

THE ROLE OF PUBLIC ADMINISTRATION IN BUILDING A HARMONIOUS SOCIETY



China National School
of Administration



THE ROLE OF PUBLIC ADMINISTRATION IN BUILDING A HARMONIOUS SOCIETY

Selected Proceedings from the Annual Conference of the
**Network of Asia-Pacific Schools and Institutes
of Public Administration and Governance
(NAPSIPAG)**

Edited by

Raza Ahmad

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Introduction

Globalization and the advancements in information and communication technology (ICT) during the 1980s and 1990s facilitated the growth in knowledge or learning networks.¹ These networks have significantly contributed in creating and expanding knowledge-based economies and societies² wherein performance culture and higher productivity are maintained through continuous build up, diffusion, and utilization of information and knowledge.

Learning or knowledge networks are increasingly referred to in the innovation literature as “soft infrastructure” required to support innovation systems as opposed to “hard infrastructure” of traditional organizations/enterprises.³ Effective networks bring about faster development of new ideas, products, and services and better optimization of research and development investment. They also maximize the knowledge potential of an organization/enterprise as well as its responsiveness and adaptability.

Further, knowledge networks provide development practitioners with access to cutting-edge advice and information in their respective fields and across sectors and disciplines. Typically these networks are established as a result of, or lead up to, a learning program or event although they can stand alone. Through the aid of information and communication technology, they bring together communities of practice in a wide range of subjects providing electronic discussions and websites to encourage research and disseminate best practices and lessons learned.⁴

The success of knowledge networks depends on their development into a space for innovation, experimentation, and learning. These networks can boost the knowledge base, learning processes, and civil society actors’ capacity to generate and advocate proposals. Development practitioners claim that capacity development, institution building, advocacy, and societal change are unthinkable without considerable investment in improving networking and learning among relevant development actors. This is why development agencies invest in networking among their partners to enable civil society both globally and locally to play a strong role in shaping the ideas and knowledge that determine our future.⁵ In line with this thrust on networking, the Asian Development Bank (ADB) supported the creation of a regional network focusing on cross-learning and knowledge sharing. We elaborate on this in the following section.

Emergence of NAPSIPAG

Recognizing the potential of schools and institutes of public administration as potentially powerful advisory resource to strengthen governance and public management in the Asia-Pacific Region, ADB fostered the Network of Asia-Pacific Schools and Institutes of Public Administration and Governance (NAPSIPAG). Driven by its Governance Policy of 1995,⁶ ADB perceived that such a network would bring together regional institutions whose strength was inherent in their acceptability, influence, and local knowledge that could make them locally sustainable and powerful change agents in the region. NAPSIPAG, as it is popularly known, is emerging into a thriving network of schools and institutes of public administration that seeks to enhance the quality of public administration in the Asia-Pacific region by enhancing the capacities of its national [and subnational] governments to promote good governance, through practical, relevant, and responsive training, education, and research.

Furthermore, ADB, by supporting such a network to address the knowledge management and regional cooperation gap within the region, fulfilled its mandated role to catalyze greater regional cooperation and exchange of good practices for development.

After 2 years of regional dialogue and exchange, NAPSIPAG was launched in December 2004 in Kuala Lumpur, Malaysia with over a hundred institutions committing to such an enterprise.⁷ NAPSIPAG aims to transform into a regional hub with the capacity to: (i) support effective capacity-development interventions with member institutes on a sustainable basis; (ii) encourage the sharing of expertise and good practices; (iii) assist the member institutes in the continuing expansion of the frontiers of public administration through research, knowledge-sharing and other initiatives; (iv) and foster collaboration between and among the member institutes and individuals with common objectives and interests. The long-term goal of creating the network is to enhance the capacities of public administration schools and institutes as well as research organizations and think-tanks in the region to enable them to transform their respective governments as effective agents of good governance.

The 2005 NAPSIPAG Conference Proceedings

This volume brings together a selection of the papers presented at the 2005 NAPSIPAG Annual Conference, held in Beijing, the People's Republic of China (PRC), from 5 to 7 December 2005. The theme of this conference, selected by its interim steering committee, was the Role of Public Administration in Building a Harmonious Society. Hosted by the China

National School of Administration, this conference was attended by 159 participants from 26 countries in the Asia-Pacific region.

The discussions during the conference centered on six subthemes: (i) citizen participation and local autonomy, (ii) public administration strategies, (iii) innovations in governance and public service, (iv) conflict resolution and peace building, (v) constraints and challenges arising from demographic transitions and imbalances, and (vi) health care for the poor. There was also a special session on the teaching of public administration and policy.

Leading papers: Two papers at the plenary session were presented to open the conference theme. In his keynote paper, **Marsh** discusses recent developments in seven states, all of them democracies in their infancy that experienced rapid economic development. A democracy derives its legitimacy from all (and not just a few) people who come to participate in governance as equals. In the seven states, however, the ideologies and institutions through which ordinary people can have a larger role in governance are only slowly emerging. In this challenging environment, public administrators must develop new skills—in advocacy, policy, and institutional design—to contribute to building a more harmonious society. **Guili** highlights the need for deepening administrative reforms in the PRC to solve deep-rooted problems that not only hinder economic and social development but also government capability to build a harmonious society. Governments must have a clearly defined jurisdiction and its functions must be kept separate from the roles of nongovernmental and enterprise sectors. Guili holds that the government structure should be further streamlined to establish an efficient public administration. Further, the government must become more open, fair, incorruptible, and concerned about the people's welfare.

Citizen Participation and Local Autonomy

Papers in this category emphasize the role of citizens working through local governments and civil society organizations to create harmonious societies, thus contributing to national development and global cooperation.

Kumara and Handapangoda argue that the size of the local government institution is an important determinant of participation by citizens. Smaller local governments tend to have greater potential for direct participation. Size is equally important in countries like the PRC, India, and Indonesia, where there are much wider variations in area and population than in Sri Lanka. Decentralization has brought significant changes and challenges, but the process of participatory planning in Solo municipality, Indonesia, as described by

Widianingsih, gives hope for successful cooperation among local communities with promising trends for the future.

Yadamsuren stresses the importance of citizen participation in local budgeting, while lamenting the fact that it is ignored by politicians and administrators in Mongolia. Lack of information, transparency, skills, and accountability blocks popular participation in local financial management. What is the optimal level of participation in local administration and development? **Bhattacharyya** argues for qualitative participation, citing the example of the total literacy campaign in West Bengal, India, which has increased the awareness and participation of the rural population in local government elections and decision making.

