cheema (1983) argue, all governments use some combination of political and administrative decentralization for solving governmental problems. In trying to create enabling environments to compete effectively in the globalized economy, most national governments have to think of administrative decentralization for the efficiency of public services and the promotion of local innovation. These considerations lead central government to strengthen the administrative capacity of local governments to make them a good partner in policy implementation.

We should recall, however, that decentralization is a measure, not a goal of governance reform. Selection of decentralization strategies should be based on the diagnosis of the problems that government must solve. In the case of juvenile crime, for instance, administrative decentralization for empowering local police institutions can be recommended. In other cases, such as occupational health and safety, establishment of a centralized management system has to be prioritized prior to decentralization.

At the same time, however, policymakers and administrators, in particular in developing countries, should recognize that decentralization, even of the administrative type, tends to be political tactics. In making a decentralization plan, various groups

participate in the decision-making process for their own interests. However, once the authority and power of central government have been transferred to the regional and local governments, it is quite difficult for central government to reassume it. It seems to be more serious in NPM, for it greatly diminished the role of central administration in the delivery of essential public services (Haque 2001).

Intergovernmental Relations (IGR)

Since the late twentieth century, a theory of intergovernmental relations (IGR) has been introduced into the discussion of political decentralization in advanced capitalist nations. IGR theory has been developed in the US to describe changing relationships of national, state, and local government in accordance with the growing interdependency among the levels of government. According to Wright (1990a: 155), IGR encompasses all government units; officials' actions and attitudes; regular interactions among both elected and appointed officials; and policy issues. In the US, in the process of economic and social development after World War Two, national (federal) government has intervened in the administrative realm of state and local government to implement national programs for unemployment, housing, and juvenile crime through grants-in-aid programs and federal mandates. It makes the relationships among the levels of government more complex and interdependent. The concept of IGR has been introduced to make the decentralization debate more realistic and analytical. Since the 1980s, IGR studies in the US have covered various policy topics such as agriculture, the environment and education.

Outside of the US, it was in the early 1980s that scholars in unitary states like Great Britain and Japan attempted to apply the theory of IGR to the analysis of central-local government relations (Koike 2011: 314). In the UK, Rhodes (1986) used the phrase 'intergovernmental relations' (IGR) to refer to the interactions between government units of all types and levels. The common terminology for the British government was "central-local relations", which referred to the links between central government departments and local authorities. Apart from such conventional wisdom, Rhodes (1981, 1986) explained central-local relationships as a mode of interdependence between organizations using a theory of inter-organizational relations. It triggered the development of IGR studies in the UK. More interestingly, later in the 1980s, Rhodes developed his unique theory of policy networks, combining the theory of IGR with policy studies. It extended his framework "to cover the range of public sector organizations, including special-purpose bodies to bypass local government" (Rhodes 1997: 7). He pointed out that shared values and norms were the glue which held the complex set of relationships together and that trust was essential for cooperative behavior and, therefore, the existence of the network (Rhodes 2007: 1246).

In Japan, in the early 1980s, Muramatsu (1997) attempted the application of Wright's IGR model to central-local government relations in Japan. He asserted that even in a unitary state with centralized bureaucratic traditions, central government was dependent upon local government for policy implementation to cope with expansion of government functions (Muramatsu 1997: 28). In the implementation of national programs, local elected officials had a say in central government in responding to the local

electorates. It made local governments more independent and gave them power to compete with other local governments. Muramatsu (1997: 54) concluded that Japanese central-local government relationships were "interdependent". After the publication of Muramatsu's paper, young scholars challenged the analysis of IGR in Japan (Koike 2011).

IGR attempts to analyze real interactions among the levels of governments. It helps us to describe the relationships between central and local governments apart from the political discourse of decentralization. In particular, analyzing intergovernmental relations is quite important for developing nations because citizens are used to a lack of information on decision-making processes inside the government. It is expected that analysis of IGR will provide a basis for the diagnosis of countries' governance problems.

Intergovernmental Management (IGM)

If we focus on the practice of problem-solving in government, we need to step into the realm of management in intergovernmental relations. This is a concept of intergovernmental management (IGM) that emerged in the 1990s. Wright and Krane (1982: 1162) define IGM as "the process of solving intergovernmental problems under conditions of high uncertainty and complexity through creation and use of governmental and nongovernmental networks." It was in the 1970s that academic and practical interests in IGM were raised in the United States, due to a proliferation of federal grants-in-aid programs. In the United States, a hierarchical administrative system is not consistent with the principle of American federalism (Marando and Florestano 1990: 295). Consequently, it made it quite difficult for public managers to run intergovernmental programs.

The situation will be the same as in the countries which retain hierarchical structure among the levels of governments. In unitary states, IGM might work well through top-down control of public administration. In particular, in developing countries with authoritative governments, it might be much easier to make regional and local governments obey in a chain of command. However, we should remember that central government has been dependent on subnational governments in the implementation of intergovernmental programs. In addition, it should be noted that a fragmentation of public sector organizations has been promoted by the penetration of NPM reforms. Such reforms also accelerate transformation of governance toward "governing without government" or "hollowing out of the state". In western society, IGM provides a chance for non-governmental actors to collaborate with public sector organizations. However, it is unclear whether this happens in developing countries with weak civil societies. An urgent task for both developed and developing countries is the establishment or revival of a responsive bureaucracy and bureaucratic values of public-regarding with a long term view of public interests (Meier and O'Toole Jr. 2006:121-153). Wright categorized a framework of IGM for comparative analysis as seen in Table 1.

In developing countries, administrative capacity of local governments in the management of decentralized public programs is quite limited due to shortage of resources. Rondinelli and Cheema (1983: 29) suggest that "successful policy implementation requires the interaction and coordination of a large number of organizations at different levels of government, on complementary actions by local,

Table 1
System Features and Illustrations of Intergovernmental Management (IGM)
(A Framework for Comparative Analysis)

	IGM
Units Involved	Center-Local, Inter-local, Politics-in-Administration Continuum, Public-Private Sector Mix,
Authority Relations	Non-hierarchy, Networks.
Means of Conflict Resolution	Bargaining/Negotiation, Dispute Settlement, Coping.
Values	Products, Program Results (Management).
Political Quotient(s)	Implementation (Problem Solving)
Lead(ing) Actors	Policy Professionals.

Source: Wright (1990b: 172). Revised by the authors.

regional, and national agencies, and on cooperation by nongovernment organizations and groups of intended beneficiaries". In the process of interaction and coordination of multiple actors, it is necessary for all stakeholders to share the goals and values to be achieved through collaborative actions. It requires consensus on policy goals, basic values, and expectations among policy professionals across the levels of government. However, local government employees in developing nations lack professional skills in policy implementation. They are usually placed at the bottom of hierarchy with little voice.

To enhance the policy competency of local governments, it will be necessary to put more administrative authority into the hands of local government employees. It will encourage information sharing between central and local government officials and the formation of policy networks of professionals across the nation. On the other hand, the promotion of political decentralization tends to break policy ties between the center and periphery. It may result in the fragmentation of public services and confrontation of local governments among themselves as well as central and local governments.

The above considerations suggest that the promotion of decentralization, either political or administrative, should be offset with the establishment of a network of policy professionals across the levels of government. This would enable the provision of equal public services across the nation. At the same time, authority and resources should be allocated to local governments to help local capacity building for managing decentralized governance. A key feature of good governance reform is balancing of centralization and decentralization. The excess of one side will result in political confrontation between the center and periphery and among the components of the periphery.

In the following sections of the paper, the authors analyze the development of health policies in Japan and the Philippines to verify our assumption that the establishment of

a policy network and the promotion of administrative decentralization will contribute to the empowerment of local government in the provision of quality public services.

Table 2 shows major indicators that describe the differences in the socioeconomic conditions of the two countries. The total fertility rate of Japan is 1.37 as of 2009, which is too low to sustain its population. While Japan enjoys a high average life expectancy, the country is now faced with restructuring the social security system due to an aging society and declining birth rate. The two countries are quite different in health outcomes. For example, the infant mortality rate in Japan is the lowest in the world. It is much higher in the Philippines. It is the same in the case of maternal health. Many mothers and children cannot access public health services, especially in the remoter and less developed areas of the country. It makes it difficult for the Philippines to achieve the Millennium Development Goals (MDGs). The Philippines still struggles with improving its health indicators to achieve the target of the MDGs. Health expenditure in Japan was 8.3% of GDP in 2009, while it was only 3.8% in the Philippines (see Table 2). The World Health Organization (WHO) recommends 5% of GDP should be spent on health to achieve universal coverage.

Table 2
Basic health indicators for Japan and the Philippines

		Japan	*Philippines*
Total Population		*128,056,000 (2010)	**94,013,200 (2010 est.)
Annual Population Growth Rate (%)			1.7 (2010)
Total Fertility Rate(per woman)		1.37 (2009)	3.1 (2010)
Life Expectancy At Birth (years)		*79.6 / 86.4(2009) (male / female)	**67.0 / 73.0(2009) (male / female)
Infant Mortality Rate (probability of dying between birth and age 1 per 1,000 live births)		2.0(2010)	23(2010)
Neonatal Mortality Rate (per 1,000 live births)		1.20(2009)	14(2010)
Births Attended by Skilled Health Personnel (%)		99.8(2010)	62.2(2008)
Total Expenditure on Health as % of GDP (2010)		9.5	3.61
Human Resources for Health	Number of Physicians	*286,699 (2008)	**93,862 (2004)
	Physicians density (per 10,000 population)	21.42(2008)	11.53(2004)

Sources: WHO Global Health Observatory Data Repository (Accessed on October 5, 2012)
*Japan country profile 2011 (WHO 2011a)
**Philippines country profile 2011 (WHO 2011b)

The 2010 WHO *World Health Report: Health Systems Financing* claimed that national wealth was not a prerequisite for moving closer to universal health coverage. Countries with similar levels of health expenditure can achieve strikingly different health outcomes from their investment and utilization of financial and human resources (WHO 2010).

We assume that differences in basic public health services in Japan and the Philippines lie in the development of political and administrative institutions for health. In 1958, the government of Japan enacted the National Health Insurance Act and established universal health insurance coverage by 1961. Since then, the Ministry of Health and Welfare has been working for health promotion in cooperation with local governments. This experience gave Japan the longest life expectancy in the world. The Philippines also attempted to establish a national health insurance system in the early 1970s under the Ferdinand Marcos regime. However, it was not fully implemented in the Marcos era (Sugaya 2003). The Philippines has promoted decentralization of health administration since the 1990s. However, health services remain minimal for most local populations. How can we explain such disparities in health services?

The authors hypothesize that the successful provision of universal health care is related closely to the structure of health administration. Japan has been successful in the establishment of a decentralized health policy network across the country, while the Philippines remains undeveloped due to an excess of decentralization. To verify this assumption, the authors will compare the development of health system models and the consequences of decentralization in Japan and the Philippines.

Decentralizing Health in Japan

Health Administration in Japan

When Japan ended its isolation policy from the rest of the world in 1868, the Japanese government sought modernization of government, modeled after western countries. After the beginning of the new government, public health was included in the priorities of administration. In 1868, a medical section was set up in the Ministry of Education. In 1874, central and regional public health administrative structures were standardized under the Comprehensive Medical Code. It established a system for medical education, a medical registration system and a national medical system centered on private clinics and hospitals. In 1875, with the exception of medical education, all medical and health administration was transferred to the Ministry of Home Affairs. Public health administration was strengthened with emphasis on controlling acute infectious diseases such as repeated epidemics of exotic infections, including cholera and smallpox. In 1879, the Ministry of Home Affairs directed all prefectures to establish a Health Bureau in order to establish a systematic approach to infectious disease control. At the same time, Community Public Hygiene Committees were set up as local government bodies to provide community-based public health services. In 1893, the Department of Police in the Ministry of Home Affairs took over the responsibility for public health and maintained this responsibility until the end of the Second World War in 1945 (JICA 2005: 14-15).

In 1938, the Ministry of Health and Welfare was established under the military government. The Ministry had promoted public health programs in accordance with the wartime *Kenpei Kenmin* (Healthy Soldiers, Healthy People) policy. The Ministry created "public health centers" across Japan based on the *Public Health Center Act* of 1937. The number of public health centers reached over 700 nationwide in 1944. The *Public Health Center Act* also created "public health nurses" as local government employees working at public health centers. They played a significant role in community-based public health activities emphasizing disease prevention until the end of the Second World War (JICA 2005: 17-18).

After the Second World War, public health administration was restructured under the supervision of the General Headquarters (GHQ) of the Allied Powers. In accordance with the new Constitution that guaranteed the right to life[1], the government established the Public Health Bureau, the Prevention Bureau, and the Medical Services Bureau in the Ministry of Health and Welfare. At the prefectural level, based on the new legislation of the *Local Government Act* in 1947, a health department was established in each prefectural government. In the same year, the *New Public Health Center Act* was enacted. It expanded and strengthened the network of public health centers. Public health centers are deemed as the first line of public health administration for communities. Based on the new act, the government established one public health center for every 150,000 people (JICA 2005: 184-185).

It should be noted that the activities of public health centers were controlled by the Ministry of Health and Welfare through the system of "agency delegated functions" (ADF). This placed the public health centers as agents of national public health programs. Under the supervision of the Ministry of Health and Welfare, each local health center worked as a locus of medical doctors and nurses for the establishment of quality health services across the nation. In each public health center jurisdiction, public health nurses were deployed and they served as local government officials. Those nurses were recruited and trained at the local level. Such uniform roles of public health centers contributed to the recruitment and training of community-based health workers as well as the achievement of nation-wide health services in a short time period. In 1958, the government of Japan enacted the *National Health Insurance Act* and established universal health insurance coverage by 1961.[2] Throughout the 1960s and 1970s, the public health centers played a significant role in preventive health administration, and then contributed to the making of a country with long life expectancy.

Decentralization of Health Administration

It was in the late 1990s that decentralization became a national agenda. In 1995, the government enacted the *Decentralization Promotion Act*. This was the first piece of legislation to promote decentralization in Japan's contemporary history (Koike and Wright 1998). The *Decentralization Promotion Bill* proposed a comprehensive restructuring of centralized policies and programs to make local governments more accountable and flexible in the provision of basic human services for local populations. In 1999, the government enacted the *Omnibus Decentralization Promotion Act* that abolished the Agency Delegation Functions and reduced the intervention of central

government.[3] In the stream of decentralization promotion, the *Public Health Center Act* was revised as the *Community Health Act* in 1994 (taking full effect in 1997). The new act emphasized the role of municipal government in the promotion of comprehensive health care for local populations. Under the old act, only municipalities with populations over 150,000 were allowed to have their own public health centers. In the new act, all municipalities were allowed to establish a local public health center as the core of local health and welfare services. In addition, the government enacted the *Long-Term Care Insurance Act* in 2000. This act introduced comprehensive care services for the elderly funded by the newly introduced long-term care insurance. Under the act, municipal governments have responsibility for care services for the elderly (Koike 2002). In the revision of the *Long-Term Care Insurance Act* in 2005, new services for preventive care and comprehensive community care for the aged were added to the responsibilities of municipalities. The promotion of decentralization has increased the role of local governments in health administration. It requires a professionalization of health administration in local governments. To cope with demand, the national government encouraged voluntary consolidations of small municipalities (Koike 2010). In the end, the total number of municipalities (cities, towns, and villages) fell from 3,100 in 2001 to 1,727 in 2010.

The decentralization of health administration has gradually affected the management of public hospitals. Under policies of fiscal restraint, elected local officials cut public spending for public hospitals applying the theory of NPM. Public hospitals were urged to promote performance management besides providing standardized quality of health services. The number of hospitals in Japan was 9,397 in 1997 and it decreased to 8,844 in 2007 (Table 3). Municipal hospitals were the most affected by the cuts in medical spending by the national government that led to a shortage of doctors (Matsuyama 2008).

Table 3
The Number of Hospitals in Japan

			1997	*2007*
Public Hospitals	Local Government Hospitals	Prefectures	309	277
		Municipalities	769	742
		Total	1,078	1,019
	National Hospitals		377	277
	Other Public Hospitals		427	426
Private Hospitals	Medical Corporations		5,063	5,703
	Private Clinics		1,603	520
	Others		849	899
Total			9,397	8,844

Source: Matsuyama 2008

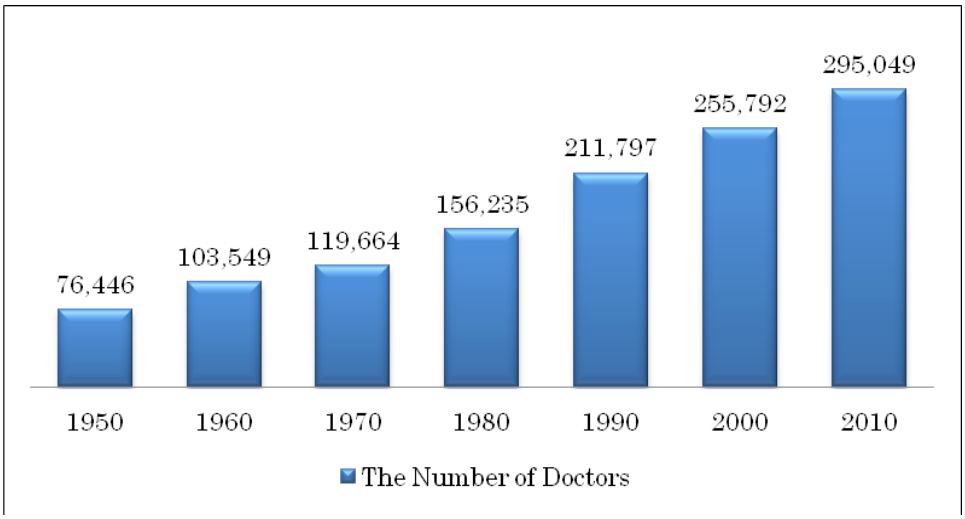
In 2008, the Ministry of Internal Affairs and Communications formulated public hospital reform guidelines that suggested the merger of municipal hospitals.