Several papers deal with the importance of gender participation in local government and development. India reserves a third of the elected membership and leadership of local government institutions for women. Bangladesh, which has had a woman prime minister for more than a decade, requires at least three directly elected women members in each local council. The Philippines has city and municipal councils where more than half of the members are women, and sets aside 5% of the social welfare budget for women. For all countries, the education of women is an important priority.

The role and activities of nongovernment organizations (NGOs) were discussed as well. **Songyan** analyzes nonprofit, voluntary, registered societies in the PRC and the large numbers of unregistered organizations that are neither profit making nor political. Their effectiveness as links between government and the citizens is, however, limited by governmental control. **Singh** talks about successful entrepreneurial networks of NGOs, local government institutions, universities, and citizens cooperating in poverty alleviation projects in the Indian states of West Bengal, Madhya Pradesh, and Gujarat, achieving together what they would not have been able to achieve separately. Drawing these stories together, Singh argues that NGO networks are powerful tools for enhancing societal harmony.

Reporting on recent African history, **Njunwa** explains how public administration can create the conditions for societal harmony, citing examples from Tanzania. The society's commitment to the citizens' safety and security, participatory decision making, a sense of identity, education and training, and sustained economic growth and trade are all important for societal harmony.

Public Administration Strategies

Baulderstone singles out nonprofit community service organizations for their significant role in service delivery to disadvantaged or otherwise needy members of society. Australia, Baulderstone said, has long supported such organizations through funding, preferential taxation, and acceptance of the sector's role in influencing policy and planning decisions. But widespread public sector reforms in the 1980s and 1990s had unfortunate consequences for these organizations, as explored in the paper, which also identifies factors that would support the emerging partnership between the public and community services sectors.

Information, **Jain** points out, is increasingly viewed as a vehicle for rural participation in governance and development. ICT, increasingly available at declining cost, can facilitate access to development-related information. But for ICT projects to succeed, there must be coordination between levels of government; public regulators and administrators must work together with private service providers. Civil society has a critical role in coordinating between the public and private sectors. Jain's case studies from several states in India assessed key areas of influence and action for public administrators in providing rural ICT access.

Direct poverty alleviation programs carried out by the Indian Government to generate employment in rural areas through infrastructure development are misdirected, as contended by **Saha and Kakani**. Many in the countryside are unemployed and poor because they have been "deskilled" as political power has shifted to the urban metropolis. Re-empowering local government, regenerating skills, and building institutions for skills development can reverse the process, the authors said.

Anand examines the impact of the large targeted public distribution system in the state of Kerala, India and shows how even the best-intentioned public administration strategies, when carried out the wrong way, can lead to even more inequality and poverty. The issues of poverty and exclusion, as well as the success of programs that try to deal with these issues, are inextricably linked to governance—as **Dhakal** emphasized in his study of Nepal—thus, emphasizing the role of good governance in creating societal harmony.

Economic efficiency is the real—though seldom explicitly stated—objective of most public sector reforms, according to **Khan and Akif**. Responsive institutional arrangements have a vital role in realizing economic potential, supporting innovation, and achieving social development targets. **Gonzalez** discusses the need to accommodate diversity in public management by providing equal and nondiscriminatory public services. Poor or unconstructive management of diversity can quickly lead to instability within

states. Citing the case of the Philippines, Gonzalez adds that diversity management strategies must be developed and local government policies should be made more inclusive and culture-sensitive. Communities and NGOs should be empowered to safeguard their rights and participate in governance. Indigenous groups, their advocates, and international partners should be linked in a “concerted global political constituency.” The extent and availability of government services in priority indigenous peoples’ areas must be monitored.

Significant and increasing differences in socioeconomic development between regions in Uzbekistan, according to **Yunusov and Yunusov**, have had negative consequences that reinforce social tensions and mistrust of governing bodies. The main goal of regional policies in Uzbekistan is the efficient use of regional factors and competitive advantage to ensure the sustainable economic development of the country, raise living standards, and lessen the socioeconomic disadvantages of regions.

Innovations in Governance and Public Service

By far the largest workshop in the conference dealt with this topic. **Alam, Mian, and Smith** analyze how, because of uncontrolled corruption, political instability, and inadequate investment infrastructure, and despite liberalization and microeconomic reforms, government has failed to create the business conditions that could induce investors to invest in Bangladesh. **Guojun** reviews the evolution of entrepreneurial ecology in the PRC starting in 1979. **Damiran and Pratt** find a mixed model of government reform in Mongolia without the much-needed balancing of conflicting elements. **Yiseang and Thomas** focus on the four criteria set by ADB for assessing governance—accountability, participation, predictability, and transparency—while drawing attention to the innovative tools for public service management implemented in Cambodia.

Niu, Ho, and Jun Ma argue that budgeting reform would depend not only on the managerial and technical capacity of the bureaucracy but also on the political will of the leadership to tackle sensitive political questions such as intergovernmental fiscal arrangements. **Shahnon** reviews the performance-based management system in Malaysia and suggested its use in validating and improving the credibility of impact assessment and monitoring.

Developments in ICT have helped governments transform their operations and service delivery systems. Using the experience of India, **Pathak and Prasad** conclude that e governance can be effective in the fight against corruption in developing countries. **Hoque** looks into how far citizen’s interests have been served in e-governance initiatives in Bangladesh. In Malaysia, according to **Siddiquee**, e-government has had limited impact because of infrastructure constraints and slow implementation.

Mishra, Mishra, and Kirinmai discuss participatory governance reforms in the Indian state of Andhra Pradesh. Innovations like the *Janmabhoomi* (serve the motherland) Program, water users' associations, watershed development program, and *vana samrakshana samithis* (community forest management groups) have fundamentally transformed the government-people interface, the author said, but implementation has been far from effective.

Sumarto focuses on natural resources conflicts and the challenges to government in Indonesia. Awareness of the need for sustainable natural resources management is crucial as it may lead to more rational and transparent natural resources management, Sumarto states. He adds that curriculum development is an efficient way of building awareness. Social engagement, more often than not associated with economic reforms in response to a crisis, has become a strategic option for governments in different parts of the world, argue **Yaacob and Mansor**. But where other countries dissolve the consultative mechanism after the crisis, Malaysia is institutionalizing it and making it part of the governance processes.

Conflict Resolution and Peace Building

Papers from this workshop address conflict at three levels: societal (threats to domestic peace), social and individual levels (civil dispute between individuals, groups, neighborhoods, and businesses), and political/policy. **Rahman**, using a cultural model, discusses why Bangladesh is threatened by internal violence even without large ethnic or religious divisions and suggests useful ways to move forward. **Agarwal** discusses how the *lok adalat* (people's court)—an alternative means of dispute resolution in India—have succeeded in making inexpensive, efficacious, and speedy justice accessible to the public. **Durning** proposes the use of Q-methodology⁸ to gain a better understanding of the perspectives of contending interest groups and to help identify mutually acceptable solutions to difficult policy problems.

Constraints and Challenges from Demographic Transitions and Imbalances

In a marked shift from the population explosion and increased life expectancy of the 20th century, a new set of demographic trends is emerging: sub-replacement fertility, leading to long-term population decline; ageing of the world's population; and decreased life expectancy.⁹ These trends will have a profound impact as they will change employment patterns, place major stresses on social security programs and family relations, create migration pressures, and pose challenges to existing patterns of gender relations.

Mogilevsky deals with the social and economic consequences of labor migration in the Kyrgyz Republic. While acknowledging the reality of permanent and long-term migration from the country for lack of limited economic opportunities, Mogilevsky states that emigrants should be given every opportunity to return home and should be encouraged to retain their ties to home and their sense of national identity.

On a different note, **Khawaja** explores a range of issues arising from demographic transitions and imbalances in Pakistan. Defining “demographic imbalance” as a mismatch between resources and population, the author looked particularly at population movement from rural to urban areas, but also discussed migration due to environmental catastrophes and other factors. Both papers expressed concern about the availability of accurate, reliable, and up-to-date statistics.

Health Care for the Poor in Asia

In less-developed Asian countries, the poor generally do not get adequate health care. Government does not devote enough resources to the sector, and what little it spends is often mismanaged. Hospital services and medicines are priced beyond the reach of the poor. For lack of good health care, the poor cannot get or keep a decent job, and they stay poor or become even poorer.

The papers in this session had three common themes: the privatization of health care; sharing of the financial burdens of health care with social organizations; and decentralization of health care. Although health care for the poor in Asia has greatly improved, much still needs to be done. Governments should change the way they perceive health, the participants suggested. People’s health is too important to be ignored. Governments should invest more to improve their health-care systems and make them more efficient. Social organizations can join in the supply of health care.

A good health-care system, **Sarfraz H. Khawaja** points out in his paper, should be equitable, efficient, and effective. Citing examples from Pakistan, his analysis brings out the essential features of a workable health system. **Ghuman and Mehta** examine health care for the poor in India, particularly in the state of Punjab, where the promised benefits to the poor from major policy reforms have not materialized for various reasons. To give the poor better access to health-care services, Ghuman and Mehta suggest that the government should spend more on health care; the poor should be made more aware about their benefits; entitlement procedures should be simplified and made more transparent and time-bound; the government should make it mandatory for super-specialty hospitals to meet their targets for poor patients; and health

service delivery should be made pro-poor, more vigilant, transparent, and better regulated.

Bautista discusses opportunities in public health governance in local government units in the Philippines and improvements that still need to be made, especially given the large number of the poor who rely on this system for their needs. National and local health offices must engage in continuous advocacy with local government officials to get them to commit to the delivery of health services that meet the needs of the community and the users of primary health care. National and local health offices should also use local information systems and other available technologies for governance to define community needs, allow targeted service provision, facilitate planning and monitoring and evaluation, and achieve commitments like the Millennium Development Goals.

Zhang and Zhang examine the public health system in Jiangxi province of the PRC, in light of the Severe Acute Respiratory Syndrome epidemic of 2003 and the measures taken since then by the PRC Government to forestall similar public health emergencies. The authors analyze existing policies and propose policy shifts required to strengthen the system of preparedness for public health in the PRC.

Teaching of Public Administration and Policy

O'Neill introduces Australian and New Zealand School of Government's new Executive Masters of Legal Public Administration Program. Australian and New Zealand School of Government's innovative application of problem-based learning principles—which develop problem-solving skills by challenging participants to solve real-world problems—is an emerging paradigm in the teaching of public administration, O'Neill states. **Sy-Aves** highlights the problem-based learning approach adopted by Capitol University in the Philippines. He shows how such an approach leads to embedding innovative methods of instruction.

Raagas describes a problem-based data analysis course that reinforces understanding of the use of research and statistics in public administration among Master of Public Administration students. This course gives students practical experience by using actual public administration cases and focusing on the data analysis aspect. **Huang** discusses the findings of his research study in Taipei, China, which applied exercises commonly used in assessment center simulation as instructional tools in public personnel management. There were also two teaching demonstration sessions where the participants “learned by doing,” with professional guidance.

This collection of papers reflects the diversity of “grounded” voices to be found in the region. While the approaches are different, a distinguishing feature is the depth of local knowledge they exhibit and the manner in which innovation from within the Asia-Pacific region is highlighted. Moreover, the selection presents findings that policy makers will find useful when tackling the enigma of promoting good governance and achieving development effectiveness.

Raza Ahmad¹⁰

Endnotes

- ¹ Knowledge or learning networks consist of organizations, institutions, and individual actors working together around a common concern.
- ² Organisation for Economic Co-operation and Development (OECD). 1996. The Knowledge Based- Economy. See www.oecd.org/dataoecd/51/8/1913021.pdf.
- ³ Innovation Expedition 2004. The Changing Nature of Networks and Recognition of Their Growing Importance. October. [www.innovationexpedition.com/103104%20\(B-KN\)%206.2%20Nature%20Networks.pdf](http://www.innovationexpedition.com/103104%20(B-KN)%206.2%20Nature%20Networks.pdf).
- ⁴ World Bank – Knowledge Networks website. <http://web.worldbank.org/WBSITEEXTERNAL/WBI/0,contentMDK:20102172~pagePK:209023~piPK:207535~theSitePK:213799,00.html>
- ⁵ Cummings, S., and A. van Zee. 2005. Communities of practice and networks: reviewing two perspectives on social learning. *KM4D Journal* 1(1): 8–22.
- ⁶ Asian Development Bank. 1995. *Governance. Sound Development Management*. Manila.
- ⁷ NAPSIPAG has a five-member Steering Committee (SC) that provides direction to the Network and comprises: 1) China National School of Administration (CNSA); 2) National Institute of Public Administration (INTAN)-Malaysia; 3) National College of Public Administration and Governance, University of the Philippines; 4) Institute of Public Enterprise, Osmania University, Hyderabad; and 5) Department of Management, Monash University. The SC is chaired by CNSA while INTAN serves as the Network Secretariat. Further details are available at www.intanbk.intan.my/napsipag/.
- ⁸ Durning states that Q-methodology “provides policy analysts with a research tool for studying systematically the subjectivity of one person or a group of people. It enables them to explore and understand in more depth the subjective perceptions of stakeholders, decision makers, and even themselves about the policy issues they are investigating.”
- ⁹ The declining average life expectancy in Central Asia over the last one decade was highlighted as a critical issue facing the region with serious social and economic implications.
- ¹⁰ The author works as the Governance and Capacity Development Specialist at the Asian Development Bank.