Increase of Health Professionals

Throughout history, the government of Japan has been working not only for increasing the number of physicians but also their posting to isolated areas to give equality in the provision of medical services among the Japanese population. In 1970, the Ministry of Health, Labor and Welfare (MHLW) proposed to increase the number of doctors to 1 per 1,000. The total number of students in medical schools was 2,800 at that time. In 1970, the Ministry increased the target to 1.5 per 1,000 and medical students to 6,000 (MHLW 1988). The second Kakuei Tanaka administration in 1973, proposed a policy of *Ikken Ichiidai Kousou*- one medical school in one prefecture. The number of students increased to 8,280 due to this policy (Hashimoto 2008). In 1972, Jichi Medical University (JMU) was established to provide physicians for remote areas. The JMU was founded by prefectural governments, for they are responsible for community health in Japan. Students have a duty to work for local government hospitals or public health centers according to the directions of governors for around nine years in exchange for exemption from all the tuition fees at the University (Jichi Medical University 2011).

The government of Japan has been working to increase the number of doctors as shown in Figure 1. The number of doctors increased from 76,446 in 1950 to 295,049 in 2010.

Figure 1
The Number of Doctors in Japan (1950 – 2010)



Source: MHLW 2010.

The number of doctors per 1,000 in Japan increased to 2.2 in 2008. However, according to OECD Health Data 2011, the ratio is far less than the OECD average of 3.1 (OECD Health Data 2011).

Health Devolution in the Philippines

Paths to Devolution of Health in the Philippines

Spain was the first exogenous actor to influence public health in the Philippines during the pre-American occupation period. Spain contributed to the spread of hygiene and preventive medicine (Tiglao 1998: 4). After the Paris Declaration was concluded on 10 December 1898, the Philippines Islands was assigned to the US from Spain. The Board of Health was established on 23 June 1898, during the American Military Government and Commission form of government from 1898 to 1907 (DOH 2001: 1). The Philippines was given its independence in 1946 after the Second World War and the reorganization of the Department of Health (DOH) in 1958 was a step moving towards decentralization. Eight regional offices were organized, under which were the provincial and municipal health offices. The national office assumed only staff functions; line functions emanated from the regional offices (Tiglao 1998: 27).

On 4 August 1969, *Republic Act 6111* or the *Philippine Medical Care Act of 1969* was signed by President Ferdinand E. Marcos (PhilHealth 2008). During the Marcos regime (1965-1986), the National Economic Development Authority (NEDA) was created and the DOH was changed to the Ministry of Health (MOH) with twelve instead of eight regional offices. Based on the National Health Plan drafted by the NEDA and the MOH, the government implemented the following measures: (1) restructuring of a health care delivery system where health stations were staffed by midwives, construction of tertiary hospitals; (2) enactment of the *Medical Care Act* in 1972; and (3) the Rural Health Practice Program that requires graduates of medicine and nursing to render service in rural areas (Tiglao 1998: 32).

After the 1978 Alma Ata Declaration that aimed for "health for all" by 2000, the government launched Primary Health Care (PHC) as an approach to health development nationwide on 11 September 1981. The Integrated Provincial Health Office (IPHO) was established by merging public health and hospital services at the provincial level and various health units. It integrated personnel and financial resources of the different health programs. According to Tiglao (1998: 33), this was a move towards decentralization which was fully implemented in April 1988 by *Administrative Order (AO) 144* of MOH. However, it is likely to have further strengthened the administrative power of the central government centering on the DOH as there was no political decentralization for local governments.

After the EDSA Revolution (the People Power Revolution), the MOH was renamed as the DOH. In January 1987, by virtue of *Executive Order (EO) 119*, the DOH was reorganized again. The new 1987 Constitution was enacted under President Aquino. The new Constitution became the first Philippine law to recognize health as a right through

Article Xb! (Social Justice and Human Rights), sections 11 to 13 (Atienza 2008: 5). In addition, the *Republic Act (RA) 7160*, otherwise known as the *Local Government Code of 1991*, passed and fully implemented in 1993, devolved some of the service delivery authorities and budgets from the national government to the provincial and municipal governments.. Under the administration of President Ramos, the DOH continued to adopt PHC as a strategy. As the Secretary of Health, Dr. Juan Flavier created his slogan: "Health in the hands of the people and let's DOH it!" and the DOH shifted its emphasis from curative to preventive and primary care.

Devolution of Health Services in the Philippines

In the process of decentralization, health services were devolved from the central government to local governments through the technical assistance of the World Bank. It should be noted that the DOH officials were against devolution when the government decided to include health services in its decentralization strategy (Lieberman et al. 2005: 172). In addition to pressure from international organizations, Atienza (2006) points out a stronger role of internal factors that determined the undertaking of decentralization. Firstly, a formal centralized structure under the Marcos dictatorship failed in the delivery of services and limited prospects for development in the periphery. Secondly, not only President Aquino but also civil society groups, various leagues of local governments, and some national legislators thought that decentralization and local autonomy were the tools for achieving democratization. Finally, political leaders also had personal reasons for undertaking decentralization. Members of the House of Representatives were motivated by a desire to assume local government positions in the future in an environment where significant powers and finances had been devolved to local government units (LGUs) (Atienza 2006).

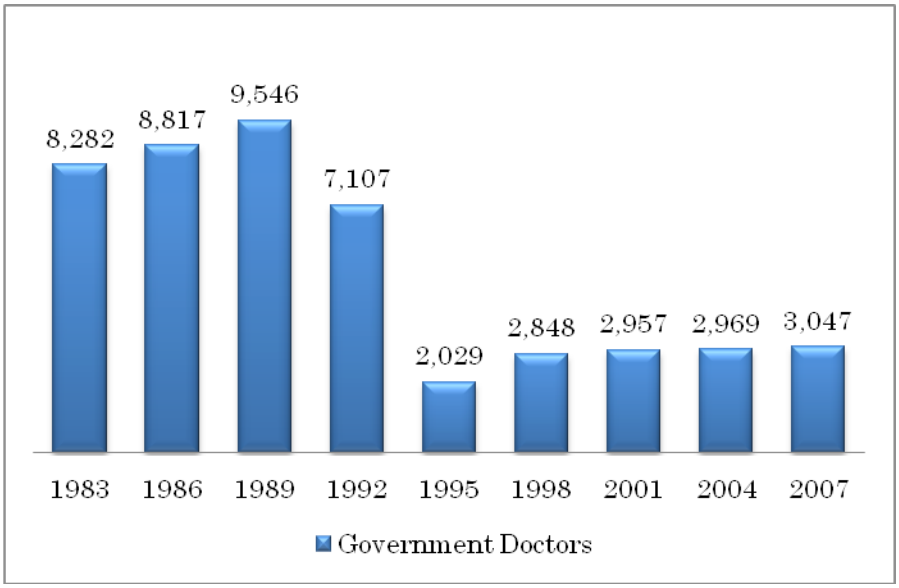
In 1993, nearly all health personnel, 596 hospitals, and 12,580 health centers and *barangay* (community) health stations were delegated to LGUs. The DOH office at the center no longer directly controlled health services at the periphery and official linkages of health services networks were loosened. The IPHOs and district health offices and hospitals came administratively under the provincial governors, while the Rural Health Units (RHUs) were turned over to the mayors of the municipalities. The 1992 *Magna Carta for Public Health Workers (RA 7305)* that aimed for the promotion and improvement of the social and economic wellbeing of public health workers was passed in March 1992. However, the 1992 act encountered some implementation problems. Some officials were retained and were enjoying salaries and fringe benefits as dictated by the salary standardization of the 1992 act, whereas those devolved were deprived of these benefits (Tiglao 1998: 46). Health workers were not paid their benefits mandated under the act due to insufficient local government funds. This demoralized local health officials and workers, prompting some to call for a renationalization of devolved functions of health services (DOH 2001: 3). Reporting of health events was disrupted and supervision of health personnel was greatly reduced. While the move to decentralization was theoretically sound, it appeared that the field officers were not prepared for its proper implementation, resulting in a great number of disgruntled personnel. Transitional problems covered organizational, fiscal, and operational issues and had an adverse impact on the coverage, utilization, and effectiveness of public health programs (Tiglao 1998: 46).

Health Reforms after Devolution

Under the Health Sector Reform Agenda (HSRA) set in 1999 and the health sector reform strategy named FOURmula One for Health (F1) from 2005 to 2010, the number of hospital beds in the Philippines has gradually increased. The DOH has looked into the inter-relationships of the different areas that provide total health care services. The HSRA reform was based on the idea that the entire health service must contain the following aspects: healthcare financing, hospital services, public health programs or preventive aspects, health regulation and local health systems, which involve the governance of programs in localities.

The number of government doctors was 7,107 in 1992 and it decreased to 2,029 in 1995 because of devolution. As of 2007, the number of government doctors was 3,047 (see Figure 2).

Figure 2
Number of Government Doctors
(1983-2007)

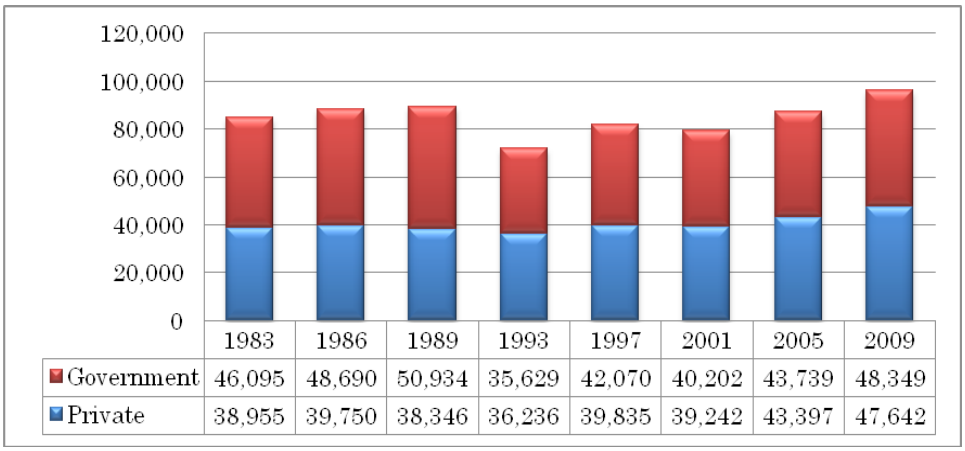


Source: Philippine Statistical Yearbook 1996, 2006 and 2010

The total bed capacity increased over three years from 92,561 in 2007, 94,199 in 2008 and 95,991 in 2009. Before the health devolution, the total bed capacity was 84,985 (government 46,639, private 38,346) in 1989 and in 2009 it was 95,991 (government 48,349

and private 47,642). It was 81,467 in 1991 at the time of decentralization (see Figure 3). According to *Philippines Country Profile 2011*, "the bed-to-population ratio is roughly 1 per 1,000 inhabitants, lower than in other East Asian countries, such as China (2.6 beds per 1,000 inhabitants, Vietnam (1.2 beds) or Thailand (2.2)" (WHO 2011b). Moreover, many of these hospital beds are clustered in large city centers and better-off LGUs. This is particularly true for private hospital beds, which account for approximately half of all hospital beds in the country (WHO 2010b). Though the bed capacity has increased (Figure 3), it has not caught up with the current population increases.

Figure 3
Government and Private Hospitals in the Philippines: Bed Capacity (1983-2009)



	1983	1986	1989	1993	1997	2001	2005	2009
Government	46,095	48,690	50,934	35,629	42,070	40,202	43,739	48,349
Private	38,955	39,750	38,346	36,236	39,835	39,242	43,397	47,642

Source: Philippine Statistical Yearbook 1991, 2010.

The DOH listed the constraints to decentralization in the health sector as follows: (1) unreliability of submitted data and information; (2) reporting at the discretion of LGU health workers; (3) religious convictions of LGUs; (4) LGUs still thinks the primary function of health is with the DOH; (5) poor relationships between local chief executives and health personnel; (6) *Magna Carta* benefits are not given uniformly; (7) health is not a priority of some LGUs; (8) security of tenure of health workers is not guaranteed; (9) continuous dependence on grants and on provision of essential drugs and medicines from the DOH; (10) assets intended for health services used for other purposes (e.g., ambulances, pick-up trucks, motorcycles, and medical dispensing in offices of local chief executives); (11) more health workers entered politics and went abroad; and (12) leadership needs understanding of LGUs' mandate under devolution (Gako 2008: 63-64).

The achievements of decentralization have been emphasized in the Philippines. Firstly, local governments have had increased financial resources available to them through increased transfers through the internal revenue allotment (IRA) thus enabling them to cope with their increased responsibilities through decentralization. Secondly, local governments have entered into cooperation and alliances with each other to address common concerns that cut across political and administrative boundaries. Brillantes (2011:

71) argues that decentralization has changed the mindsets and paradigms especially among local governments to make them more self-reliant and less dependent upon the national government.

However, health devolution has brought about fragmentation of health services and disparities in the quality of public health services among local governments. Brillantes (2011) has pointed out that national government has introduced intergovernmental arrangements in the health sector. The devolution-related issues of disintegration and deterioration of healthcare services, exacerbated by apprehension of local governments about assuming responsibility, persuaded the national government to establish inter-local health zones (ILHZs)[4] or district health systems throughout the country. Such a creation promotes effective delivery of integrated health care through coordination among local governments, with the assistance of the DOH, the Department of the Interior and Local Government (DILG) (Brillantes 2011: 77). In the last reform policy strategy of F1, ILHZs remained as loose networks based on voluntary intent among LGUs and the political will of governors and mayors[55]. The DOH is working on formulating more practical clusters of ILHZs through the ongoing reform of Universal Health Care from 2011 to 2015.

Outcome of Decentralized Health Administration

The Philippines is a cutting-edge country in the promotion of decentralization in Asia. As described above, national health administration was decentralized in the 1990s and a number of governmental hospitals and doctors transferred to the LGUs. What is the outcome of the decentralized health system?

The Philippines is one of 55 countries accounting for 94% of all maternal deaths in the world and is statistically off-track for the achievement of the Millennium Development Goals (MDGs) by 2015, with a maternal mortality ratio (MMR) of 162 per 100,000 live births. Maternal deaths are closely linked with neonatal deaths. The vast majority of maternal deaths are preventable if deliveries are attended by skilled health workers. The under-five mortality rate (U5MR) is currently 34 per 1,000 live births. While the probability of reducing the U5MR by two-thirds by 2015 is considered high, it may not be realized unless deaths during the first 28 days (neonatal period) are dealt with, as they account for 47%, of deaths among under-fives (16 per 1,000 live births). Progress toward curtailing neonatal deaths is dismal, with death rates among this age group remaining statistically unchanged over the past twenty years (WHO 2010b:359-363).

One of the reasons for these outcomes is inaccessibility of health professionals. They are not close to citizens' residences, especially in remote areas. The literature points out that the disparities of health services among local governments are effects of health devolution. In its development, the DOH in the Philippines did not have mandatory functions like ADF in Japan. The DOH might have desired to establish a national health service under the Marcos regime. However, the establishment of a centralized health administration was never realized due to the wave of democratization and decentralization in the 1990s. Consequently, it resulted in the fragmentation of health. Most local governments are too small to manage comprehensive community health care.

It is difficult for both the central and provincial authorities to support small LGUs under decentralization.

Conclusion

Since the 1980s, the international community has emphasized the establishment of good governance through the promotion of decentralization in developing countries. The cases of health reform in Japan and the Philippines, however, suggest that the decentralization strategy is not always a panacea. In the case of Japan, governmental leadership in the establishment of national health insurance and the increase of doctors contributed to the increase in the overall health status of people in Japan. The central government restricted the number of medical schools in order to maintain the quality of doctors. Decentralization of health came after these achievements. However, the promotion of decentralization creates new problems. In a competitive environment, local public hospitals face shortages of doctors. Small municipalities are facing financial problems in the provision of care services for the elderly. Without support of the national government, the gap in community health services between what exists and what is needed will widen.

In the case of the Philippines, decentralization was a leading policy goal. In the 1990s, devolution was prioritized prior to the establishment of comprehensive PHC and National Health Services for all citizens. Due to the country's decentralized structure, it remains difficult for local governments to provide sufficient health services for needy families. It should be emphasized that decentralization in the Philippines has changed the mindsets among local governments to make them more self-reliant and less dependent upon the national government. Local autonomy is a necessary condition for quality service delivery at local level. However, it is not itself a sufficient condition. The Philippines' case suggests that the balance between centralization and decentralization is a key to a successful provision of essential public services to communities.

Japan's case indicates that the role of public administration is more important than ever in times of the marketization in health. A quest for an efficient government does not guarantee the quality of health of all citizens. Quality of health services might be improved through market mechanisms. However, these services are only available for the rich. Furthermore, we should notice that "good health for all" cannot be achieved only through the efforts of local governments. It is the role of the central government to reduce the gap between rich and poor communities. In the provision of quality services, the power of policy professionals needs to be reaffirmed. The promotion of decentralization must be offset with the establishment of policy networks across the levels of governments. It enables cooperation of the different levels of government in the pursuit of policy goals. At the same time, authority and resources should be allocated to local governments. A key of good governance is balancing centralization and decentralization. The excess of one side will raise another crisis of governance.

Endnotes

[1] The Constitution stipulates that, "All people shall have the right to maintain the minimum standards of wholesome and cultured living. In all spheres of life, the State shall use its endeavors for the promotion and extension of social welfare and security, and of public health" (Article 25).

[2] By the end of 1943, the national health insurance (NHI) system covered over 95% of municipalities in Japan. Therefore, this period is known as the "First Era of Universal Health Insurance Coverage" (JICA 2005).

[3] Although the government abolished the ADF system, many delegated functions have survived as statutory entrusted functions. The Ministry of Health, Labor and Welfare replaced their ADFs with statutory entrusted functions to ensure national administration of health policy.

[4] Executive Order (EO) No.205, signed January 2000 by President Estrada, provides for the creation of a National Health Planning Committee (NHPC) and the establishment of ILHZs throughout the country (DOH 2002). The establishment of ILHZs through Inter-Local Government Cooperation defines their mechanisms, governing structures, powers and functions, and funds and resources. These ILHZs comprise a well-defined population (by level of governance) in a rural or urban area. The composition functions and required resources of these ILHZs shall be approved by the NHPC upon endorsement by the provincial governor or city mayor.

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Biosketches

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Does Decentralization Work for Coastal Management? A Philippines Case Study

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Abstract

This article examines the contemporary efforts to manage coastal resources through the integrated approach in one region of the Philippines, the Lingayen Gulf. The Gulf is one of the Philippines' richest and most valuable marine resources but has been suffering stress for several decades. There have been several programs to reverse the decline. Some of these initiatives coincided with political decentralization whereby many coastal management functions were devolved to subnational governments. In recent years these programs has been organized on an integrative model. But has the necessary integration for effective coastal management occurred between the leading organizations and stakeholders? Has decentralization actually facilitated the process of ICM by bringing decision-making closer to the people and enabling managers to secure better coordination as predicted in decentralization theory? The research findings were that decentralization was not a panacea for coastal management and that subnational governments faced difficulties in performing their new roles. Although the necessary integration was not achieved, the groundwork for integrative approaches was undertaken.

Introduction

The world's coastal environments are the ecosystems that are most vulnerable to degradation brought about by human actions. For several decades, there have been mounting pressures on these ecosystems from overfishing, destructive fishing practices, domestic and industrial pollution and rapid population growth in coastal areas. In response to these deteriorating conditions, coastal managers and practitioners have experimented with different modes of coastal management to reverse the dangerous decline in the health of the coastal environment. One of the most popular of these systematic approaches has been Integrated Coastal Management (ICM), a multi-sectoral and multi-disciplinary mode of management:

> A continuous and dynamic process that unites government and the community, science and management, sectoral and public interests in preparing and implementing an integral plan for the protection and development of coastal ecosystems and resources (Olsen et al. 1997: 157)

This article examines the contemporary efforts to manage coastal resources through the integrated approach in one region of the Philippines, the Lingayen Gulf. Located in the northwest of the country and in the northwest of the most populous island of Luzon, the Gulf has 160kms of shoreline and according to the 2007 census, the population of its 18 cities and municipalities amounted to 1.15 million persons. The Gulf is one of the Philippines' richest and most valuable marine resources but has been suffering stress for

several decades. Problems such as overfishing, pollution, dynamite fishing and coastal population growth have had adverse effects on the ecosystem. Stakeholders led by the Philippines government have been aware of this and, since the 1980s, have instituted a variety of programs to reverse the decline. In recent years these programs has been organized on an integrative model including the basic features of the ICM approach. But has the necessary integration for effective coastal management occurred between the leading organizations and stakeholders? This is the question this article seeks to answer through the presentation and analysis of primary data that were collected during field studies in 2010. Furthermore, the attempts to introduce ICM occurred in the context of a decentralizing state leading us to a second question about whether decentralization actually facilitates the process of ICM by bringing decision-making closer to the people and enabling managers to secure better coordination as predicted in decentralization theory (Smith 1985, 1993; Turner and Hulme 1997; World Bank 2000).

The Decentralization Context of Coastal Management in the Philippines

In 1986, the authoritarian regime of Ferdinand Marcos was overthrown by a military mutiny and "people power revolution". The new president, Corazon Aquino, introduced a constitution in which principles and promises of democracy, freedom and decentralization featured prominently. Work then commenced on the design of a system of democratic decentralization that would replace the centralized arrangements that had been installed under Marcos. New governance structures were designed and implemented through the 1991 *Local Government Code*. The changes gave considerable functions, finance and political authority to local governments at provincial, city and municipal levels and provided for extensive community participation in governance.

Under the old system, coastal management had been a function divided among central agencies and administered through their Manila headquarters and their deconcentrated offices in the subnational territories. With the *Local Government Code*, substantial management responsibilities for coastal resources were devolved to the local government units (LGUs). The assessment, planning, regulation and monitoring of marine resources within a distance of 15 kilometres offshore all came under LGU control. Furthermore, other functions with implications for coastal management were also assumed by the LGUs. These included irrigation, water supply, sewerage, pollution control, solid waste, roads and bridges, land planning, community-based forestry, agricultural extension and environmental management.

While centrifugal forces were in the ascendant with the 1991 *Local Government Code* this did not mean that the centre had withdrawn from coastal management. Two central government agencies still maintained a strong presence in coastal management: the Bureau of Fisheries and Aquatic Resources (BFAR) and the Department of Environment and Natural Resources (DENR). Both agencies had responsibilities for giving policy direction for coastal management and for providing technical assistance, training and extension services for the management of coastal resources, and were to support LGUs in such activities as creating marine sanctuaries. Other central government agencies such as the Department of Transportation and Communication and the Department of Tourism also retained minor technical roles in coastal management.

Another actor in coastal management, especially since the introduction of the 1991 *Local Government Code*, is the community. The decentralization of coastal planning and implementation has necessarily brought these activities closer to local stakeholders who have strong interests in coastal management such as small-scale and subsistence-level fishermen, tourism operators and inhabitants of the coastal fringes. For ICM to work effectively it is deemed necessary for all three actors—local government, national government and local community—to take integrated actions. In the rest of this article we will examine the nature of this interaction in the Lingayen Gulf. Can we see ICM in action or have the actors failed to conform to the prescriptions of the model?

The Key Actors

The key actors involved in managing the Gulf identified common coastal problems and their causes. These problems included illegal fishing, primarily with the use of dynamite and cyanide, excessive fishing causing serious depletion of fishery resources, and coastal pollution emanating from households and industries. Poor coordination among various sectors involved in coastal management and weak management capacity of the local government were identified as having contributed to the seriousness of the problems. In addition, ineffective enforcement of coastal laws was pinpointed as a significant contributory factor aggravating the problems of overfishing, coastal pollution, and destructive fishing activities in the area, all of which have gradually caused the deterioration of the health and well-being of the Gulf's coastal ecosystem.

National Government: BFAR and DENR

According to the ICM framework, the national government plays a crucial role in managing the coastal resources. It principally ensures capacity-building, brings programs into effect, coordinates sectoral programs, and consults on coastal issues with local government, the business community, academe, resource user groups, and the general public (GESAMP 1996; Sorensen 1997; Olsen 2003). In the case of the Philippines, there are two national government agencies, BFAR and DENR, primarily responsible for providing technical and financial support to coastal management programs in the country, including the Lingayen Gulf area. Both agencies have been actively involved in coastal management activities and well-represented in decision and law-making processes.

Due to similarities in their prescribed management responsibilities, BFAR and DENR have been enmeshed in legal and administrative conflicts and overlaps in the performance of their coastal management functions and roles. For example, BFAR and DENR both share responsibilities regarding coastal resource conservation, including fisheries and mangrove forests, which have been causing confusion among LGU personnel and community users. They also have inconsistencies in their functions related to the issuance of permits for coastal management activities. Thus, BFAR is responsible for the issuance of leasing permits for mangrove forest areas to be developed into fishponds while DENR issues permits for overall forest areas, including mangroves (Balgos & Pagdilao 2002). The problem of overlapping responsibilities was confirmed by

interviewees. Thus, 62.5% of the interviewees from BFAR and DENR, 60% from the LGUs, and 42.86% (where another 35.71% were either uncertain or did not respond) from the community sector agreed that there was an existing 'overlapping of functions' between the national agencies in carrying out their coastal resource management functions.

According to the BFAR and DENR interviewees, there may have been inconsistencies, misunderstandings and conflicts regarding their roles in managing the Lingayen Gulf but they were only performing their functions based on the legal instruments mandating them to do so. Such findings of this study suggest that a coastal mandate that clearly defines specific management responsibilities for BFAR and DENR is necessary to address the misunderstandings and conflicts and to encourage a well-functioning management mechanism for the coastal environment. This is particularly significant for the adoption of the ICM policy cycle to guide the implementation of a coastal management program in the Lingayen Gulf. The ICM policy cycle, which comprises five management steps, provides a comprehensive structure for effective management of coastal resources (Olsen 2003). Step 1 of the policy cycle requires consultation among different coastal stakeholders to identify priority issues. For effective consultations and collaborations, ensuring good work relationships between these stakeholders is essential before and during the adoption and implementation of the management steps and their associated actions involved in the policy cycle.

Local Government

Local government, which in the Gulf includes the territories of province, city, and municipality, and their component *barangays* (communities), is an important actor in the implementation of any ICM program (Sorensen 1997; Cicin-Sain & Knecht 1998; Westmacott 2002). According to Sorensen (1993), in a decentralized country like the Philippines, the role of local government is particularly significant in policy formulation, and the activities of the local government should be supported by the national government in order to achieve success in coastal management. Furthermore, the LGUs should ensure that the community plays a significant role in coastal management.

Decentralization in the Philippines took effect two decades ago but it remains a controversial topic in the country, particularly in terms of its effect on local development, quality of governance, and political stability (Llanto 2009). DENR et al. (2001a) explained that the devolution in 1991 paved the way for LGUs to take the lead role in coastal management by tasking them to deliver basic services and facilities, and to carry out regulatory and legislative functions affecting the well-being of their coastal environments. Under decentralized government, the coastal management functions of the local government cover planning, protection and preservation, enactment of legal mandates and regulations, policy formulation, revenue generation, law enforcement, inter-governmental coordination, including relations with community organizations and NGOs, as well as provision of extension services (DENR et al. 2001b). The already considerable coastal management role of the local government was further extended by the *Philippine Fisheries Code* of 1998 which decreed municipal governments should manage resources within municipal waters including streams, lakes, inland bodies of

water, tidal waters, and marine waters within 15 kilometres from the shoreline seaward during low tide (DA-BFAR 1998).

In the Gulf, decentralization challenged the service delivery capacities and performance of LGUs because, in general, they lacked trained personnel, funding, technical know-how and experience to perform key responsibilities in relation to coastal management. Decentralization in the Philippines happened abruptly and LGU personnel were given insufficient time to prepare for their new roles. LGU personnel were not well versed in their legal responsibilities, nor were they knowledgeable about the systems, processes and technologies involved in coastal management. "Learning by experience" was the way in which LGU personnel adjusted to their coastal management responsibilities brought about by devolution. This is contradictory to one of the requirements of ICM that in order to establish and implement a program, human resources are expected to be trained and experienced (Westmacott 2002).

The participants interviewed for this research offered different viewpoints regarding the effect of decentralization on the performance of their coastal management duties. The majority of the interviewees from BFAR and DENR (75%) asserted that decentralization had not actually removed their coastal management tasks. They claimed that they had remained active in the Gulf, providing technical assistance and overall supervision to local governments for the protection and preservation of coastal resources. Yet, LGUs were mandated to perform the major role in coastal management, while national government agencies were only expected to coordinate and advise LGUs on conservation, development and management of their coastal resources and provide supervision.

In the case of the local government interviewees, 50% were either uncertain about the effect of decentralization because it had both advantages and disadvantages or opted not to comment because they had joined the local government after decentralization; and 30% believed that decentralization had given them full decision-making and management authority which was beneficial in managing the coastal resources. The rest of the local government interviewees (20%) claimed that decentralization had a negative impact on their performance as they were not properly oriented or trained for work in a decentralised government environment.

Most interviewees from the community sector (78.57%) chose not to provide an opinion and admitted that they were not familiar with the implications of decentralization for managing the coastal environment. Only three interviewees provided comments on the question: two (14.29%) believed that decentralization was good for the LGUs; and one interviewee (7.14%) opposed this argument.

The observations and opinions from all the interviews indicated that devolution of coastal management responsibilities to the local government did not have a significant effect on the sustainable and effective management of the Lingayen Gulf coastal resources. More importantly, these viewpoints suggested that the local government generally lacked the capacity to be in the forefront of coastal management. This clearly contradicts a fundamental principle of ICM which expects the local government to play the most important role, particularly where government has been decentralized.

The study of the Gulf showed that major coastal management decisions were retained in the national government despite the strengthening of the role of the local government. For instance, BFAR issued licences for commercial fishing operations and regulated the conversion of mangroves to aquaculture within the LGU jurisdictions. DENR regulated small-scale mining and quarrying, and issued leases for foreshore areas in the local government jurisdictions. Additionally, funding for most local management projects and programs, including coastal management, generally came from the national government. This meant that the local government was not able to implement coastal management initiatives without financial support from the national government, a situation contrary to the principles of decentralization. In particular, these issues caused uncertainty and confusion on the part of the Lingayen Gulf local government staff as to the nature of their roles and responsibilities, and how local government coastal management initiatives could be effective when funds were not readily available.

The Community Sector

Based on the ICM model, one of the most important groups of actors for effective coastal management is the community sector (Sorensen 1997; Cicin-Sain & Knecht 1998; Westmacott 2002). In the Lingayen Gulf, which serves as a primary source of food and livelihood for the majority of the members of the coastal community, coastal management was considered a vital mechanism for improving marine production and productivity. Decentralization had brought the community sector closer to the local government providing them with an opportunity to work together in coastal management (DENR et al. 2001c). Community groups had first-hand interaction with the coastal environment and understood the challenges besetting the Gulf thus enabling them to come up with ideas and suggestions in dealing with such challenges and to participate in implementing them.

This study probed the community sector's level of participation and involvement in Lingayen Gulf management. Interviewees representing the national government all agreed (100%) that the community sector was actively represented in the Lingayen Gulf management. All the local government interviewees (100%) also affirmed the active involvement of the community sector in all aspects of management in Lingayen Gulf. Similarly, the majority of the community sector interviewees (85.71%) stated that they had been involved in the Gulf's management. The rest of the community sector interviewees (14.29%) declined to comment on the issue. However, it should be noted that such involvement was a weak variety of participation. According to the community sector interviewees, their participation was limited to minor coastal management activities, including taking part in coastal clean-up drives and attending meetings at their own expense. This minor participation was seen by the community as underestimation on the part of the government agencies of the community's much greater potential to contribute to managing the Lingayen Gulf. This can also be interpreted as reluctance on the part of the government to allow the community sector to exert influence over decision-making.

The information provided by the community interviewees confirmed the observations of Pollnac et al. (2001) and Christie (2005) that major planning, management and decision-

making processes in relation to managing the Gulf were largely performed by the government institutions while the community sector was utilized for coastal-related undertakings of government that required voluntary service. Thus, the community's participation in managing the coastal resources of the Gulf was restrained by government and did not conform to the ICM emphasis on the importance of the community's role in managing the coastal environment. The weak community participation in coastal management was perceived as non-threatening by both the national and the local government, whereas the incorporation of a strong community sector would challenge the status quo.

Governance and Management Processes in the Lingayen Gulf

For a successful ICM program, it is necessary to have a strategic management structure which incorporates various actors and guides the step-by-step implementation processes (Sorensen 1997; GESAMP 1996; Olsen 2003; Harvey & Hilton 2006). This model has been adopted successfully in coastal management initiatives around the world. Has it been evident in the Lingayen Gulf?

Different management approaches and strategies for preserving and protecting the Gulf's natural coastal resources have been in existence since the 1980s. The first formal management attempt in 1986 was jointly initiated by the Association of South East Asian Nations (ASEAN) and the United States Agency for International Development (USAID) through the Lingayen Gulf Coastal Area Management Project (LGCAMP), a project which focused on addressing the problems of overfishing. While a multi-sectoral management approach was employed in the project, it was primarily an integrated and collaborative coastal management program between different agencies of the national government and the local government. The exclusion of other important sectors from the management of the project, such as the community sector, academic and research institutions, and private organizations, meant that it does not qualify as an example of ICM. Furthermore, the LGCAMP recommendations dealt mainly with the reduction of fishing activities in the Gulf but due to non-compliance and non-cooperation on the part of the coastal people and members of the private sector, these recommendations failed to mitigate the illegal fishing problems This caused the LGCAMP to change course and focus on education, generation of political will and development of plans at the municipal level (NEDA 1992; White et al. 2005).

In 1993, the Local Government Coastal Area Management Commission (LGCAMC), the first bay-wide coastal management program of the Philippine government, was created under the Office of the President. The LGCAMC was the overall coordinating body responsible for the management of the Gulf dealing with the planning and implementation of environmental education, policy advocacy, institutional development, livelihood development, and overall management of the coastal resources (Talaue-McManus & Chua 1997). Drawing from previous coastal management experience, the LGCAMC was designed to be integrative and multi-disciplinary, involving all levels of government, the community and academic institutions in addressing a number of coastal management issues.

The implementation of LGCAMC faced challenges. For example, it was seriously affected by decentralization in 1991 as the initial period of decentralization triggered confusion and uncertainty among local government personnel about performing their jobs, including their coastal management roles. This problem was aggravated by the changes in political leadership in the country in the wake of national and local elections and subsequent changes in government departments and personnel. As a consequence, the LGCAMC lost the political support which was essential to strengthen and sustain its implementation. In ICM, success is normally evaluated according to measures such as sustainability over long periods of time, capacity to adapt to changing environments, and ability to encourage collaborative efforts among different groups and sectors to promote sustainable practice and resource use (Olsen 2003). The LGCAMC failed to meet these criteria.

In addition, the government and the community sector lacked a strong partnership during the operation of the LGCAMC. The community sector was not provided with adequate opportunity to participate in the Gulf's coastal management. Members of the community sector were involved and consulted only to obtain their commitment to serve as volunteers in law enforcement activities, and participate in coastal clean-up drives. Similarly, most community interviewees admitted that they were invited to attend coastal management-related meetings and workshops organized by the local government at their own expense. This normally meant that they were unable to attend because they did not have funds for transportation or meals.

On a positive note, there was general consensus among the interviewees on the outcome of the information dissemination campaigns which were considered to have increased the awareness of the local people about the problems besetting the Gulf and the management strategies and institutional arrangements formulated to deal with these problems. Information campaigns in the Gulf were initiated by the LGCAMC. According to Olsen (2000), public education is important for successful ICM, as it is a responsible and effective way of raising social awareness on environmental issues. All interviewees (100%) across the three groups—national government, local government, and community sector—agreed that the information dissemination campaigns carried out by the various coastal management initiatives in the Gulf, particularly the LGCAMC, were adequate. These campaigns were conducted mainly through the production of brochures and pamphlets, internet-based Lingayen Gulf information, and radio broadcasts. The interviewees maintained that the actors involved in the various coastal management initiatives in the Gulf did a good job in informing the public about what was happening in the area. They were, however, uncertain or non-committal about whether the information had resulted in significant behavioural changes.