Introductory Papers

- ▶ Democratization and State Capacity
in East and Southeast Asia

IAN MARSH

- ▶ The Role of the Chinese Government
in Building a Harmonious Society

BO GUILI

Democratization and State Capacity in East and Southeast Asia

Ian Marsh¹

The theme of this conference is the role of public administration in building a harmonious society. I want to approach this by discussing recent developments in seven states: Indonesia, Republic of Korea, Malaysia, Philippines, Singapore, Taipei, China, and Thailand. All have at least nominally democratic political structures and, save for Malaysia and Singapore, have achieved this political transition in the last decade or so. They have also all experienced rapid economic development, although the outcomes, of course, still vary widely. But save for Japan, these are the first non-Western states to achieve these kinds of economic and political development.

The adoption of democratic forms is a particularly significant step. This involves a new approach to the task of building a harmonious society. Indeed, it entails a wholly different notion of who determines what harmonious means. Whereas other political orders use property or some other limitation to restrict the number of citizens, or invoke some other, usually transcendental, source of legitimacy, democracy, nominally at least, recognizes all the people—individuals are the ultimate units of politics. Ideally, citizens come to the task of participating in governance with equal standing.

Of course, views about the practical limits of democracy vary widely. For example, in a classic study, Schumpeter suggested that citizen participation needed to be limited to periodic selection between rival elite teams. In this conception, free and fair elections become the touchstone institution. Other visions of democracy envisage enhanced self-realization, and expanded life choices, as democracy's fundamental promise. Here citizen engagement is the touchstone. How these possibilities unfold in the distinctive cultural environments presented by these seven states will, it is hoped, stir the imagination of a future Asian Tocqueville or Mill or even Polanyi.

My present purpose is to identify some effects of democracy, even in these initial stages, on key dimensions of governance. This political change is

This paper is based on a forthcoming study: I. Marsh, ed. 2006. *Democratisation, Governance and Regionalism in East and Southeast Asia*. London: Routledge. Individual chapters are acknowledged throughout the text.

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of very great significance for the practice of public administration. Public administration must always be “placed” in a wider structure of governance. Public administrators need to understand how their roles depend on the effective working of other arms of the political and policy-making system. They need to recognize how these institutions condition and limit their own role—and the steps they can take to improve their operations and surmount obstacles. In building understanding of these issues, the idea of state capacity provides an appropriate template. This concept has a distinguished provenance and covers governance in all its aspects (e.g., Wade 1990, Painter and Pierre 2005).

State capacity is divided into three primary components, namely, political, policy, and administrative capacity. Political capacity covers the formal and informal institutions that mediate citizen engagement, create legitimacy, and underwrite executive authority and decisiveness. Policy capacity refers to the concepts, strategies, and institutions that inform and shape policy deliberations, and administrative capacity to the ability of bureaucracies to implement agreed strategies.

In this paper, I review in detail key elements of the three components of state capacity. Political capacity covers three aspects: political culture, political parties, and the formation of executives. Policy capacity covers two elements: executive-legislative relations and the assimilation of new policy strategies. Administrative capacity covers bureaucratic politicization and interest aggregation. These add up to seven elements in total. These seven elements are, of course, interdependent, and state capacity can be variously composed depending on the condition of the individual elements and the significance of each element in the broader system of governance. There are also other important aspects of governance, such as the media and the judicial system, which we are not considering (e.g., Rich and Williams 2000).

In the remarks that follow, I want to focus particularly on political capacity, since this is perhaps the most complex and multifaceted of our three components. Here three features are discussed: the social base of individual political systems, the nature and role of political parties, and the formation of political elites.

Citizen Attitudes and Orientations

The starting point for evaluating the likely character of the challenges associated with the adoption of democracy concerns citizen attitudes. While clearly not decisive, citizen attitudes inevitably attain a new standing in this pattern of politics. Through a survey undertaken at the end of 2000, Richard

Sinnott has examined aspects of the political cultures in the seven states.² He considered 16 variables in six categories: political efficacy and knowledge, ideology, identity, confidence in the system, satisfaction with the system, and political participation.³

The results for individual states are summarized in the appendix. These results show the remarkable differences between the individual states. The ideal types used to characterize citizen orientations in Western assessments involve a taxonomy that broadly distinguishes between so-called subjects, participants, and critical citizens—terms that are somewhat elastic and that cover relatively quiescent citizens, who are inclined to defer to governing elites, as well as a more skeptical citizenry, who are more likely to challenge the governing elites.

As far as our seven countries are concerned, the data suggest that the citizens of Singapore clearly tend toward the subject pole of this spectrum and the citizens of the Republic of Korea, the skeptical or critical one. The other states tend toward one or the other pole but with important variations and qualifications. Singaporeans are relatively politically quiescent, with a relatively weak national identity and a high level of pride in the outputs of the political process, a high level of satisfaction with politics, high confidence in the national parliament and in the civil service, and, finally, a low propensity to political action, defined in terms of contact with elected representatives, involvement in party and electoral politics, and partisan or campaigning activity.

Indonesian and Malaysian citizens also display political attitudes and perceptions that tend to place them on the more quiescent side of this spectrum. But neither country is unambiguously located there. Indonesia's deviant rankings are related to that country's higher level of political knowledge and somewhat higher level of political efficacy and lower level of political deference. Malaysian deviance results from a high level of party involvement and a relatively strong sense of national identity.

² This paper draws on data on political cultures and globalization collected through the Asia-Europe (ASES) survey conducted in 2000, a project led by Professor Takashi Inoguchi (University of Tokyo) and sponsored by the Ministry of Education, Culture, Sports, Science and Technology, Tokyo (Project Number 11102000). The European countries surveyed were: France, Germany, Greece, Ireland, Portugal, Spain, Sweden, and United Kingdom. The Asian countries were: People's Republic of China, Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Singapore, Taipei, China, and Thailand. The survey sample in each country numbered 1,000. For details of the methodology used in the collection of the samples, send an e-mail to: imarsh@coombs.anu.edu.au.

³ Chapter 2: Political Culture and Democratic Consolidation in East and Southeast Asia.

On the other side of the spectrum, the Republic of Korea stands out as the country with the most politically active, opinionated, and perhaps volatile citizens. Its citizens have a high sense of political efficacy and low confidence in their government. They have strong regional loyalties and relatively high levels of participation. This was reflected in the campaigns of nongovernment organizations (NGOs) on behalf of liberal and Left candidates in 2000 and 2004 culminating in the election of the first liberal government in 2004 (Shin 2003, Cha 2005). For their part, Taipei, China's citizens show less political efficacy, more deference, and weaker national identity than unambiguous placement on the skeptical side of the spectrum would require. Taipei, China's ambiguous international status may, of course, be a factor in this result. Finally, the Philippines has less political efficacy, decidedly less political knowledge, and more pride in the country's welfare system (such as it is) than would be the case in a typical "participant" country.

The foregoing placement of countries leaves one country, Thailand, in the middle. This is not because it is consistently in the middle of the spectrum; in fact, it appears in the middle on only four variables. Its placement is due rather to the conflicting characteristics it exhibits. Thus, it is highly placed in terms of identity variables but low on deference and on aspects of institutional confidence. However, despite having quite a high sense of political efficacy, it is extremely low on the political action variables (except for potential involvement in local community efforts to solve local problems). This lack of political mobilization is crucial in the decision to treat Thailand as a middle case.

In sum, one could argue that these seven countries can be divided into two groups of three—with Indonesia, Malaysia, and Singapore on the more quiescent side, and Republic of Korea, Philippines, and Taipei, China on the more skeptical or activist side—and Thailand in the middle. Which of these sets of orientations will lead more rapidly and more securely to a consolidated and stable democratic system is, of course, unclear. A variety of intermediary institutions contribute critically and variably to this outcome. But these data provide some pointers to the democratic challenges that arise at this primary level.

Political Parties

Political parties can perform critical roles in mobilizing individual citizens into relatively stable political engagements. They are the primary intermediary institutions. In the Western experience, mass political parties were the agents not only of democratic representation but also of democratic socialization.⁴

The causal sequence may have varied, but democracy was everywhere the fruit of a bottom-up agitation based partly on the emergence of an industrial working class, partly on the development of trade unions, and partly on ideologies of laborism, socialism, or communism. Mass political parties progressively emerged to spearhead political advocacy. Coalitions with bourgeois, agrarian, or religious interests were variously formed. By such means, and also as a result of war and civil war, more or less authoritarian political systems were progressively displaced by liberal democratic regimes.

What form are political parties taking in regional states? Save for Malaysia and Taipei, China, the cleavages—ideological, center-periphery, religious—that differentiated identities and were the essential foundation for party development in Europe either do not exist or do not have political salience.

Nor are the organizational forms that would provide a durable foundation for party development in evidence. Save for United Malays National Organization (UMNO) in Malaysia, the major parties in Taipei, China, and perhaps *Partai Golongan Karya* or Party of Functional Groups (Golkar), *Partai Demokrasi Indonesia Perjuangan* or Indonesian Democratic Party for Struggle (PDI-P) and *Partai Keadilan Sejahtera* or Prosperous Justice Party (PKS) in Indonesia and the Democratic Party in Thailand, parties in the states covered have no or very limited branch structures, no mass memberships, no internal policy development mechanisms, and virtually no or very limited durable organizations. Where a durable organization exists, its focus is the leadership

⁴ In the literature on political development, the role of mass parties was critical. These bodies not only represented citizen views, they also contributed to the formation of citizens. They politicized identity. For example, the following describes the socializing and mobilizing contribution of the German Social Democratic party in its first years:

There emerged in the years leading up to World War I a socialist counter-culture and interlocking institutions. Aside from the party organisation, with over one million members by 1914, there was the massive union organisation with 2.5 million members. Then there was the party press—90 daily papers with a circulation of 1.5 million copies, a humorous weekly with a circulation of 380,000, a multitude of other publications (e.g., *Der Arbeiter-Radfahrer*—The Worker Cyclist—circulation 168,000), printing houses and more. Isolated from mainstream society by choice or imposition, often banned from or unwelcome at the non-socialist societies, the socialist sub-culture created their own societies. There were socialist sporting organisations—cycling, football, athletics (with a multitude of sub-societies, e.g., boxing), swimming, hiking, rowing, sailing; socialist educational institutions (including 1,100 libraries, 800,000 volumes, 365 librarians with their own journal); socialist cultural organisations like choral societies, theatres and much more. The SPD laid siege to mainstream society with an entire parallel social structure. (Norman 2001, page 48).

group rather than the membership base. Nor are parties largely a legal artifact, partly dependent on the rules of party competition, as in the United States (Katz 1994). Parties do not conform to “electoral-professional” or “catch-all” or “cartel” patterns, to follow the descriptions current in recent Western party literature (Mair 1997). Rather, as Jean Blondel points out, they are primarily based on leaders with established national standing.⁵ These individuals can take a preexisting organization and reshape it in their own image (Kim Dae Jung, Roh Moo-hyun) or they can build a new organization (Thaksin). In either case, power flows outward and downward from the leader, not upward from a mass membership. Prime Minister Berlusconi provides a Western analogue for this particular pattern.

Emerging patterns of representation and, perhaps even more importantly, patterns of political socialization in East and Southeast Asia will take a very different form from those made familiar in Western experience. Top-down democratization has produced a superficially familiar formal structure, but the task of citizen development remains. If political parties are not to be the immediate medium for these processes, are there alternatives?

Indeed, in the absence of basic democratic socialization, disappointment with political outcomes may focus not primarily on current officeholders but rather on the overall system—because attachment to the basic process has remained stillborn. There is a hint of this possibility in the waxing and waning of public support for democracy in the Republic of Korea (Shin 2003) and in public attitudes to the political system in Taipei, China (Chu, Diamond, and Shin 2001). This is, of course, wholly speculative. What is clear is that, in the absence of intermediary organizations, particularly mass parties, the processes by which citizens will be mobilized into political engagement, and socialized into democratic norms, deserve much closer attention.

The Development of Political Elites⁶

Democratic consolidation could be expected to be marked by new patterns of elite formation. Ministers would increasingly be drawn from representative organizations and activities. This is because of their twin but divergent roles at the apex of the political and policy-making system: on the one hand, they need to gain popular and interest-group consent for executive decisions; on the other, they are also formally responsible for managerial and policy effectiveness. These twin responsibilities also make these elites

⁵ Chapter 3: Parties and Party Systems in East and Southeast Asia by Jean Blondel.

⁶ Chapter 4: National Executives in East and Southeast Asia by Jean Blondel.

particularly significant in the formation of state capacity. There is no clear metric for measuring either of these outcomes. But the undeveloped character of political parties is the biggest obstacle impeding democratic consolidation at the level of executive composition. In general, and with the exception of Malaysia, ministerial careers mostly remain as extensions of public service activities.

Patterns of leadership and executive formation vary markedly in individual countries. One cause is the political structure. The stylized notion that presidential systems create hierarchical relationships, and parliamentary systems collegial ones, does not square with practice. A wider range of mainly informal factors shapes outcomes. In relation to the selection of leaders, those states with presidential or semi-presidential systems (Indonesia, Republic of Korea, Philippines, and Taipei,China) have all adapted first past the post-electoral systems. Presidents have been elected on less than a plurality of votes, with an average of around 40% and the lowest that of Ramos in the Philippines, who gained office in 1992 with 25% of the popular vote. Among these states, only Indonesia has adopted a runoff system.