In 2001, another coastal management initiative was installed, the Integrated Coastal Resource Management Program (ICRMP). This initiative was a flagship program of the Philippine government and was managed by a special task force under the Regional Development Council (RDC) of Region 1 which is comprised of LGUs in the north-west of the Philippines. The RDC is a multi-sectoral organization involving various national government agencies and local government units. The ICRMP is responsible for managing not only the Lingayen Gulf but also the adjacent coastal areas. It focuses

on addressing critical coastal issues, particularly the resource degradation affecting the region's coastal environment.

The ICRMP involved a collaborative management mechanism to address a variety of issues confronting the coastal environment within the region. Patterned after the concept of ICM, which primarily aims to achieve sustainable development in the coastal environment, the main objective of the ICRMP is to develop and implement an integrated and harmonized coastal resource management program that upholds the socio-economic conditions of the local community and promotes appropriate resource utilization of the region's coastal environment (RDC-1 2005).

In addition, the coastal management framework adopted by the ICRMP to guide its management activities towards attaining the goal of sustainably protecting and conserving the region's natural coastal wealth is indicative of the ICM policy cycle. Although the sequence of actions involved within each of the steps under the ICRMP management framework was slightly different from the ideal ICM policy cycle, they both shared a similar goal—the generation of a successful ICM program. However, the ICRMP has failed to incorporate the process of evaluation in its management framework.

One major concern established in this study is the possibility of the ICRMP losing momentum and facing discontinuation despite adopting a management framework that resembles the ICM approach. This possibility arises as a result of several factors, including the lack of funds for coastal management activities, and the poor participation and involvement of the community sector.

The ICRMP is an on-going national government initiative implemented at the local government level, in which the national government is the driver and provides technical support to coastal management initiatives. The national government is obliged to provide the necessary financial assistance in order to mobilize these initiatives. However, this financial assistance has been insufficient for the effective management of coastal resources (Milne & Christie 2005). Lack of financial support has caused the failure of many coastal management initiatives implemented in the country, including the management programs in the Gulf. Financial availability is critical in ICM because one of the requirements for achieving the sustainability of coastal management initiatives is the ability to secure long-term financial commitment (Burbridge 1997; Westmacott 2002).

The results from the interviews and a review of relevant literature suggest that ICRMP failed to acknowledge the involvement of the community sector as an important component of the Lingayen Gulf coastal management. This claim is evidenced by the non-representation of the community sector in the list of the core members of the ICRMP management team. The management team comprises nine national government agencies, and the LGUs from four provinces, and six cities (RDC-1 2010). These member institutions and agencies had the primary responsibility for carrying out all the coastal management activities of the program. Ironically, one of the focal points of the ICMRP was to enhance and empower the community sector in relation to the sector's roles in coastal management. This follows the ICM recommendation that the inclusion of the community sector is a crucial factor in the success of ICM.

Another concern about ICMRP is that it leaves out the important multi-disciplinary approach, by not incorporating various fields and disciplines in the management process. As noted by Cicin-Sain and Knecht (1998) and Chua (1993), for effective ICM, the overall management of the coastal environment should involve natural sciences, social sciences, economics, technical and legal aspects, information-sharing, and planning and monitoring. In conformity with the ICM framework, these disciplines and activities need to be incorporated into the ICRMP implementation because their complementarity enables a more coordinated and considered approach to coastal management.

Although there may have been some flaws in the implementation of the ICRMP at the time of this study, there is still ample opportunity to improve and strengthen its management structure and strategies. The ICRMP is a continuing project which has initially shown potential success in ambitiously managing the entire coastal area of one large region. It has attempted to integrate various agencies at the national and local government levels in its management processes and formulated and adopted a comprehensive coastal management framework. This can be seen as an encouraging start which has the potential to lead to improved coastal conditions in the region, but only when a more effective management approach is adopted.

Another Gulf project was a foreign-funded project called *Sagip* Lingayen Gulf, "sagip" meaning "rescue". This project was implemented from 2002-2007, during the early operation stage of the ICRMP. There was a weak linkage between these two initiatives because the *Sagip* Lingayen Gulf Project had its own pool of human resources, outside the local government. For reasons of courtesy, the *Sagip* Lingayen Gulf Project coordinated their management activities with the LGUs, but no LGU personnel were directly involved in the project. On a positive note, however, the management and research inputs of the *Sagip* Lingayen Gulf Project were shared with the local governments to support the implementation of the ICRMP.

The *Sagip* Lingayen Gulf Project involved scientists who were responsible for the management of coastal issues relating to the destruction of marine habitats, destructive fishing activities, squatting, and pollution. It also involved legal experts to investigate the adverse impacts of the lack of appropriate national and local coastal laws and policies.

The integration of scientific and legal expertise through the *Sagip* Lingayen Gulf Project was a significant achievement in the Gulf's management. Combining science and law is an essential element of science management integration in coastal management. This form of integration refers to the incorporation of natural sciences, social sciences and engineering in information-sharing, planning and monitoring, and concerns economic, technical and legal approaches for effective coastal management (Chua 1993; English 2003; Harvey & Hilton 2006). However, the implementation of the *Sagip* Lingayen Gulf Project was too limited in scope and duration as it only operated in five LGUs for five years which restricted the ability to achieve its desired goals.

Furthermore, the ICM model was not employed as a management strategy in the *Sagip* Lingayen Gulf Project. The project focused largely on strengthening the dissemination of information regarding the state of the Gulf based on scientific

information as well as on addressing illegal fishing activities by promoting strict enforcement of coastal laws, thus, integrating science and law in the management process. The use of information dissemination drives was evidenced by the inclusion of coastal management in the public school education curricula as a topic for science subjects in elementary schools in selected Gulf municipalities. This was done to inculcate the value and importance of coastal resources and the need to protect and nurture these ideas in the minds of young students (Olsen 2000). Similarly, through a strict law enforcement strategy, interviewees pointed out that the project was a great help in reducing the incidence of illegal fishing activities in the municipalities within its coverage. However, inter-agency, local government and national political interactions among coastal management stakeholders in Lingayen Gulf and capacity limitations meant that "strict implementation" was difficult to obtain. The project ended after five years of implementation, and left some LGUs perplexed as to why their coastal areas were not included among the project sites, and others completely unaware of the existence of the project due to its limited scope and brief period of its implementation.

Having assessed the implementation of the various coastal management initiatives in the Gulf, this research has found that there has been no fixed coastal management framework or permanent organization structure in the Lingayen Gulf. Each of the previous coastal management initiatives had its own management arrangements, but failed to institutionalize them in local governance. Thus, a significant majority of the interviewees made no mention of learning from these coastal management initiatives. This was in stark contrast to successful ICM projects in places such as Xiamen in China, Bunaken National Park in Indonesia and Danang in Vietnam, all of which were strongly supported by the local governments and became learning and working models for the design and implementation of other coastal management programs in China, Indonesia and Vietnam.

The limited success of Lingayen Gulf coastal management initiatives was reflected in the opinions of the local government interviewees who rated previous programs as not successful (55%), uncertain (30%) and successful (15%). There were 11 interviewees (55%) who strongly believed that despite various attempts to protect the coastal resources from degradation, coastal problems remained widespread in the Gulf. Two of these interviewees, both senior coastal management officers, indicated that rampant illegal fishing clearly explained the lack of success in the management efforts of the previous initiatives in the Gulf. Similarly, another interviewee from this group of 11 interviewees claimed that the *Sagip* Lingayen Project had been the most ineffective initiative because of a flawed management strategy. The interviewee pointed out that the project commenced with an information drive and implementation of other activities without encouraging community participation. On the other hand, six interviewees (30%) were not sure as to whether the previous management initiatives had actually been able to bring improvements to the condition of the Lingayen Gulf. The local government interviewees asserted that these initiatives had encouraged LGUs to intensify their coastal management intervention particularly through information dissemination programs. This had resulted in a modest positive impact on the prevention of illegal coastal activities. They admitted, however, that illegal fishing activities and coastal pollution were still among the major problems facing the Gulf. This was contested by only three interviewees (15%) who believed that

the previous coastal management initiatives in the Gulf had been successful and had resulted in an increased fish catch, enhanced community participation, reduced occurrence of illegal fishing, and strict enforcement of coastal laws. Such claims were refuted by the vast majority of the interviewees

Conclusion

It is evident that the management systems and processes adopted and applied in the Lingayen Gulf have not appropriately addressed the problems that have confronted its resources over a long period. Despite the limited success of the various initiatives, they have nevertheless provided the necessary groundwork for the development of a more effective management approach. The model of ICM, a comprehensive management framework that underscores collaboration among various sectors and agencies, is seen in this study as a necessary mechanism that can advance effective management arrangements in the Lingayen Gulf. The complete ICM model has not yet been applied in any of the coastal management initiatives introduced into the Gulf.

Decentralization was not the panacea for success in coastal management. While it gave LGUs a major role there were problems associated with effectively acting out this role. LGUs were unprepared, used to central domination, lacked the appropriate range of skills and knowledge, possessed organizational structures not necessarily geared to effective coastal management, suffered severe budget constraints and had to grapple with corruption. While decentralization formally entailed the assumption of the major coastal management roles by LGUs, central agencies still retained some authorities particularly the DENR and BFAR. The integration between the central government agencies was problematic because of overlapping mandates and competition over operational areas and funds. Integration of the central government agencies with LGUs was also fraught with difficulty. It was not so much a matter of hostility but rather one of less than desired levels of cooperation. The integration problems were compounded by the relatively minor supporting role played by the community sector. It was largely confined to participating in implementing plans designed by different levels of government and was not a significant contributor to decision-making. The research sector, while being active in some Gulf initiatives, did not integrate fully with LGUs and other sectors.

Despite the problems of integration as demanded by effective ICM approaches, the various initiatives that have been taken to improve coastal management in the Gulf should not be regarded as failures. There has been partial integration in all of the programs with later ones seemingly learning some lessons from earlier ones. Furthermore, there appears to be agreement among many stakeholders in different sectors that co-operation and collaboration are essential for effective coastal management. However, even if greater integration of effort and complementary resources is achieved on matters specifically relating to coastal management, the ICM approach still has its limitations. It does not have control over the many causes of poverty and rapid population growth and their effects on the coastal environment, but it may be able to mitigate the impacts of these problems through strict law enforcement, stakeholder cooperation and adequate management capacity of the implementing agency or agencies.

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Biosketches

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Economic Miracle and Upward Accountability: A Preliminary Evaluation of the Chinese Style of Fiscal Decentralization

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Abstract

There has been a growing interest in investigating the impact of Chinese-style fiscal decentralization in recent years. Some speculate that fiscal decentralization in China has led to the country's phenomenal economic growth. Chinese-style fiscal decentralization has evolved greatly over the past three decades. Asymmetric decentralization—expenditure remains decentralized with revenue being recentralized—replaced genuine decentralization in 1994 and resulted in a sea-change in central-local fiscal relations in China. Drawing on a close examination of the evolution of fiscal decentralization, this article suggests that upward accountability resulting from asymmetric decentralization and other factors has contributed to spectacular economic growth in China. Negative consequences of an assertive central government associated with asymmetric decentralization have also been investigated. The article argues that the Chinese government needs an institutional framework to rein in predatory behaviors of both the central government and local governments with an increasingly urbanized and globalized society in China.

Introduction

The scholarship on Chinese-style fiscal decentralization has grown extraordinarily in recent years. The evaluation of this fiscal decentralization in China has varied significantly. The Chinese-style fiscal decentralization was viewed as an ideal type of market-preserving federalism, one of the best among different types of federalism. It was argued that the Chinese arrangement for central-local fiscal relations was superior to that of constitutionally federal countries such as India and Brazil (Montinola, Qian, & Weingast 1995). By contrast, Chen, Hillman, and Gu (2002) point out that fiscal decentralization especially after the 1994 tax-sharing reform led to a grabbing hand of local governments as fiscally starving governments tended to prey on enterprises or individuals. That is, fiscal decentralization played a negative role in making a good business environment in China. While this debate continues, the bulk of literature on this subject has paid little attention to some broader issues and pondered the impact of different types of fiscal decentralization in China. Thus, the question in this paper is what has been the socio-economic impact of fiscal decentralization in China, especially since the emergence of asymmetric decentralization in the early 1990s. A related question is whether there are intermediate factors that exert influence over socio-economic development in China?

This article suggests that upward accountability resulting from asymmetric decentralization in combination with both expenditure decentralization and revenue recentralization explain the economic miracle in China. By comparing important mechanisms at work in China for making local leadership upwardly accountable, the article suggests that asymmetric decentralization has contributed greatly to aligning local interests with central interests and has prompted local governments to promote

economic growth blessed by the center. A by-product has been underfunded social welfare due to an over-emphasis on economic development resulting from distorted incentives in Chinese bureaucracy.

The article is structured as follows. The first section reviews the explanations of the economic miracle in China and casts doubt on the linear relationship between economic development and fiscal decentralization in the 1980s. The second section provides an overview of an intermediate factor—upward accountability—for explaining phenomenal economic growth in China. That is, upward accountability, which has been strengthened by asymmetric decentralization, has increased the organizational capacity of the Chinese government at both central and local levels, and has led to remarkable economic growth. The third section compares three mechanisms at work in enforcing upward accountability while the fourth section briefly evaluates the negative consequences of the current central-local arrangements in China. The fifth section sums up and presents policy implications.

What Explains the Economic Miracle in China?

China's double-digit GDP growth over the recent decades has drawn great attention to the reasons behind this economic miracle. Among various reasons, decentralization has been identified as playing a significant role in improving organizational capacity and promoting economic development in China (Montinola et al. 1995; Nee, Opper & Wong 2007). Scholars argue that decentralization in the form of market-preserving federalism has been much more instrumental than *de jure* federalism in improving central-local relations and governments' organizational capacity around the world (Montinola et al. 1995; Qian & Weingast 1996). According to Montinola et al. (1995), China is an ideal model of market-preserving federalism that features stable and irreversible intergovernmental relations. This type of federalism can commit the government to protect the market and improve public services through self-enforcing mechanisms (Qian & Weingast, 1996; Weingast 1995). Montinola et al. (1995: 55) have listed the defining elements of market-preserving federalism. These are:

> F1. A hierarchy of governments with a delineated scope of authority (for example, between the national and subnational governments) exists so that each government is autonomous within its own sphere of authority. F2. The subnational governments have primary authority over the economy within their jurisdictions. F3. The national government has the authority to police the common market and to ensure the mobility of goods and factors across subgovernment jurisdictions. F4. Revenue sharing among governments is limited and borrowing by governments is constrained so that all governments face hard budget constraints. F5. The allocation of authority and responsibility has an institutionalized degree of durability so that it cannot be altered by the national government either unilaterally or under the pressures from subnational governments.

Post-reform China has met the criteria of market-preserving federalism (Montinola et al. 1995). By contrast, Argentina, Brazil, and India, although being constitutionally federal countries, fell short of some core elements of market-preserving federalism (Montinola et al. 1995). One of these is the strong, positive role played by Chinese local governments. Weingast (2009: 282) explains that: "Since 1980, subnational governments have exercised wide ranging policy and fiscal independence, allowing them to innovate

pro-market policies and provide market-enhancing public goods". In short, there is a positive correlation between fiscal decentralization and economic miracle in China.

The same period has witnessed the emergence of local state corporatism as an element of market-preserving federalism and as a contributor to the Chinese economic miracle. In her classic work of applying state corporatism to China, Oi (1992: 100) argues that:

> Fiscal reform has assigned local governments property rights over increased income and has created strong incentives for local officials to pursue local economic development. In the process local governments have taken on many characteristics of a business corporation, with officials acting as the equivalent of a board of directors. This merger of state and economy characterizes a new institutional development that I label local state corporatism.

Thus, decentralization has enabled market-preserving federalism and local state corporatism which together have contributed to strong, locally directed economic growth.

Nevertheless, a recentralization of fiscal power was introduced by the central government in 1994, resulting in a sea-change of central-local relations in China. Whether market-preserving federalism remains a valid characterization is an open question. As shown in Figure 1, since the tax-sharing reform in 1994, the central share of government revenue has increased dramatically. The share of central government revenue in total revenue jumped from 22 percent in 1993 to 55.7 percent in 1994. It has remained at over 50 percent in subsequent years. Meanwhile, the ratio of central expenditure to the national aggregate declined steadily. This means that local governments' fiscal burdens have increased steadily. With meager revenue, local governments have needed to respond to escalating demands for public services. But, the gap between local revenue and expenditure has broadened significantly after 1994. As noted by Chung (2011), marketization and privatization will further enhance the demands for public goods provision, such as social welfare, from the local state in future years.

Figure 1. Central Share of Government Revenue and Expenditure (%)

Source: *China Statistical Yearbook*, 2010

A recentralization of government revenue had other profound practical implications. For one thing, local governments were left with not only shrinking financial resources[1] but also dwindling decision-making power as compared with an increasingly assertive central government. The organizational capacity of local governments was harmed because of the difficulty of reconciling increasing demands for services with inadequate income. As suggested by Zhou (2010), there have been some significant changes with regard to Chinese central-local relations after the tax sharing reform.

> What is distinctive about the Chinese bureaucracy in recent years includes both the growing scope of policy areas and the greater extent of centralization in resources and decision-making authority, as compared with other national governments or the Chinese government in the early years of reform (Zhou 2010: 57). [2]

In addition to the above changes, some new developments in the organizational structure of the Chinese government have further modified central-local relations. For example, several important government departments have been recentralized to the central authority in recent years, thereby creating "soft centralization" in China (Mertha, 2005). Originally, in order to stimulate economic growth, the central government decentralized administrative power to local authorities during the 1980s. This strategy enabled local governments to regulate the market and provide public goods as the problem of information asymmetry was less serious at the local level. However, decentralized management gave rise to local protectionism and rent-seeking in the local state. Thus, in recent years, many government departments, especially those in charge of market regulation, have been recentralized to the central government. Despite these significant changes in the government's organizational structure, market regulation, such as for food safety, has not improved significantly.

Given the landscape of decentralized governance in China has been modified and that fiscal decentralization was seen as having a major positive impact on economic growth, what, then, explains the continuing remarkable growth of the Chinese economy after the 1994 recentralization? Economic growth averaged 17.79 percent between 1978 and 1994 and 15.59 percent between 1994 and 2010. Thus, what was the impact of fiscal decentralization, especially asymmetric decentralization, on socio-economic development in China? How have the intermediate factors such as upward accountability worked in reality?

Upward Accountability and Organizational Capacity

We argue that upward accountability—wherein government officials are held accountable to higher authorities instead of the general public—has a significant impact on government organizational capacity in China. As public grievances have emerged alongside the economic miracle, public officials' upward accountability nonetheless may cause turmoil and social instability in the country in the future.

Traditional fiscal decentralization theory posits a positive relationship between downward accountability (caused by political decentralization) and government performance. Simply put, the government acts like a business person, offering a package

of services and goods which are paid for by people through taxes. If people find that a given local government overprices its services and goods, they may respond by moving out of the given locality. When fiscal decentralization exists, local governments should improve their performances given they need to respond to voters' preferences (Tiebout 1956).

In an authoritarian country, the above assumption may not hold true. Upward accountability instead can align local interests with central ones and improve the organizational capacity and coherence of the government, thereby making economic policy, favored by both the central and local governments, more successful.

What makes upward accountability occur? We suggest that the personnel control system, performance evaluation, and intergovernmental fiscal relations lead to upward accountability which has had a significant impact on economic growth in China. As widely recognized, the top-down, Soviet-style personnel control system plays a vital role in improving upward accountability. As shown in Table 1, the personnel control system, embodied as *nomenklatura*, can contribute to maintaining and strengthening upward accountability. The performance evaluation system as seen in the target responsibility system plays a comparable role. Like the *nomenklatura* system it too has some influence in making local governments accountable to the central government. Asymmetric decentralization with a combination of revenue centralization and expenditure decentralization is exceptionally effective in boosting both the central control and the government's organizational capacity, which have been instrumental for economic growth in China.

Table 1. Mechanisms Related to Upward Accountability

System	*Mechanism for Strengthening Upward Accountability*	*Effectiveness for Upward Accountability*
*Nomenklatur*a	Top-down personnel appointment	Effective with some exception
Target responsibility system	Incumbent job evaluation	Effective with some exceptions
Asymmetric decentralization (expenditure decentralization with revenue recentralization)	Financial resource	Effective

Source: the author ▪

The Nomenklatura System

The principle of "the Party managing cadres", characterizing the Chinese administrative system, has long been the core of the organization of the Chinese government since the founding of the People's Republic of China (PRC) (Burns 1999). Modelled on the Soviet system, *nomenklatura* has been at the forefront of "Party managing cadres" in China. *Nomenklatura* means "a list of positions, arranged in order of seniority, including a

description of the duties of each office" (Harasymiw 1969: 494). In contrast to many political leaders being selected by voters in democracies, the leadership selection in socialist China relies on the *nomenklatura* system, which means that the Party-handpicked cadres are appointed. The central government formulates the selection criteria and chooses the important cadres such as provincial governors with local governments having their own selection systems parallel to the central one. Though not being a constitutional rule, *nomenklatura* remains central to the Chinese administrative system.

The Central Organization Department, one of the most powerful ministries in Beijing, is in charge of the *nomenklatura* system. They select two types of leading cadres with one being approved by the Central Committee of the Chinese Communist Party (CCP). Ministers and provincial governors, for example, are approved and appointed by the Central Committee. Bureau heads of a given ministry, being viewed as less important appointments, are instead approved by the Central Organization Department. The selection serves several purposes. First, it can form a patronage system for rewarding Party supporters and factional allies and for punishing enemies. The patronage linkage is vital to the survival of the CCP; thus, the Chinese central government is attached to the *nomenklatura* system (Burns 2006). Second, the selection process substantially enhances the organizational capacity of the state. As direct election makes politicians aware of their responsibilities and constraints, the *nomenklatura* system enables leading cadres in China to understand their positions and responsibilities in the authoritarian state. Under the *nomenklatura* system, local leaders are held accountable to their higher authorities based on the appointments of senior cadres from Party members.

The *nomenklatura* system remains almost intact in the history of the PRC except a small adjustment in 1984. Prior to 1984, the appointments of municipal governors[3] had to be approved by the central government. As the Chinese government constituted five tiers, the distance between the central government and municipal governments was relatively long. In many cases, the central government was not familiar with the backgrounds of municipal governors. More importantly, the workloads of the Central Organization Department were enormously heavy during that period. Thus, the central leadership decided to replace the "two levels down" system with the "one level down" system wherein politicians in China were selected and appointed by the next higher authority. It meant that municipal governors were appointed by provincial governments while provincial leaders were selected by the central government. This is the system still operating today

The Target Responsibility System

Leading cadres in China are controlled by the "target responsibility system" (*mubiao zerenzhi*). Parallel to *nomenklatura*, next higher authorities prescribe detailed, numerically defined tasks for local leading cadres to implement (Chien 2010; Tsui & Wang 2004). The target responsibility system has evolved greatly since its birth in the 1990s. One of the salient changes in recent years has been the increasingly specific and quantitative nature of the targets (Whiting 2004, 2006). Each task is given a weight and higher authorities in China therefore can exert their control over local governments

through adjusting the weight of given tasks in the total evaluation score for local leaders. For example, in a bid to promote economic development, higher authorities required the GDP and GNP growth rate to be given a higher weight in the evaluation system for local leadership. Several empirical studies have found a positive relationship between economic performance and leadership promotion (Chen, Li &Zhou 2005). It means that once local leaders perform well in promoting the local economy, their chances of being promoted to higher positions increase. Chen, Li and Zhou (2005: 422) observed that "the Chinese central government consciously motivates local officials by linking their turnover to economic growth". Meanwhile, regional governors with better economic performance and revenue generation, as Bo (2002) has noted, are less likely to be purged. Recent evidence suggests that revenue generation, not GDP growth, matters greatly in affecting cadres' promotions (Shih, Adoph, & Liu 2012). It remains an open question as to whether and/or why the central government has shifted its emphasis from economic growth to revenue generation. Empirical evidence nonetheless has testified that the central government can leverage the performance evaluation system to emphasize central control and pertinent upward accountability.

In brief, the target responsibility system contributes substantially to upward accountability in the Chinese government. Local leaders are instructed to accord great attention to tasks weighted heavily by the central government. Good performers in implementing these tasks are rewarded with promotions within the hierarchy. This contract-like target responsibility system, along with the *nomenklatura* system, in effect induces local leading cadres to toe the Party line wholeheartedly. Based on *nomenklatura* authority, provincial governors must listen to central supervisors while municipal governors should listen to the provincial governors. Under the target responsibility system, local leading cadres must be vigilant regarding central policy and respond to it carefully and vigorously.

Asymmetric Decentralization

Asymmetric decentralization in China refers to fiscal decentralization on the expenditure side with revenue being recentralized. Expenditure decentralization usually goes hand in hand with revenue decentralization. However, asymmetric decentralization generates a vertical fiscal gap as local governments have to provide the bulk of public services while receiving limited fiscal resources. Thus, the functions of local governments should depend on central sponsorship at least financially.

The intergovernmental fiscal relationship has evolved along a zigzag path in China. The fiscal system was substantially decentralized between 1978 and 1994. Some factors facilitated fiscal decentralization during the period. First, fiscal decentralization was expected to improve state capacity, such as fiscal capacity to provide basic public services, as there was a concern about the state's fragile revenue generation capacity. The fiscal system in China was originally borrowed from the Soviet Union and involved heavy reliance on industry profits for revenue (Wong, 1992). The development of state-owned enterprises was thus vital to government income and functions. During the early period of the economic reform, local state-owned enterprises contributed greatly to

economic development across the board. As the government obtained its income largely from local enterprises, improving local leaders' enthusiasm to promote enterprise development was crucial to enhancing the fiscal capacity of the state.

Second, the central government had to decentralize its fiscal power at that time. The country's administrative system collapsed during the Cultural Revolution in the 1960s and 1970s. In the 1980s, the fiscal bureaucracy had just started to restore its organizational capacity. Despite top-down rebuilding, the central government had no real authority over financial resources controlled by local authorities. The Ministry of Finance thus had to adopt a decentralized fiscal system. Intriguingly, the officials in the Ministry of Finance argued that decentralization was actually a means to tighten up rather than give up control over local governments because the central government could learn about the real situation of local governments (Shirk 1990). While giving up some power, the central government could improve its monitoring capacity because local governments were thought to be more willing to reveal their financial situations when they had full control over local financial activities.

Third, it was believed that decentralization could improve local fiscal discipline over the long run. As noted by Wong (1992), financial activities in the planned economy were expenditure-oriented; the revenue side of public finance needed not to be seriously considered. In the decentralized system, local governments had to bear the responsibility of overspending. If local governments spent beyond their means, they would be judged to have failed both politically and economically.

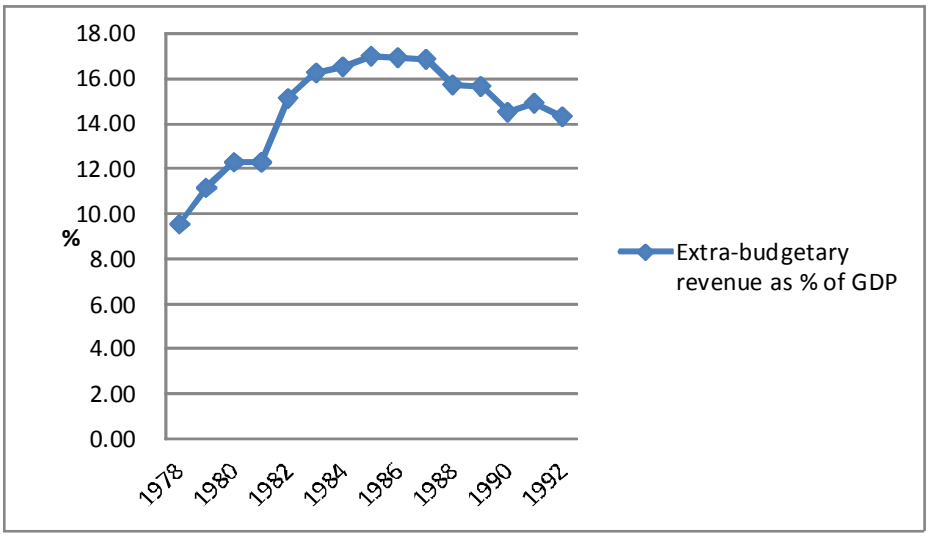
Last but not least, the central leadership employed decentralization as a way to consolidate power. During the early period of the post-Mao period, the paramount leader Deng Xiaoping attempted to sideline Mao Zedong's chosen successor and other opposition leaders in order to carry out his own plan for the country's future. The cooperation of provincial leaders was important to the success of purges within the Party. Fiscal decentralization with local governments raising and retaining a large share of government revenue was attractive to local leaders and could be exchanged for their support.

Fiscal decentralization in the 1980s, also termed as "playing to the provinces" in China, evolved into a combination of top-down and bottom-up initiatives. Soon after the economic reform, Jiangsu Province, a coastal locality in China, proposed to implement a blanket decentralization policy covering issues ranging from material allocation to financial management. As far as financial management was concerned, a "fixed rate responsibility system" was imposed in this province with the provincial government retaining 42 percent of government income. In addition, the central government would not intervene in its expenditure arrangement but Jiangsu Province had to make ends meet on its own (Oksenberg & Tong 1991; Shirk 1990; Wong 1992). Deemed successful, the Jiangsu decentralization model was promoted to the whole country and the majority of localities in China adopted this revenue sharing model before the overhaul of the fiscal system in 1994 (Wong 1992).

The revenue sharing system adopted in the 1980s in China was a variant of fiscal decentralization. As predicted in the theories of fiscal decentralization, public services at the local level should improve while fiscal discipline can be strengthened when both expenditure and revenue powers have been devolved to local governments. In the Chinese context, the most significant change brought by the above revenue sharing system was the substantial alternation of the incentives of local cadres. The tie between economic development and public officials' careers was strengthened. In short, fiscal decentralization during this period led to positive consequences such as improved living conditions for citizens. The poverty rate in China measured as US$1.0 per day per capita declined substantially from 73.5 percent in 1981 to 31.1 percent in 1993 (Chen & Ravallion 2008).

An unintended consequence of the revenue sharing system in the 1980s was that the central government became a loser financially. The Chinese government relied heavily on enterprise-based revenue during the early period of economic reform. However, central government revenue from giant SOEs nonetheless declined sharply over time because economic reform and the open-door policy weakened the state monopoly over industry, and small, private enterprises seized market opportunities (Naughton 1992). The rise of the non-state sector substantially reduced the profitability of bureaucrat-run SOEs. Therefore, the central government profited less and less from centrally-controlled enterprises. Worse still, local governments hid their revenues in order to improve their situations and this further eroded the base of central revenue. In many cases, local governments diverted incomes from their SOEs to the non-state sector (Wong 1992). Consequently, extra-budgetary revenues remained high during this period. As shown in Figure 2, the extra-budgetary revenue nationwide accounted for 9.52 percent of GDP in 1978. It soon increased to 15 percent in 1982, and hovered between 14 percent and 16 percent during the period 1983 to 1992.

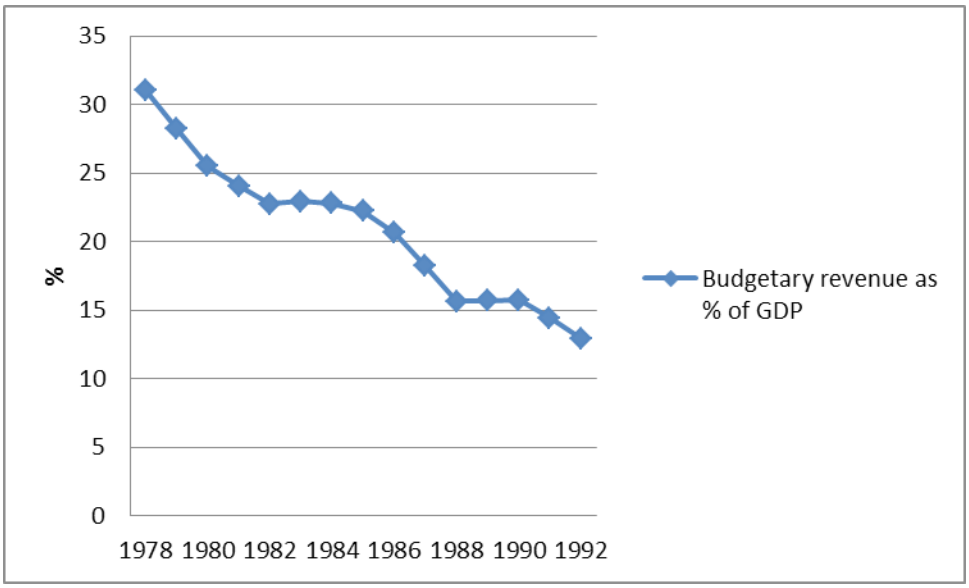
Figure 2. Extra-budgetary Revenue Nationwide, 1978-1992



Source: *China Statistical Yearbook*, various years.

The problem of a financially weak central government gained the attention of central policy makers and some prominent scholars in the late 1980s and early 1990s. Wang and Hu (1994, 1999), among others, voiced serious concern about the decline of the fiscal capacity of the central government. They argued that there had been a continuous deterioration of the ratio of government revenue to GDP and that of central revenue to the total revenue ("two ratios") in China after the introduction of the revenue sharing system, which led to weaker government capacity in macroeconomic management.[4] As suggested in Figure 3, national aggregate budgetary revenue was 31.06 percent of GDP in 1978 but it plummeted to 12.94 percent in 1992. While central revenue as a proportion of the total revenue increased from 15.52 percent to 40.51 percent between 1978 and 1984, between 1985 and 1992. The share declined to less than 30 percent.

Figure 3. National Budgetary Revenue as a Percentage of GDP, 1978-1992



Source: *China Statistical Yearbook*, various years.

The World Bank (1995: 24) also encouraged the Chinese central government to take action to improve its macroeconomic management:

> [T]he excessive devolution of decision-making responsibility to lower levels of government has combined with insufficient enterprise and bank autonomy to impair central government control over the size of the deficit. It concludes that some recentralization of administrative authority is necessary to stop the decline of government revenue, to bolster central government control over the scale of local government investment expenditures, and to restore budgetary discipline.

Against this backdrop, in 1993, a new relationship was negotiated between the central government and provincial governments which led to the tax sharing system (TSS) in 1994. Unlike the revenue sharing system of the 1980s, the TSS guaranteed the central

share of government revenue. First, the central government set up a national tax system reaching down to the lowest government level. Tax bureaus at various levels now collected both central taxes and shared central-local taxes. The central government then sent back money in the form of central subsidies or tax rebates to local governments. Second, some stable and easily collected taxes such as value-added tax were claimed as the central or shared central-local taxes (World Bank 2002). In many cases, the central government could assume the upper hand as it now had the choice of helping out local governments or declining requests for central transfers.

There were some positive changes brought by the TSS. Thus, Wang (1997) argued that negotiated, unstable central-local fiscal relations were replaced by institutionalized fiscal management. Rules delineated the tax remits separately to central and local coffers, thereby raising the efficiency and predictability of revenue generation and allocation. The fiscal formulas introduced to govern the central transfers reduced rent-seeking behaviors associated with central transfers.

The extractive capacity of the central government improved greatly after 1994. The share of government revenue in GDP and central revenue in the total revenue ("two ratios") increased considerably after the TSS. As illustrated in Figure 1, the central share of government revenue jumped to 55.70 percent in 1994. The share has remained relatively stable since then and was 53.29 percent in 2008.

Although revenue was recentralized, the expenditure side still remained decentralized. It has resulted in a predicament for local governments that they need to pay for increasing demands for public services while possessing far less revenue than previously. According to the World Bank (2002), compared with other countries, the local state in China bears unreasonable burdens in providing public services. About 70 percent of budgetary expenditures on education and 55-60 percent of those on health care are provided by governments at the county and town levels. In addition, governments at the municipal and county levels assume 100 percent expenditure responsibilities for unemployment insurance as well as other social security items (World Bank 2002). With the acceleration of urbanization in China, local governments with urban populations have assumed more fiscal responsibilities over the past decade (Wong 2005).