Leaders can be dominating or they can share power. Dual leadership has occurred in the semi-presidential systems: in the Republic of Korea for 18 months in the Kim Dae Jung–Kim Jong Pil alliance, and in Taipei,China with the 9-month appointment of Tang Fei as prime minister by President Chen. The tenure of leaders has been considerable in the semi-pluralist states, with Lee Kuan Yew in office for 25 years, Goh for 10 years, Mahathir for 20 years. The incumbency of presidents in the presidential and semi-presidential states is limited to one term in the Republic of Korea and the Philippines and two terms in Indonesia and Taipei,China. On the other hand, the Republic of Korea had 18 prime ministers between 1980 and 2000, seven for only a few months, and none much more than 2 years. In Taipei,China, there were four prime ministers between 1988 and 2000, all for 2 years except for Lien Chen, who served 4 years and then was beaten for the presidency by Chen Shui Bian.

The military was the source of leaders for Indonesia up to 1999 and then again in 2004, Republic of Korea up to 1992, Taipei,China up to 1988, and Thailand up to 1991. As already noted, the more recent crop of civilian leaders has been made up of national rather than party figures. Blondel concludes that history and circumstances, not formal governance structures, are the primary determinants of leadership styles and approaches:

Political leadership in East and Southeast Asia is...diverse in its role, its origins, its duration, its composition and its mode of appointment. What appears to be a universal problem—that of ensuring the economy

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progresses—and a widespread if not yet universal concern—that of rendering political life more pluralistic—has been handled in a different manner in [each of these seven states] (pages 120–121).

As far as executives are concerned, Blondel notes they have primarily been administrative in character. Only in Malaysia and Singapore and perhaps Indonesia are ministers part of a recognized political elite. The duration of ministers in office averaged 3.8 years in the 1990s. But there were wide variances, with Singapore recording an average of 6.6 years (the top pole) and the Republic of Korea, 1.4 years (the bottom pole). The causes for variations in tenure are country-specific and have nothing to do with the form of the regime.

The administrative character of executives is reflected in the background of ministers.

The type of profile that characterizes the governments of Indonesia, Republic of Korea, Singapore, Taipei, China, and with reservations, Thailand, indicates that the ministerial career in these countries is more in the nature of an appendage to a public service career to which, especially in Indonesia and Thailand, as well as, to an extent, Republic of Korea, the military is regarded as belonging.

The development of “political” executives would seem to depend on the further development of durable political parties.

Finally, one distinctive pattern in executive formation concerns the circulation of Members of Parliament (MPs) after elections as individuals regroup around the winner. This is a particular feature of Indonesia, Republic of Korea, and Philippines. But it is unclear if this indicates the formation of an ad hoc coalition or rather a government of the president. An explicit coalition government is present only in Malaysia.

Policy and Administrative Capacity

The other components of state capacity present other, no less substantial, challenges. For example, *executive-legislative relations* have been a particular issue in the four presidential and semi-presidential systems—Indonesia, Republic of Korea, Philippines, and Taipei, China. The Republic of Korea and Taipei, China have had particularly turbulent experiences with divided government. The Taiwan Assembly continues to block legislation that the executive has labeled critical, particularly covering arms purchases from the United States. By contrast, the 2004 Assembly election in the Republic of Korea introduced the first liberal or Left-inclined regime. For the first time,

the party that controlled the presidency also enjoyed a majority in the National Assembly. The Philippine Congress enjoys substantial powers, including impeachment, which it exercised against former president Estrada in 2000. Congress has thwarted important elements of President Arroyo's program. Finally, the Indonesian case presents the most ambiguous example of unresolved executive-legislative relations. The relationship between the president and the legislature (DPR) remains unresolved. Huntington has identified metrics (adaptability, complexity, autonomy, and coherence) by which legislative consolidation could be assessed (cited in Park 2000). Procedural norms are insufficiently developed for even rudimentary application.

The ability to identify and define new policy strategies is a second area of policy capacity. Two important areas that are potentially affected by democratization are social and economic policy. Social policy could be expected to rise in salience as a result of popular pressure and economic policy may have to be framed with greater regard to public attitudes. Ramesh (2004) has recently surveyed developments in the important area of social policy, which is clearly emerging as a much more significant domain (also Gough 2000). Economic governance has traditionally been a critical domain. Notably in the Republic of Korea, Singapore, and Taipei, China, it has hitherto taken a distinctive, state-led form. The requirements of economic governance have progressively become much more demanding, with the very complex notion of managing whole systems (crossing a variety of public and private organizations and interests) attaining greater prominence (e.g., Lipsey, Carlaw and Beckar 2006; Porter 2003). This has resulted from the increased interdependencies associated variously with both multinational corporation (MNC) engagement and entry to science-based sectors. During the late 1980s, Republic of Korea, Singapore, and Taipei, China moved progressively into advanced technology sectors in electronics. From the mid-1990s, their ambitions extended to science-based sectors like biotechnology, nanotechnology, and new materials. They have also sought to establish a strong position in services (such as software and, in Singapore's case, health and education).

These same challenges are apparent, if in a different form, in the other states. The Malaysian Government has been the most ambitious of the second-tier newly industrialized countries (NICs). From the early 1990s, the Mahathir government introduced an industry strategy, which sought to accelerate development in the manufacturing sector, particularly electronics. While the strategic framework for industry development has been put in place, sectoral

capabilities have been found to be inadequate.⁷ In July 2005, a new industrial development strategy was announced that encouraged participation by local small and medium enterprises in MNC supply chains, as well as programs to upgrade both individual skills and business capabilities. Indonesia, Philippines, and Thailand all face similar challenges. For example, according to Doner and Ramsay (2003), the present imperative for Thailand is to shift from a strategy based on low-cost manufacturing to one based on upgrading. This requires governance capabilities at systemic and sectoral levels. It requires institutions that can mediate human resource development, supplier linkages, technology development, and the introduction of advanced infrastructure. Doner and Ramsay illustrate particular patterns through analyses of electronics, textiles, and automobiles—all sectors in which Thailand has built a reasonably strong position. Evidence that weaknesses are being tackled is sparse.