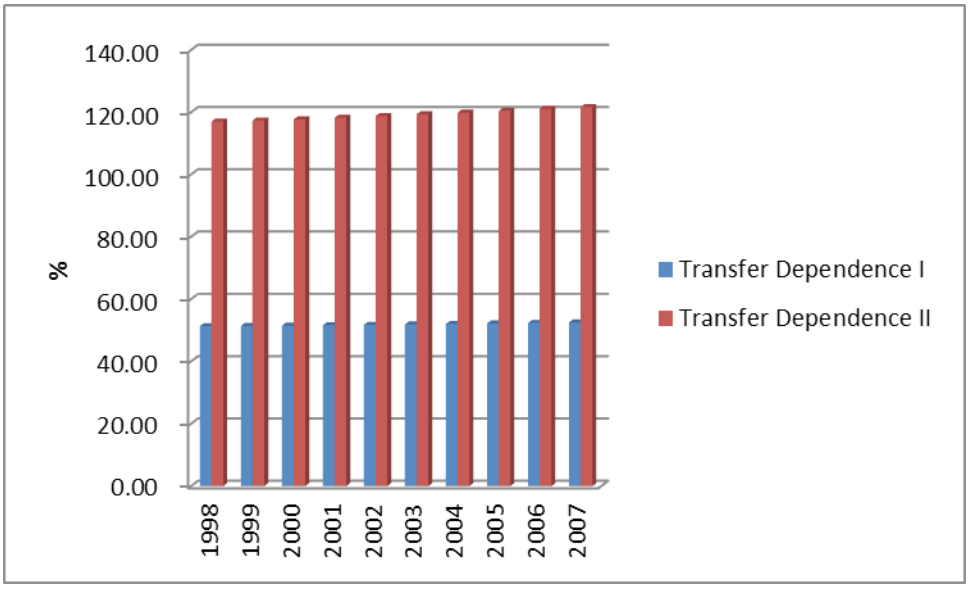
This led the World Bank (2002: 36) to observe that:

> Over the past two decades, there has been a considerable devolution of expenditures to local governments, which are responsible for day-to-day government administration and the provision of social services while at the same time the Tax Sharing System has re-centralized revenue assignments. These two policy thrusts have created vertical fiscal gaps, which have not been offset by inter-governmental transfers.

When examining public finance at the county level, Guo (2008) and Shi and Zhang (2007) found that without central transfers, the majority of county governments in China could not survive financially. In many cases, local governments even could not pay their employees at the rates set by the government (Gong & Wu 2012). Many civil servants are unhappy with pay arrears, a situation that contributes to corruption.

The central government seems aware of the situation. Central transfers are intended to mitigate local fiscal predicaments. Based on a provincial panel dataset (excluding Tibet) between 1998 and 2007, we find that the transfer as a percentage of local expenditure (named as Transfer Dependence I) increased from 51.33 percent to 52.54 percent during the period while the transfer as a fraction of local budgetary revenue (Transfer Dependence II) rose from 117.04 percent to 121.67 percent (see Figure 4). Among all localities, poor regions received much higher central transfers. For example, the Transfer Dependence I in the richer South-East Region (Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, and Jiangxi Provinces) was 39.39 percent in 2007. Meantime, it was 72.19 percent in the poorer North-West Region (Gansu, Qinghai, Ningxia, and Xinjiang Provinces). For Transfer Dependence II, it was stunningly high at 255.95 percent in the North-West Region while it was only 67.28 percent in the South-East Region. Drawing on the data of Transfer Dependence II, we can infer that many local governments' functions rely on central sponsorship even in richer regions.

Figure 4. The Share of Central Transfer in Local Expenditure and Revenue, 1998-2007



Source: *China Fiscal Yearbook*, 1999-2008

The World Bank (2007) reports an intriguing finding that compared with industrialized and developing countries, transfer dependence in China was not significant in the 1990s. However, since the late 1990s, the transfer dependence in China has been very high (see also Bahl & Wallace 2004). Two factors explain the trend. First, the impact of the 1994 tax sharing system on local public finance has involved a declining relative share of local revenue. Second, the popular demand for improved public services, especially education and social welfare, has increased in recent years. With an enlarged revenue gap, central transfer is fiscally essential for the local state.

Fiscally weak local governments contribute to upward accountability. Local governments have to rely on central transfers for balancing their budgets. Thus, local leaders tend to improve their connections with higher authorities rather than ordinary citizens because substantial revenues come from the central government instead of individual local taxpayers. Furthermore, after the Chinese government abolished the agricultural taxes on rural China, upward accountability intensified because the influence of tax payers became much weaker in rural areas (Kennedy 2007).

A Comparative Analysis of Three Mechanisms

There have been three mechanisms for promoting upward accountability in China: the *nomenklatura* system, the target responsibility system and asymmetric decentralization. Among the three, asymmetric decentralization has been the most effective in creating upward accountability. As noted previously, the *nomenklatura* system governs leadership selection in authoritarian China compared with competitive party systems and merit-based civil service systems in Western democracies. In order to get promoted in China, local leaders are keen to implement directives from higher authorities, a situation that fosters upward accountability. The *nomenklatura* system nonetheless does not always increase regional leaders' accountability towards higher authorities. For example, incumbent local leaders may not be interested in further promotion and can thus refrain from toeing the party line too closely. In some cases, subnational leaders may respond to local demands even at the expense of central interests. As the *nomenklatura* system does not govern the after-promotion situation, the personnel control system has not always been effective in ensuring universal upward accountability. Parallel to the *nomenklatura* system, the target responsibility system has played a similar role in generating upward accountability. It has been more effective in keeping local cadres in check as higher authorities can punish bad performers based on performance evaluations. Nevertheless, given that the target responsibility system relies on the data reported from local authorities, data manipulations cannot be avoided in reality. Local leaders may have an incentive to "cook" the data in order to get positive feedback from central authorities.

Revenue centralization in tandem with expenditure decentralization makes upward accountability more salient. As already noted, most county governments run deficits. Local leaders must learn to please their bosses through enhancing their fiscal capacity as it is vital to the survival of both local governments and local leaders. Furthermore, the fiscal burdens of local governments have become much heavier in recent years as they need to tackle the escalating demands for both social services and infrastructure development. This situation is likely to be exacerbated with further urbanization as urban population will demand improved and higher quality public services. All of these factors mean that the revenue gap will become larger if the central sponsorship does not increase. Such central sponsorship will enhance upward accountability as local governments will need even more help from the central government.

The evidence presented in this article suggests greater upward accountability was promoted with the introduction of the tax-sharing system in 1994. This is supported by the World Bank (2007: 96) which reported that "These systems have elements of 'upward'

accountability of county governments as they require county governments to comply with higher-level mandates, …, and implement the projects and programs financed by earmarked transfers". Drawing on detailed fieldwork, Wu (2010) observed that local governments were paying increasing attention to central transfers for covering their expenses. For example, in a county in Hubei Province, the county government issued an official document to guide government departments and public workers in negotiating with higher authorities for more central transfers. Achieving successful outcomes in such negotiations would be rewarded with substantial money for both individuals and government organizations.

Impact of Asymmetric Decentralization on Chinese Socio-economic Development

Asymmetric decentralization has strengthened upward accountability in the bureaucracy in China. Genuine fiscal decentralization in the 1980s and early 1990s mitigated, to some extent, the need for upward accountability caused by the top-down personnel control because local fiscal sponsorship rather than central fiscal provision mattered most. As the central government's revenue largely relied on local remittances, "reciprocal accountability"[5] (Shirk 1990) rather than "upward accountability" applied. The thrust of reciprocal accountability was to strengthen checks and balances within the bureaucracy in communist countries. With regard to fiscal decentralization in the 1980s and early 1990s, checks and balances between central and local governments seemed to function well.

The tax sharing system broke the equilibrium as local governments came to rely on central sponsorship for implementing central mandates and providing basic public services. Vertical checks and balances have become much weaker as local governments have no effective resources or authority for checking the central government. In the 21st century, central fiscal sponsorship in China has grown increasingly important for the local state compared with the earlier periods.

Negative consequences can appear when asymmetric decentralization in association with both the *nomenklatur*a system and the target responsibility system, strengthens upward accountability. The single-minded pursuit of GDP growth has produced some negative effects. The Chinese government preoccupation with economic growth derived from the CCP's perceived need to demonstrate visible achievements in order to justify its rule. The Chinese government has invested enormously in promoting GDP growth in recent years although the central leadership has paradoxically criticized this phenomenon. The huge economic growth in China has not resulted in full "trickle-down" effect as many lingering development issues still face the Chinese government. The central government has announced a shift in its development priorities from economic development to social welfare provision in recent years. But, the central government is still highly committed to economic growth. Furthermore, the interactions between central and local governments are complex and local governments may still maintain an emphasis on economic development even if the central government has announced a changed policy. As noted, good performers in promoting economic development and

revenue generation still have better chances of being promoted. Therefore, modification of the government's rhetoric will not lead to substantial changes of central-local relations in China.

Conclusion and Policy Implications

This study untangles Chinese style fiscal decentralization in the context of broader development issues, especially the country's economic miracle. We argue that upward accountability in the 1980s and 1990s contributed to double-digit economic growth in China. However, it was strengthened by asymmetric decentralization after 1994 and continued to promote GDP growth producing impressive results. But, upward accountability reinforced by Chinese style fiscal decentralization in recent years has also resulted in negative development consequences such as increasing socioeconomic inequalities.

Any federation or quasi-federation like China faces a thorny dilemma: an assertive central government may encroach on local autonomy while a weak center may give rise to the common-pool problem or local protectionism among subnational territories. While China has installed a unitary system, it nonetheless contains some variations of fiscal federalism. A strong top-down control system has come to characterize the Chinese-style fiscal decentralization in recent years making the likelihood of a predatory center more of a possibility than in other federations. As demonstrated in this study, the central government regained the upper hand with regard to control of government revenue in 1994, thereby paving the way for enhanced upward accountability in China. A strong central government may be beneficial in maintaining well-functioning macroeconomic management and in improving income distribution, but an assertive center with both enhanced fiscal capacity and personnel control could infringe on local autonomy and lead to distorted incentives for local leaders. The obsession with GDP growth despite unfavorable public sentiment toward this orientation continues to dominate the local state in China and has produced some negative consequences.

The Chinese central government has the ultimate power to police local regions. However, no institutional framework can rein in central predatory behaviors in reality. Thus, as noted by de Figueiredo, McFaul, and Weingast (2007: 184), "constitutions and pacts as coordination devices for the subnational governments against the center's potential abuse of its policing authority to extract rents" are vital in maintaining well-functioning intergovernmental management. Not denying the importance of central coordination in an increasingly urbanized and globalized society, we suggest that the Chinese government needs an institutional intergovernmental framework for maximizing public welfare instead of favouring either central or local governments' self-interests.[6]

Notes

[1] The absolute amount of public money at local governments' disposal has increased since 1994. Nevertheless, compared with escalating demands on government spending, local financial resources are far from sufficient.

[2] Several scholars have made similar observations. See Hsu (2009) and Tsui and Wang (2004).

[3] The Chinese government includes five tiers of governments, namely central, provincial, municipal, county and township.

[4] Nevertheless, as noted by Chien (2010), the Chinese central government performed much better than other developing countries in controlling inflation at that time. Thus, a financially weak central government might not denote a weak capacity in macroeconomic management.

[5] When examining leadership selection within the CCP, Shirk (1990) observed that reciprocal accountability existed within the party as junior party members elect party leaders; party leaders in turn should be accountable to ordinary party members.

[6] Therefore, political commitment to a balanced system of intergovernmental relations rather than fiscal sponsorship by the central government will becrucial for China's future (see Wu, 2013).

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Biosketch

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Changing Practice in Community Governance in Australia

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Abstract

The ways in which local councils manage relationships with the communities they serve are undergoing significant change, partly as the statutory frameworks for local governments themselves change, and partly in response to changing community expectations. This paper provides an overview of the evolution of community governance in Australia considering both local government practice and the unique role of the community banking network of the Bendigo Bank. It is contextualised by an examination of recent literature on governance, which supports a series of interviews/ case studies. A wide range of innovative practice is identified, implications are drawn for local government structure and practice and recommendations made both for strengthening community governance and for further developing the relationship between local government and community banking.

Introduction

Australian local governments have gradually become more involved in various forms of engagement with the communities they serve. In New South Wales and Queensland a major factor has been the recently introduced statutory obligation to prepare 10 year community strategic plans with an emphasis on community engagement. In other states greater involvement has had more of a voluntary aspect, although occasionally encouraged by state government, notably in Victoria through the state government-supported initiative to encourage community planning.

Research literature points to a growing academic, activist and policy interest in how governing bodies engage with the communities they serve – the UK policy evolution through total place to big society and the open public services white paper; the Canadian co-design initiative now being considered in Victoria (Lenihan & Briggs 2011); and New Zealand's experiments with community outcomes. These initiatives suggests a shift in priorities at the level of citizen from working through the electoral process to 'network', 'customer' and 'participatory' democracy as preferred means for engaging with citizens' priorities – which are increasingly person or place specific.

A recent project reviewing current Australian practice and understandings of local government reform (Aulich et al. 2011) to which this author contributed noted a growing shift from government to governance, with communities seeking new ways of engaging with local government. Separately, the researchers were also aware of a unique Australian initiative, the community banking network of the Bendigo and Adelaide Bank, as something which could present an additional dimension to community engagement.

Each branch within this network of individual community owned banking franchises distributes a proportion of profits for community purposes. Individual branches in making

distribution decisions have been gradually moving from relying primarily on the local knowledge and networks of branch directors to various forms of engagement intended to identify their communities' priorities, a move which suggests a possible parallel with the community engagement practices of local government.

Research Rationale

This research was initiated as a first step in improving understanding of how Australian local governments were working with their communities and the extent to which this represented a shift in the nature of governance – from a traditional local government decision-making mode, to approaches which, in varying degrees were involving communities in decisions which affected them. The opportunity to consider parallel processes within community banking was seen as a useful additional way of gaining an insight into governance at a community level.

The purpose of the research had four aims. The first was to obtain an initial overview of how local governments' involvement with their communities were evolving. The second aim was to compare and contrast this with changes within community banking as a means of gaining further insight into the nature of community governance. The third aim was to identify any emergent issues which might benefit from further research while the final aim was to consider recommendations deriving from the research which might facilitate the further development of community governance.

The Research Approach/Methodology

The research was a joint undertaking between McKinlay Douglas limited[1] and the Australian Centre of Excellence for Local Government with the support of Local Government Managers Australia, the Municipal Association of Victoria and the Bendigo and Adelaide Bank.[2]

Three different methodologies were employed to provide an overview of developments in community governance. First, there was a literature review of both general and Australian literature.

Second, a series of exploratory interviews was conducted with people from selected councils and community bank branches. No attempt was made to select a sample from either local government or community banking which could be seen as statistically robust. Instead, the researchers were looking for a range of experiences which would provide an overview of some of the innovations they believed were taking place within both sectors, and which could serve as the basis for developing a more substantial research programme if the initial findings suggested that this would be merited. Accordingly, the researchers selected 13 councils from across Australia drawing on their own personal knowledge and networks to choose councils whose experiences with community engagement and community governance were expected to provide valuable insights. The same approach was taken to selecting the six community bank branches.

Third, interviews with experienced practitioners or observers. Four were from or with long experience of local government, and four were from the community banking sector.

Findings

This research's purpose was to provide an overview rather than to be definitive on the future of community governance. It revealed a great deal of promising innovation and some significant policy and practical challenges if the innovations' potentials are to be fully realized.

The findings indicated a number of areas in which further work should be conducted in order to improve community governance. The first of these findings was that the complexity of regulatory and compliance requirements was becoming a real barrier to effective community governance. Second, greater clarity was required concerning the roles of elected members and officers in engagement/governance. Third was consideration of whether a community governance approach may require a shift from functionally-based to place-based local government. Finally, the research identified the need for capacity-building, both for elected members and members of the community.

Facilitating closer working relationships between local government and community banking (and for that matter other business based initiatives with a commitment to improving community outcomes) emerged as another area for attention.

Defining Community Governance

An essential element in this research was to develop a working definition of what was meant by community governance. Drawing on relevant literature and the information provided in interviews, the researchers chose to define 'community governance' as a collaborative approach to determining a community's preferred futures and developing and implementing the means of realising them. In practice it may or may not involve one or more of different tiers of government, institutions of civil society, and private sector interests. On this view the critical issue about the definition of 'community governance' is not whether clear and specific boundaries can be set around it but whether it has utility in the sense of improving understanding of how decisions which affect a community's future are best taken and implemented.

The Literature Review

An extensive review of literature on the changing role of local government, especially in terms of governance, supported the researchers' initial hypothesis that a very significant shift was beginning to take place in how local authorities and the communities they served approach issues of governance. For Australia, this can be seen most overtly in the statutory frameworks regulating local government in the different states.

International research suggests that a statutory shift is a general trend, and one which is complemented both by changes of practice within local government and by community expectations. This was also borne out by Australian research. The shift is still very much 'work in progress'. Thus, Aulich and Artist (2011: 59) in a review of citizen participation in local government in Australia conclude "for there to be real benefits from citizen engagement, consultation about public policy needs to move beyond the piecemeal and haphazard process that is evident in Australia today".

In Australia, the statutory framework regulating how councils work with their communities has undergone quite major change, most recently with the requirement in some states for the preparation of a community strategic plan. This is a change from an essentially instrumental approach to consulting on the activities of the council to the development of a long-term strategic perspective. As the guidelines for New South Wales' Integrated Planning and Reporting Framework express it, "The purpose of the plan is to identify the community's main priorities and aspirations for the future and to plan strategies for achieving these goals." (DLG 2010:7 and).

In summary, the themes identified in the literature review included the changing nature of engagement, what is meant by "community", a shift to devolution and changes in the understanding and practice of governance. Each of these themes is dealt with in detail below.