Turning from policy capacity, we look at administrative capacity, which basically involves the ability to implement agreed plans and programs. An *effective bureaucracy* is the key. Martin Painter has explored the “quality” of bureaucracy in the seven states against such key norms as “neutral competence” and capacity for administrative reform.⁸ Save for two exceptions, his account is of systems under considerable stress. This is the result of internal failings, uncertainties arising from the political context, or some combination of these factors. The two exceptions are Malaysia and Singapore. In these states, semi-pluralist political systems have produced governments with relatively unambiguous authority. Meantime their background as British colonies produced civil services with strong internal norms of neutral competence, traditions that have not been upset since independence. These bureaucracies have developed “a culture of administrative self improvement that operates within limited boundaries defined in part by regime goals.”

⁷ In an evaluation of electronics developments, Matthews and Cho question implementation capacities: “The direction towards upgrading is there but its execution has been slow—although much more advanced than in neighbouring countries like Thailand and the Philippines” (page 276). Jomo and Felker (1999) suggest bureaucratic capacities for sectoral analysis and for monitoring implementation are inadequate. They suggest that state-led strategies approaches have not been backed by adequate analysis and oversight: “It is precisely the sparseness of...capacity for detailed, continuous sector-specific assessment of market and industry trends which is the greatest constraint on effective industry implementation” (page 25; see also Dodgson, in Kim and Nelson, pages 258–260). Doner and Ramsay (2003, pages 203–205, 213–214, 220–222) reached a similar conclusion in their comparative assessment of the development of the hard-disk-drive industry in Malaysia, Singapore, and Thailand. While Malaysia showed more strategic capacity than Thailand (but, of course, much less than Singapore), there was little evidence of ability to implement policy at the sectoral level—save for the Penang Development Corporation, which was the model for the broader strategy.

⁸ Chapter 5: Bureaucratic Performance, Policy Capacity and Administrative Reform.

A final element of administrative capacity involves *interest aggregation*. The absence of comparative studies of interest formation and interest intermediation in regional states is a major gap. The only exception concerns relations between business interests and the state. Business-government relations were central to one approach that argued that regional patterns sustained dysfunctional rent seeking and cronyism (Lingle 1998). This relationship also became increasingly central in the evolution of the developmental state ideal (Evans 1995, Weiss and Hobson 1995, Woo-Cumings 1999, Weiss 2003). But the pattern of business-government relations has varied widely under the pressure of new economic governance challenges, as well as new patterns of interest formation. There have been limited experiments with corporatist-type structures in the Republic of Korea and Taipei, China. Following his election in 1997, President Kim established a Tripartite Commission. The trade unions withdrew from this body in 1998 but rejoined in 1999. President Lee set up a National Affairs Conference in 1990 and a National Development Conference in 1996. No other states have sought to develop corporatist forms.

If business interests are well established and organized in most states, the same could not be said for trade unions. The Republic of Korea has the most-developed trade union movement, but representation is split between two rival federations. But both federations (the 600,000-strong Korean Confederation of Trade Unions [KCTU] and the 900,000-member Federation of Korean Trade Unions [FKTU]) joined other NGOs in a progressive alliance based on the Democratic Labour Party, which contested the 2002 election and won six Assembly seats in the 2004 election. Trade unions are relatively weak in, Malaysia, Taipei, China, and Thailand, and have been controlled in Singapore. Democratization changes the context of interest formation and intermediation. But patterns have not been systematically traced and compared, and this remains a major gap in the comparative literature.

Conclusion

In five of the seven states reviewed here, the political framework has been transfigured in recent years. The framework within which public administrators seek to contribute to the construction of a harmonious society is naturally also transformed, as a result. Public administrators need to understand how this changes the context in which they are working if they are to realistically assess the challenges that they face, the limits that other actors impose on their own capacity to shape events, and ways in which such obstacles might be transcended.

The change to a democratic structure potentially transforms the nature of political authority. Ideally, it advances self-realization, expands life choices,

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and endows public opinion with a much greater salience in political determination. Indeed, people power has already clearly shown its strength and potential. But the institutions and processes through which its otherwise sporadic expression might be transformed into routine political pressure mostly remain underdeveloped. Save for Malaysia and Taipei, China and perhaps Indonesia, the states surveyed here have not developed broad-based political parties, and the cleavages that might be the foundation for such developments are not immediately obvious. Yet bottom-up political parties were critical to democratic consolidation in Western states.

Democratic institutions also multiply the number of veto points in the political structure, make these interventions much more transparent, and can multiply incentives for opposition parties to exploit these opportunities. In pathologies of democracy, ambitious aspirants use these opportunities to distort or paralyze decision making.

How has the need to develop broad-based political parties been avoided, and how have these states escaped paralyzing rivalries and conflicts? There would seem to be a single broad answer to both these issues, albeit one that comes with very significant local variations. Arguably, stable government has mostly been preserved because the elite consensus that was forged in the pre-democratic period has carried forward into the new political environment. Elite consensus, at least about economic goals, remains the primary foundation of political authority. Meantime political rivalry has focused on personality or populist issues and has been expressed through leader-based political parties. There are stirrings at the level of civil society but (save for the Republic of Korea) these are mostly confined to urban regions and involve relatively small numbers. In the Republic of Korea and Singapore, an accomplished bureaucracy buttresses state capacity, supported, in the latter case, by a variety of rules that inhibit political dissent. In the case of the Republic of Korea, a single-term presidency and turbulence in executive-legislative relations have produced that country's first consolidated Left-liberal administration. The issue of sovereignty has created a real cleavage and a more problematic political dynamic in Taipei, China. Meantime, in two of the remaining states, Malaysia and Thailand, strong leaders have been the immediate sheet anchor of state capacity. In Malaysia's case, this is buttressed by well-developed institutional arrangements, which Prime Minister Thaksin seems to be seeking to emulate in Thailand. Indonesia and the Philippines are more problematic cases.

In sum, in these seven states, democratic forms are in their infancy. The capacity of ordinary people to play a larger role in defining the meaning of a harmonious society has potentially been considerably expanded, but the ideologies and institutions through which this potential can be converted to

actuality are only slowly emerging. Indeed, in several cases such possibilities have been deliberately stanching. For the moment, democratic regimes mostly constitute a kind of varnish, beneath which older patterns of power and authority have been reconstituted.

Despite this, democratization has meant that public administrators in five of these seven states face more complex institutional environments. If they are to contribute to building a more harmonious society they too must develop new skills—skills of advocacy and persuasion, new policy or technical skills, and new skills in institutional design. Skills in advocacy, brokerage, and persuasion all attain a new standing as authority moves, however slowly, from hierarchy to consent. New policy or technical skills are needed as new issues come forward on the political agenda, as older issues are redefined in new contexts, or as more values and perspectives need to be accommodated in finding solutions to any of these matters. Finally, new skills in institutional design may be required as whole policy systems become the focus of state action and as a wider variety of stakeholders need to be accommodated in decision making. In these and other ways, “new modes and orders” create high challenges for both the theory and the practice of public administration.