The Changing Nature of Engagement

Internationally, the literature reports a significant shift in the way in which people wish to engage with their local authorities with the downshifting from conventional electoral representation more towards consumer, network and participatory democracy (Haus & Sweeting 2006, Schaap et al 2009). The relationship between local authorities and their citizens is also changing. In Australia, turnout at local authority elections has been in decline (Russell 2004). In England declining electoral turnout has been associated with factors such as increasing representation ratios, and weakening trust in local government with citizens feeling more distant from their councils (Purdam et al 2008; Sorabji 2006). More recent European research suggests a shift from electoral participation to other forms of engagement - consumer, network and participatory democracy – as citizens focus more directly on the specific issues which concern them (Haus & Sweeting 2006; Schaap et al 2009).

What is Meant by "Community"

Central to the workings of local government is an understanding of what is meant by the term 'community'. The legal mandate of councils is normally expressed in terms of 'the community' without any clear statement of what the community might actually be but with the implication that it is the geographic district administered by the council. Victorian legislation requires the council to be "responsible and accountable to the local community". Councils in New South Wales (and other jurisdictions) are required to prepare a community strategic plan.

Both the literature and local government practice suggest that the meaning is complex, and in different circumstances, can have different implications. Blacher (2006: 11), the head of the then Department for Victorian Communities, observed that "by communities we should include communities of interest and identity as well as traditional communities of place in local government". Other writers have emphasized the distinction between relational communities and geographical communities (Totikidis, Armstrong and Francis 2005).

The research suggests strongly that in practice both local government officials and academics take a pragmatic approach to the challenge of identifying communities. What is most important is whether the term has utility in the context in which it is used, rather than seeking to find one specific definition. Stoker (2007) presenting the case for a new localism based on community, does so without any definition or description of what he means by the term.

Devolution

In England there is a growing emphasis on devolution, based both on the view that governments have become too engaged in the lives of their citizens, and some recognition that effectiveness in the delivery of major social services requires strong local connections, networks and knowledge. A succession of policy shifts such as total place, the big society and now Open Public Services, and the recently passed Localism Act, point to a new and more important role both for councils and the communities they serve.

The Understanding and Practice of Governance

Understandings of governance are also shifting. Twenty years ago Osborne and Gaebler (1992:23-24) described governance as "the process by which we collectively solve our problems and meet our society's needs. Government is the instrument we use." More recent formulations contrast government as the formal institutional processes of governing, with governance as the looser more collaborative arrangements now emerging through which societies take and implement decisions which no one actor, including government, can undertake on their own (OECD 2001; Kjaer 2004; Hambleton 2004). There is a growing interest in the potential to engage communities and individuals not just as recipients of services but as participants in their design and delivery (Open Public Services White Paper 2011).

Governance in Australian Local Government

Conventionally, in Australia, the term governance within local government has referred to corporate governance, including the organisational processes which underpin it. Illustrative of a range of guides supporting this view is *The Good Governance Guide, the Principles of Good Governance with Local Government* (Exiter, R. & Good Governance Advisory Group 2004). But, it is becoming more common for councils to

make the direct link between good governance in the conventional sense, and the broader understanding of good governance as part of the democratic process. For example, the governance manual for the Surf Coast Shire states "The Surf Coast Shire Council is committed to promoting the well-being of the Shire's residents and use good governance as the key to democracy at work. Good governance... also includes the way that local governments engage with their communities." (Surf Coast Shire 2009:3).

The Just Communities action research undertaken between 2006 and 2008[3] examined the practice of democratic governance by councils (see Pillora & McKinlay, 2011, p13) and developed what has become known as the GEM relationship model:

G – Democratic governance: Where leadership and decision-making by elected Councillors is based on a sound appreciation of community issues and needs and a commitment to effective community engagement in the political process.

E – Civic engagement: Where councils employ effective techniques to enable active citizens to influence the formulation and implementation of public policies that affect their daily lives.

M – Organisation management: Where public value management policies and practices are embedded in the workplace culture, acknowledge citizen participation rights and ensure that the outcomes of community engagement inform decision-making.

Shifting to Community Governance

Internationally and in Australia, the shift to community governance has been at least partly triggered by legislative changes requiring councils to engage more comprehensively with the communities they serve. In New Zealand, the inclusion in the Local Government Act 2002 of a requirement for councils to facilitate the identification of community outcomes (regardless of who had responsibility for achieving them), and to prepare long-term council community plans based on those outcomes was a significant shift towards working collaboratively at the community level to discuss preferred futures and how to achieve them. Experience in practice fell short of expectations (McKinlay 2004) and the legislation has since been substantially modified so that the emphasis is on the council's outcomes not the community's, but the emphasis on working with communities, rather than simply imposing council views represented an important change in the understanding of the role of local government in New Zealand.

In Australia the requirement for councils in Victoria to facilitate the development of community plans was an important shift which, over time, has resulted in a number of councils working collaboratively with individual communities in their districts, and drawing on their communities' priorities as expressed in community plans to prepare their own strategic and operational plans (West & Raysmith 2007). In New South Wales, the recently introduced Integrated Planning and Reporting Framework (IPART), and the role of councils' community strategic plans in IPART decisions on applications for exemption from the rate cap (where the extent of community engagement is a primary

criterion) has been acting as both a requirement and an incentive for innovation in working with communities.

Apart from statutory requirements, a number of different influences can be seen in the shift to greater involvement of communities in council decision-making. The growing interest in new localism (Stoker 2005) and subsidiarity (Galligan 1998) stresses the importance of decisions being taken at the lowest possible level and in collaboration with the community. The concept of place-shaping and governance of place also came to prominence in the report of the Lyons Inquiry into Local Government funding in the UK (Lyons 2007) with its emphasis on the creative use of powers and influences to promote the general well-being of the community and its citizens. In Australia, Mant (2008) has argued that place management along with systems management are the essential responsibilities of the outcomes organisation.

Such developments have seen community engagement, rather than community consultation, becoming the preferred approach for councils in working with their communities (I&DeA 2010). The emerging argument is for involving a wider range of community actors in public decision making both from the perspective of strengthening democracy and for protecting the public interest (Reddel 2004). Leadership has also been reconsidered. Thus, Robin Hambleton (2008), Professor of City Leadership at the University of the West of England at Bristol argued that the challenge for local government is to redefine local leadership and replace hierarchical approaches with a collaborative approach towards common goals.

Among other influences credited with influencing the shift to more of a community governance approach are globalization, marketization and the information revolution (Kamarck and Nye 2002) and the effect of local government reforms based on a new public management approach. Hambleton (2004) and Gallop (2006) see the new emphasis on community governance as a response to diminished citizenship resulting from New Public Management and the growth of managerialism. Sproats (2000) has presented community governance as a countervailing force to corporate governance, arguing that the focus of local government reform had been, until recently, largely on more efficient management and service delivery.

Some Challenges

Three major challenges to community governance were identified from this study. First, a number of authors have identified challenges deriving from the shift to more of a community governance approach involving greater reliance on collaborative relationships and partnership. Sullivan and Skelcher (2002) have delineated five levels of collaborative capacity that are required to make this community governance approach successful: strategic, governance, operational, practice, and community and citizen capacity. Considine and Giguere (2008) additionally posit that government must be convinced that the partnership approach deemed so important by the local community is in its own interests. Observers of the UK reforms of recent years have argued that it is the interests of the central bureaucracy as much as of elected government.

The second challenge is that of traditional hierarchy. Fuller and Geddes (2008) highlight the conflict between partnership working and the traditional vertical accountability rules of government structures. McKinlay (2010) points to community distrust of central and local government, a reluctance of higher tiers of government to "let go" and a resource imbalance between higher tiers of government and communities as barriers to building a community governance approach.

Finally, there is the problem of localism leading to greater emphasis on self-interest. Thus, Skelcher (2008) has noted the potential for localism to encourage parochialism and self interest on the part of residents while Stoker (2005) has stressed the importance of support, training and resources from government.

A Cautionary Note

Victorian local government's experience with community planning has been the most extensive government-directed initiative in Australia to encourage greater involvement of communities. Hess and Adams (2007) have argued that it was in part a reaction by the Labor government which came to office in 1999 against the New Public Management approach of the previous government. They emphasised the importance of the word 'for' in the title of the new ministry responsible for local government, the Department for Victorian Communities. West and Raysmith (2007) in their evaluation of the community planning experience in Victoria found that although it was still work in progress on balance it was seen as positive by both councils and communities. On the other hand, Mowbray (2011) has presented a less enthusiastic assessment:

> As in other countries and contexts, close analysis reveals that what is represented as inclusive and empowering community engagement is effectively about containment and control. Community development needs to address the nature and implications of such policies and programmes, as well as the evolving nature of the local state and the opportunities for change that may be available. It would then be more likely to extend beyond its marginalized status in local government, to try to use the institution as a whole in the pursuit of social justice.

Summary

The literature presents a diverse range of experiences and interpretations of evolving practice in the relationships between local authorities and the communities they represent. It is consistent with a view that there is both a need to change, and a number of different approaches to change emerging, but that there is significant resistance or inertia in existing systems of government to the changes required to move to a community governance approach. We turn now to findings from our interviews to get a sense of what is actually happening in practice.

The Interviews: Principal Insights

Thirteen councils and six community bank branches were selected for the study (See Appendix I). Semi-structured interviews were conducted by telephone with a senior

executive of each of the 19 organizations, using a common questionnaire which had been developed by the researchers and tested with both council and community bank representatives. Six of the councils and two of the community banks were selected for face-to-face interviews for a more in-depth discussion of the issues which had come out of the first round of interviews.

The themes covered in the interviews were:

- Defining community
- The role of the organisation's governing body in relation both to the organisation, and its community.
- The governing body's approach to shared decision-making (that is shared with the community in some respect).
- The organisation's role in expressing community aspirations (typically advocacy to higher tiers of government).
- The prerequisites for effective community governance.
- The benefits and costs of a community governance approach.
- Looking ahead five or 10 years, how did they think decisions would be taken?

The responses reflected both commonalities and some very significant differences often associated with the size and location of the organisation – with differences being significantly greater within the council grouping than amongst community bank branches.

In contrast with processes which have a strong statutory base, the innovations which individual councils were adopting to work with their communities were very much related to local circumstance, local history and the particular pressures to which they were responding. We concluded this was a very real strength of the way in which a community governance approach was evolving within local government, that it should remain free of any statutory direction.

The case for remaining free of statutory direction is not just the argument that councils should be free to develop ways of working with their communities which reflect local circumstances; there is also an important strand which comes from the nature of Australia's constitutional arrangements. Australia, as a federal country, already has three tiers of government; federal, state and local. Current discussions on the need for metropolitan governance reform suggest the possible emergence of a fourth tier of government for the majority of Australia's population; region wide bodies in Australia's capital cities (its major metropolitan centres) with a mandate to deal with regionwide issues such as integrated land use and transport management.

Providing a statutory basis for community governance at the local level would create at least the fourth and, if separate metropolitan governance arrangements emerge,

a fifth tier of government. However, the researchers' interviews, especially with elected members in local government, brought out significant opposition to any suggestion that community governance arrangements of the kind that they were currently experimenting with should become a further tier of government. This was quite strong with councils such as Yarra Ranges and Port Phillip, which were being innovative in their approaches to community governance, and had a clear commitment to strengthening community capability. Both, however, would clearly be very uncomfortable with the suggestion that their community governance arrangements could evolve into a statutorily based additional tier of government.

There is obvious merit in sharing experience with the development of different approaches to community governance and the research led to the recommendation for the development of a website as a means for documenting and sharing the different experiences of councils which have embarked on a community governance approach.

The Councils

The diversity of experiences, the nature of the innovations being developed, and the issues they raise are best illustrated by a series of vignettes selected from the interviews, both with councils and with community bank branches. From each interview we were able to identify key findings which are presented at the beginning of each case.

Brewarrina Shire Council

Finding: rural and remote shires are able to play important roles in developing innovative solutions to community needs, demonstrating strengths in governance, leadership and collaboration.

Brewarrina is a remote rural shire in western New South Wales. Like many small shires, it covers a large area (19,000 km²), has a small population (less than 2000), and a high proportion of indigenous people. It is remote from major state or federal government services and has often been left to its own devices to solve its emerging problems.

Access to dental care was a major issue for the local population. The council took the initiative on this matter, recognising it did not have the skills to run a service but seeing its role as one of identifying who could help, and facilitating their involvement. It negotiated with Griffith University for final year dental students to provide a service, and used its powers under the *Local Government Act* to set up a governance structure involving the university, local area health services, other providers and community organizations.

This award-winning project reflected the council's recognition of its primary role in governance within the community, taking responsibility to facilitate access to services even though the council had no formal responsibility.

Central Coast Council Tasmania

Finding: when engaging in innovative experimentation in governance and working with communities, there should be a strong emphasis on place-shaping as a 'whole of community' undertaking.

This council is based in the heart of the north west coast of Tasmania. It has an area of 931.1 km² and a population of just over 21,000. It was formed from the amalgamation of Ulverstone and Penguin councils. Since amalgamation, the council has focused on place management and has come to understand that this requires more than operating within the traditional practices of local government. The underpinning philosophy is that place-shaping is everyone's responsibility: community, business, public sector, and local and central governments.

The council recognised the need for new enabling community governance and associated decision-making arrangements that can sit alongside the council's existing corporate, technical and service-based approach to development. In order to do this it has been exploring the potential of social enterprise as a means of harnessing community capacity to collectively achieve a range of social and economic development outcomes.

Golden Plains Shire

Finding: local councils have the potential to act as facilitators and enablers working on behalf of their communities to ensure effective service delivery by other arms of government.

This shire has been one of the success stories of community planning in Victoria. It is predominantly rural with a number of small population centres, and a council plan that recognizes 35 separate communities 22 of which have established community planning groups. The shire stretches between the Victorian regional centres of Ballarat and Geelong with an area of 2,721 square kilometres and a population of just under 19,000.

The key to its success has been treating the community plans as owned by the respective communities, not the council. This is reinforced by using independent facilitators to support community planning, rather than seconding council officers. Community planning began with a focus on micro-issues, (for example, the location of a pedestrian crossing, or parking outside a school) but as communities have grown in confidence and experience, the focus has shifted to more significant outcome related issues. This is being helped by the way the council itself handles community plans. First, it is now accepted practice that each council meeting receives a presentation from a community planning group. Second, council officers review community plans as a whole to identify and report to council on generic issues.

Several years ago access to health services emerged as the top priority. Particularly that the few services within the shire were concentrated at one end of it. The council took the initiative of establishing the Golden Plains Health Planning Forum linking together

state agencies, service providers and community representatives. This forum has been successful in advocating for and receiving the resource commitments to build significant new local health facilities substantially improving access to services. Interest is now shifting to access to education which community plans now identify as the top priority.

In each of the cases so far, the council has acted primarily as a facilitator and enabler, supporting its communities in identifying their priorities, and using its skills to bring together the key players needed to find a solution.

Mosman Municipal Council

Finding: the council has tapped the power of the Internet and social media to facilitate decision-making across the community, and minimise the impact of the 'usual voices' which can dominate conventional council consultation.

Mosman is the second smallest Sydney council and is located in the northern beaches. It has an area of 8.7 km^2 and about 28,000 residents. In community engagement, its emphasis has been on how to get past the vocal resistance of a few persons, the 'usual voices' who generally make the most noise on any public issue. For years this had held the council back from installing paid parking at a popular local beach. The council finally decided to go ahead despite this, and generated revenue of A$1.5 million per annum which was used to finance much-needed improvements at the beach. The community response has been very positive giving the council confidence that the 'silent majority' may have a different view from the most vocal members of the community.

In seeking community views on what it thinks could be controversial issues, the council now uses a Community Conversation approach. Proposed streetscape improvements to its main thoroughfare provide an example. Fifty participants were randomly selected by a market research company. They listened to a presentation on the proposals and used electronic voting to choose their preferred options.

The council is also very active online. As well as using the community conversation approach, it has recently established a separate online forum called *Big Ideas*. This is designed as a community forum which residents can use to put up their own ideas for Mosman at any time, and talk to each other with the purpose that over time this will become an important forum for helping shape the community's future. Input into council decision-making is facilitated by a quarterly report on *Big Idea* contributions.

Playford City Council

Finding: a small government approach can still be consistent with facilitating community governance and engaging communities.

Playford is a medium-sized peri-urban council within the Adelaide metropolitan area. It is a diverse community with 80,000 residents, made up of predominantly younger and

older people with a smaller population of middle-aged residents. It is an outer urban council containing commuters, horticulturalists and small businesses

The mayor believes in small government but not in the conventional new public management style. Although the council takes the approach that it was elected to decide (vote us out if you don't like what we do), it also places a strong emphasis on building community capability and on acting as an advocate for the community to higher tiers of government. It makes funding available to provide training for sporting and cultural clubs on matters such as how to market their business to become sustainable, how to access federal and state funding, how to engage with the community and how to plan for succession.

For the council, community engagement is a way of receiving feedback and ideas, rather than a shift towards some form of shared decision-making. At the community level this has been accompanied by a greater level of participation in terms of deputations, petitions and attendance at council meetings. The council's approach is to build the capacity of communities to govern themselves, providing training and guidance for community groups, and then to take a step back allowing them to pursue their objectives within the framework set up by local government.

Port Phillip City Council

Finding: a comprehensive commitment to a community governance approach imposes new demands on how councils function, on decision-making, and on the roles of elected members and council staff.

Port Phillip is a densely populated inner Melbourne urban council with a population of approximately 90,000 residents represented by a council of seven elected members. The 2008 elections for Port Phillip City Council resulted in five new councillors. The change was largely attributed to a very high profile public consultation over the future of the St Kilda Triangle which many residents believed had not been well handled. Members of the new council campaigned on a commitment to community engagement.

One of the Council's first steps when elected was to adopt a governance statement by which it would operate, and including the following commitments:

- Council will accept full responsibility for its decisions while ensuring that those decisions are informed by effective engagement with the community.

- Decisions will be taken as close as practicable to the people affected to ensure that decisions are fully informed by local knowledge and needs.

The council also makes extensive use of community reference groups, each operating under agreed terms of reference. The Council advertises for members, setting out the purpose of the group, and selects members to reflect what it sees as the balance of interest and experience required. Some groups will be project specific and others

ongoing. Internally, the Council has developed a Communications and Engagement Strategy intended to move engagement to being part of "the way we do things around here". An ongoing 'community of practice' and a learning and development programme for staff are being implemented as part of this.

The council's strong commitment to engagement has raised a couple of issues. The first is at what point do you stop engaging and start deciding. It has found that even with quite comprehensive engagement, it may not necessarily get community agreement but will need to make a decision. The second concerns the roles of elected members and council staff. The scale of the work involved and the occasional need for professional skills in engagement suggest that perhaps as a general rule staff should lead engagement, with elected members providing overview and support.

The third is the importance, especially in a very diverse community, of being highly innovative, sensitive to the different languages spoken and the cultural context, as well as the need for clarity around which hat the council may be wearing at a particular time – regulator, provider or community advocate?

Surf Coast Shire Council

Finding: a growing reliance on seeking input from community groups, whether self appointed or appointed in consultation with or by the council, raises ongoing questions about representation and how best to establish or recognise such groups.

Surf Coast Shire is on the southern coast of the state of Victoria at the beginning of the Great Ocean Highway and is a very popular coastal tourist destination. According to the 2006 census, its permanent population is 24,124, a figure which more than trebles at peak holiday times.

Over the past few years, building on its experience with community planning, the council has been working through the shift from councillors as decision-makers, taking decisions on behalf of the community and having a sense of imposing a council view, to recognising communities actually do have a right and capacity to influence and determine their future. Amongst the initiatives it has put in place is the extensive use of section 86 committees. These are council subcommittees which need not have any council elected members on them. There is also a community leadership development program.

As a popular holiday destination, the area has many absentee owners, and the council has been proactive in engaging with them, including holding meetings in Ballarat which the council's rating records show is where many of the absentee owners are based. A further initiative has been the move to develop township-based infrastructure plans. In one township, the council has brought together a "committee of influencers" selected by the council after discussion with community organizations, and supported by a seconded council officer to provide advice on technical issues. This represents a partial shift towards a place-based management approach. It has raised some issue for the council including how representative the committee of influencers actually is, and whether the

council should look at other means of trying to establish community-based committees, including local elections.

City of Swan, Western Australia

Finding: a place-based approach to management of council activity appears to produced better decisions, but requires significant changes in council organisation to shift away from a functional approach

The City of Swan stretches over 1043 km² on the outskirts of Perth's north-eastern metropolitan region and has approximately 115,000 residents. This council has consciously adopted a place-management approach, restructuring the way it operates so as to move from a functionally based approach. It now has five place-management areas further divided into 13 smaller areas referred to as place-planning areas. Each of the place-management areas has a decentralized place office which is the base for staff working in the area and for facilitating engagement with the community. This includes supporting community residents' associations.

The council finds that a place-management approach makes it easier to deal with complex issues, and produces better decisions more in accordance with the way in which residents actually think about issues. For example, a street-related issue will now be dealt with holistically recognising the different ways the street is used by the community and the different meanings it has for stakeholders, rather than simply being treated as a matter for a particular concern such as traffic management, street furniture, caring for verges or some other aspect of the total use of the street. Place management also makes it easier to develop area-specific solutions, rather than solutions which are likely to be rolled out across the whole of the council's district.

Yarra Ranges Shire Council

Finding: the emergence of community-based capability as part of a community governance approach benefits significantly from council support in capability development and advice on issues such as funding

Yarra Ranges is a large peri-urban council on the outskirts of the Melbourne metropolitan area. Home to a population of 145,000, Yarra Ranges covers approximately 2,500 square kilometres. The shire stretches from the densely populated outer suburbs up into the surrounding foothills, agricultural valleys and forested areas of the Great Dividing Ranges.

The council has been in transition from a traditional approach to decision-making to a much stronger emphasis on community engagement. The council has adopted the IAP2[4] model although departs from it on decisions where councillors believe that they should decide.

The council is made up of a number of small settlements and communities and has more than 55 suburbs, townships, small communities and rural areas within its district. An important initiative within its community engagement approach is the way it works with what are known as township groups. These groups are autonomous, and a decision on whether to establish them, and what their focus should be, is left to individual communities although the Council's Community Strengthening Unit provides advice on matters such as structure, and support with capability building. The Council supports a township forum which meets quarterly to consider issues of common interest, including relations with the council and access to resources to support township group activity.

The Council has established a set of criteria which it applies when considering whether a community group qualifies as a township group eligible to join the forum and obtain access to the support which the Council provides. The criteria are that a township group should:

- Be financially independent and sustainable;
- Operate effectively;
- Be inclusive of a diverse range of community sectors; and
- Be continually reinvigorated with new members and leadership.

An ongoing but essentially positive tension concerns the role of township groups. Are they simply local community groups dealing with peripheral issues, or are they potentially an emergent fourth tier of government which may gradually become the principal decision-makers for their own areas?

Community Bank Branches

In contrast with local government, community bank branches do not operate within a statutorily determined framework governing consultation and decision-making on the assumption that clear and transparent accountability to members is required decision by decision. Instead, they have a high level of discretion. To the extent that there is accountability for their decision-making on distributions to the community, in formal terms it is to the local community bank shareholders.

It was found that the directors of individual community bank companies were normally appointed because of a combination of good business skills and a track record of working with and on behalf of the community. Bank directors typically had been officeholders in one or more community organisations and active in the local business community and service organisations.

All of the bank personnel who were interviewed reported that their decision-making was generally based on very good networks and knowledge of what was happening within their communities so that they would typically have a good understanding of the capability of different organisations and the viability of the proposals.

Support for decision-making on distributions came through the Bendigo Bank in two separate ways. First, the Bendigo Bank itself had a specialist community engagement team which provided advice (but not direction) to individual branches. In addition, the bank's Community Enterprise Foundation provided specialist services to individual bank branches to assist with the taxation aspects of grant-giving, operating a philanthropic trust that made distributions out of pre-tax profits.

Experience suggested that the typical community bank branch went through something of an evolutionary cycle in its approach to community distributions. In the early stages, the typical branch made known that it had funds available for distribution and invited applications. Usually, most applications were from sporting or other community organizations looking for money to help with projects such as deferred maintenance on buildings or the replacement of equipment.

Over time, much of this 'backlog' is gradually dealt with and the branch then starts looking for other priorities for distribution such as joint projects with other funders or seeking to be innovative in identifying critical community priorities. At this stage that community banking starts to move into a community governance mode, seeking to identify what are the community's priorities and how best to address them.

It is also at this stage that branches start working much more closely with the local authority or authorities in their area, drawing on their work in identifying community priorities through their community strategic plans, and other research and policy development activity. All of the branches with whom we spoke told us that there was no point in seeking to replicate the work which the council had already done. This is an important insight. We began the research with the hypothesis that community bank branches themselves could become independent players in community governance, especially if they started developing their own community plans. Instead, it seems that community bank branches are in effect endorsing the unique role of local government in working with communities to determine their preferred futures and how best to achieve those.

We turn now to provide a brief overview of the experience of three of the community bank branches in which personnel were interviewed.

Mt Barker

Insights: this community bank branch was becoming much more than a reactive grant maker, instead building its capability to be part of collaborative "whole of community" decision-making.

Mt Barker lies in the rural southern Western Australian shire of Plantagenet, a relatively low-income area, and is the shire's commercial centre servicing the surrounding farming areas. The community bank was founded ten years ago as a "grassroots" response to the closure of the two commercial banks serving the town. Its initial focus was on building a viable banking business which was helped by strong

support from the local shire which placed most of its banking business with the community bank.

The bank operated an annual advertised grant round with applications being carefully reviewed by a board committee. Strong weight was given to the contribution the members of organisations made through voluntary time and skills. The bank worked collaboratively with the shire and the local co-operative which was also a significant community funder. For example, the bank and the shire worked collaboratively in the building of a medical centre, with each contributing resources but also working together to leverage state and federal funding.

Generally the bank saw itself as a facilitator playing a linking and supporting role in the community. Rather than involving the community in decision-making, the bank's aims were to make people aware of its desire to be involved and of its capacity to provide funding; to build its own knowledge and feel for community needs; and to engender a sense of partnership with the community.

Logan Community Bank

Insights: this large multi-branch community banking franchise was learning and practising the importance of developing its grant-making (community reinvestment) practices in collaboration with strategic partners across the community. It also demonstrated the superior flexibility community banks can have, as compared with councils, in responding to immediate need.

Logan City is a Local Government Area (LGA) in south east Queensland situated between Brisbane to the north and Gold Coast to the south. In population terms, Logan City is the third largest LGA in Queensland and the fifth or sixth largest city in Australia. This bank was established with the intention of operating one or two branches but saw the opportunity to cover the entire Logan area and now operates five separate branches. The entire area is urban but diverse including significant socio-economic differences. The bank believed this gave it a very different set of issues from those which confront the typical rural or regional community bank. It was seen as much harder to use peer-to-peer relationships with councils and community organizations at the grassroots, and to leverage effectively off those types of relationships.

The bank made extensive use of community forums which were held in different parts of the city with the support of the Bendigo Bank's community engagement team. These provided the bank with its best experience of effective community governance. "Strategic" community players were invited including leaders from various community organisations and senior politicians (federal, state and local). These forums were used to gather information on the community's priorities and the bank had then delivered on a number of the ideas put forward – for example driver education programs targeted at young people in schools.

The bank preferred not to "go it alone" but to work in partnership with others in the community. It also recognised and used the flexibility it had to make quick decisions

when required, for example, when the Lockyer Valley was flooded during the disastrous 2010 South-East Queensland floods. The council needed funds for a charitable day for the flood workers. For the bank it was a simple decision "we just went with our hearts and put our hand in our pockets". But the bank stayed out of the politics of local government and focused on developing a partnership with the council which involved working together on a range of community projects.

Strathmore Community Bank

Finding: this community bank branch illustrated the growing practice within community banking of shifting from reactive grant-making to outcomes-based grants, crucially drawing on the extensive knowledge and capability councils have in identifying their communities' preferred outcomes.

Strathmore is an established residential area within the district of the Moonee Valley City Council in inner Melbourne. It was home to one of the first metro branches established within the Bendigo Bank network. The immediate trigger was the potential loss of both of the existing commercial bank branches servicing the local shopping area. A group of local business people led the initiative to start the branch building on the Bendigo Bank slogan "bring the bank back to town".

Historically, the bank has typically taken a reactive approach in its grant-making, responding to requests for funding rather than setting priorities or proactively seeking out opportunities. It has relied very much on the local knowledge and networks of bank directors most of whom have a long history of involvement with community organizations.

Among its more proactive initiatives, it responded to the annual fund-raising appeal of the Royal Children's Hospital in Melbourne not by contributing to the general appeal but by sponsoring a number of neo-natal beds which it saw as a direct service to its own community. It also provided a discretionary fund for principals of local primary schools to use at their discretion for needs within the school community, for example, paying the cost of a school camp fee for a family who could not afford it.

The Bendigo Bank approached the Moonee Valley City Council to discuss the development of a relationship between the council and Bendigo Bank branches in Moonee Valley. The result was the establishment of the Moonee Valley Partnership Forum, serviced by the council, as a venue through which to discuss various community projects which the council was developing or promoting.

The Strathmore branch valued its relationship with the council recognising that volunteer directors simply did not have the time to develop the same kind of detailed and research-based knowledge of the community which the council with its resources possessed. As with other community bank branches now working more closely with their councils, the Strathclyde bank saw being able to tap into the council's knowledge as a real advantage but one which needed to be balanced by managing the potential risk that its own grant-making policies would become driven by council priorities.

Conclusion: Principal Findings/Recommendations

This research has provided some extremely valuable insights into the way in which community governance is evolving within Australia's communities. It does though need to be recognised as a first and preliminary overview rather than a definitive description both because the understanding and practice of community governance is still rapidly evolving, and because each individual council and community bank branch is developing its own solutions within its own context. Among other things, this means that care needs to be taken in extrapolating from the findings in this study to communities generally, something which strengthens the case for further research. However, recommendations and general observations can still be made both for local government and for community banking, some simply reinforcing current practice, others identifying the need for further research.

For councils

- Development of community governance initiatives should remain free of statutory direction.
- There appears to be a positive voter response to candidates who campaign on a platform of improved community engagement.
- Size and geography both matter. It is easier to promote a strategy of community engagement/governance when the council has a series of discrete and identifiable communities than in an intensive urban environment, especially one that is developing.
- Community governance is driving a shift in the role of elected members from the standard representative model "we were elected to govern" to one of seeking to take the community with them issue by issue. It is a potentially difficult shift, carries with it a need for ongoing professional development, raises questions about the respective roles of elected members and professional staff in managing engagement, and requires skill in managing expectations, including the understanding that the council in most cases will remain the final decision-maker.
- Community engagement/governance places additional demands on communities, raising the need for capability development so that people have the skills to cope in what are often complex environments. The issue of complexity is often at the heart of how to handle community engagement – both the complexity inherent in many of the issues which councils are now dealing with, and complexity inherent in the silo-based structures of our multilayered systems of government. Helping communities address these complex issues is an important challenge for councils.
- Place-based management may be a condition precedent for an effective and comprehensive approach to community engagement/governance. A number of

councils are starting to recognise this, and redesign their structures to shift away from a silo-based approach.

- A greater emphasis on community engagement/governance highlights that councils perform three separate and significant roles on behalf of their communities: decision-making (and implementation within areas which are their formal responsibility); facilitating in the sense of helping communities develop initiatives which they themselves may take; and advocating in the sense of evidence-based representation on behalf of their communities to third parties including higher tiers of government.

While recognizing that this study is very a preliminary consideration of the issues involved, local governments can further explore and develop their capabilities by:

- Reviewing the different roles of elected members, management and communities in community governance. Ideally the review would be undertaken by or on behalf of the sector with representation from across Australia rather than by a higher tier of government.

- Establishing a means through which councils and others involved with community governance can share their experience. One initiative to consider is the development of a website as a means for documenting and sharing the different experiences of councils which have embarked on a community governance approach, and the concerns this experience has raised.

- Providing professional development/capability training for elected members, council management and community groups which may be involved in community governance activity.

- Studying success factors for community governance from a community perspective by exploring the conditions under which communities succeed in establishing real community governance as a way of working.

For Community Banks

As with the local councils, our study also revealed a range of issues, considerations and lessons that community banks need to take into account in pursuing their involvement in community activities and governance.

- It seems likely that the community reinvestment activity of community bank branches will become an increasingly important contributor to community governance within their branches' catchments. A number of community bank branches were already found to be significant funders within their individual communities, and projections suggest that this will continue to grow.

- The increased recognition of the importance of good knowledge about the nature of community needs, and different means for addressing them, is likely

to see increased collaboration between local government and community banking, with community banks relying on their local councils to provide evidence-based information on local needs and priorities.

These findings led to the following recommendations for local governments in relation to community banking:

- Be pro-active in working with community banking in order to support the community governance potential of community banking. This may be best achieved by working collaboratively with the community banking strategic advisory boards.

- Consider both whether and how the community banking model could be extended to communities not currently served by a community bank, and how the model could be applied to other market-based services.

Notes

[1]A New Zealand-based specialist in strategic public policy with extensive experience working in Australian local government.

[2] A more extensive report on the research can be found in McKinlay et al (2012).

[3] A joint initiative of the Local Government Community Development and Services Association of Australia and the Centre for Local Government, University of Technology, Sydney.

[4] The International Association for Public Participation is a not for profit organisation founded in the United States in 1990 to advance the practice of community engagement and promote the values and best practices associated with involving the public in decisions that affect their lives. The IAP2 categories of public participation are: inform, consult, involve, collaborate and empower.

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Biosketch

Peter McKinlay is Director of the Local Government Centre in the Institute of Public Policy at AUT University, Auckland, an associate of the Centre for Local Government at the University of Technology, Sydney, an alternate member of the board of the Commonwealth Local Government Forum and convener of the Auckland network of the Institute of Public Administration New Zealand. He works internationally as a researcher and strategic adviser on local governance.

Appendix I Interviews

The Councils

Brewarrina Shire Council, NSW
Central Coast Council, Tasmania
City of Swan, Western Australia
Golden Plains Shire, Victoria
Mosman Municipal Council, NSW
Playford City Council, South Australia
Port Phillip City Council, Victoria
Redland City Council, Queensland
Surf Coast Shire, Victoria
Tweed Shire, NSW
Wiluna Shire, Western Australia
Wyndham City Council, Victoria
Yarra Ranges Council, Victoria

The Community Banks

Cummins District Community Bank, SA
Gingin Community Bank, WA
Logan Community bank, Qld
Mt Barker Community Bank, WA
Strathmore Community bank, Victoria
Wentworth and District Community Bank, NSW

EASTERN REGIONAL ORGANIZATION FOR PUBLIC ADMINISTRATION

EROPA is an Asian organization of States, groups and individuals in the general area of Asia and the Pacific.

The Organization came into being in 1960, in response to a common desire among developing countries to promote regional cooperation in improving knowledge, systems and practice of government administration to help accelerate economic and social development. It was the first organization in the region to be devoted to the development of public administration in order to advance the economic and social development of countries in Asia and the Pacific.

The current State members are listed below. Group members include numerous institutions in the area such as institutes or schools of public administration, universities, government agencies and municipal corporations. The Organization has also admitted individuals to membership whose achievements have been outstanding.

EROPA endeavors to achieve its objectives through regional conferences, seminars, training programmes, special studies, surveys, researches and publications. Its activities are carried out through the EROPA headquarters in Manila, as well as through its three regional centers, namely, the EROPA Local Government Centre in Japan, the EROPA Training Centre in India and the EROPA Development Management Centre in the Republic of Korea.

Activities of EROPA have been held in different parts of the region. Meetings and Seminars have been conducted in Manila, Hong Kong, Tokyo, Bangkok, New Delhi, Seoul, Tehran, Jakarta, Kathmandu, Beijing, Kuala Lumpur, Canberra, Hanoi, and Macau.

EROPA has been accorded consultative status by the United Nations further emphasizing the co-operative relationship between the UN headquarters in New York and EROPA. The organization is also one of the online regional centers (ORCs) of the UN Public Administration Network (UNPAN).

The work of EROPA is made possible through the help of host governments which are Member States of EROPA. It is financed through subscriptions from its State, Group and Individual Members.

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