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Appendix: Summary of Individual Country Outcomes on Sixteen Political Culture Variables

	Low impact of government	Rep. of Korea	Thailand	Taipei, China	Malaysia	Indonesia	Philippines	Singapore	High impact of government
1	Low impact of government	Rep. of Korea	Thailand	Taipei, China	Malaysia	Indonesia	Philippines	Singapore	Low political efficacy
2	High political efficacy	Rep. of Korea	Thailand	Indonesia	Malaysia	Philippines	Taipei, China	Singapore	High political deference
3	Low political deference	Rep. of Korea	Thailand	Indonesia	Philippines	Taipei, China	Singapore	Philippines	Low political knowledge
4	High political knowledge	Indonesia	Rep. of Korea	Taipei, China	Thailand	Singapore	Malaysia	Philippines	Left-Right not important
5	Left-Right important	Philippines	Rep. of Korea	Thailand	Malaysia	Taipei, China	Indonesia	Singapore	National identity weak
6	National identity strong	Philippines	Thailand	Malaysia	Rep. of Korea	Singapore	Indonesia	Taipei, China	Identity respected
7	Identity not respected	Rep. of Korea	Taipei, China	Philippines	Thailand	Indonesia	Singapore	Malaysia	Low supranational identity
8	High supranational identity	Philippines	Thailand	Taipei, China	Rep. of Korea	Malaysia	Indonesia	Singapore	Low subnational identification
9	High subnational identification	Rep. of Korea	Thailand	Philippines	Indonesia	Malaysia	Singapore	Taipei, China	High pride in welfare system
10	Low pride in welfare system	Rep. of Korea	Indonesia	Taipei, China	Thailand	Philippines	Malaysia	Singapore	High satisfaction with politics
11	Low satisfaction with politics	Rep. of Korea	Philippines	Taipei, China	Thailand	Indonesia	Malaysia	Singapore	High confidence in parliament
12	Low confidence in parliament	Rep. of Korea	Taipei, China	Thailand	Philippines	Indonesia	Malaysia	Singapore	High confidence in civil service
13	Low confidence in civil service	Rep. of Korea	Thailand	Philippines	Taipei, China	Malaysia	Indonesia	Singapore	High representational contact
14	High representational contact	Philippines	Taipei, China	Rep. of Korea	Malaysia	Singapore	Thailand	Indonesia	Low party involvement
15	High party involvement	Philippines	Malaysia	Taipei, China	Rep. of Korea	Indonesia	Thailand	Singapore	Low citizen mobilization
16	High citizen mobilization	Rep. of Korea	Philippines	Taipei, China	Malaysia	Singapore	Indonesia	Thailand	

The Role of the Chinese Government in Building a Harmonious Society

Bo Guili¹

Introduction

In this new century, the Government of the People's Republic of China (PRC) has set the strategic goal of building a harmonious socialist society in the course of modernization. Governments at various levels have a unique part in meeting this goal.

Building a Harmonious Society: Historical Background and Significance

International experience shows that when a country has a per capita gross development product (GDP) in the range of \$1,000–\$3,000, it will experience the most serious bottlenecks in population, resources, and the environment, and face the risk of economic and social disorder and psychological imbalance. It is also in a critical period of social adjustment and reconstruction. The PRC's per capita GDP hit \$1,000 in 2003 and is striving to reach \$3,000. In other words, the country has reached a critical period in its modernization. As it marches steadily forward, the PRC faces an upsurge of conflicts as well as strategic opportunities for development. To properly deal with the conflicts, take full advantage of the opportunities, and create a stable and harmonious social environment for modernization, the Government has put forward the strategic goal of building a harmonious socialist society.

What is a harmonious society? What kind of harmonious society are we trying to build? President Hu Jintao gave us a good answer:

The harmonious socialist society that we are trying to build features democracy, rule of law, fairness, justice, honesty, fraternity, dynamism, stability, orderliness and harmony between man and nature. Democracy and rule of law means that socialist democracy is brought into full play, the basic policy of rule of law is implemented, and the positive elements of various sides are fully mobilized. Fairness and justice means that the interests of various social sectors are appropriately coordinated, civil conflicts and

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other social conflicts are correctly handled, and social fairness and justice is defended and realized. Honesty and fraternity means that everyone helps one another, honesty prevails in the society, and the people live next to each other in harmony with equality and fraternity. Dynamism means that every creative wish that is conducive to social development will be respected, creative activities will be supported, creative talents will be given free rein, and creative accomplishments will be acknowledged. Stability and orderliness means sound social organization mechanism, social management, and social order; people live and work in peace and contentment; social stability and unity are maintained. Harmony between man and nature means economic development, wealthy life, and balanced ecology.

These major features of a harmonious society constitute a unified whole, essential to realizing the strategic goal.

Building a harmonious socialist society has great significance and profound influence. First of all, it represents the fundamental interests and wishes of the people, who need a stable, orderly, united, and harmonious society.

Second, achieving the goal has a direct bearing on the country's modernization. The PRC is a developing country. We have a long way to go to modernize. Without social harmony, the modernization drive may be cut short and the achievements wasted.

Third, building a harmonious society has a direct bearing on our political stability and lasting peace and order. For any country in any era, social harmony and stability are the basis of political stability. A society where there are many conflicts, some of which intensify into clashes, will inevitably fall into political crisis, with very serious impact on peace and development in the international community.

The Role of Government in Building a Harmonious Society

A harmonious society does not come about automatically. Government must build such a society.

First, it must safeguard citizens' lawful rights. A harmonious society is not an ultra-stable society under authoritarian control, but a democratic society that adheres to the rule of law. The Constitution of the PRC guarantees basic rights to all citizens—equality before the law; the right to vote and stand for election; freedom of speech, press, assembly, association, demonstration, and religious belief; personal freedom; personal dignity and inviolability of abode; the right to work, to rest, and to receive an education; the right of those who are old, ill, or disabled to receive material assistance from the state and society;

the freedom to engage in scientific research, literary and artistic creation, and other cultural pursuits. Government belongs to the people. Hence, its primary responsibility is to safeguard citizens' basic rights and to create conditions and provide the necessary guarantees for those rights to be realized. If their basic rights are safeguarded and guaranteed, the citizens can be encouraged to participate more fully in state and social management. Failure to safeguard citizens' rights will lead to conflicts and clashes, which will seriously challenge social stability and harmony. In recent years, some local governments have not done well in this aspect and mishandled such issues as the takeover of land from farmers, urban renewal, and the reemployment of laid-off workers. The lawful rights of the disadvantaged groups were not properly safeguarded, so that citizens clamored for help from the authorities.

Second, economic and social development must be systematic. Systematic economic development and ever-improving productivity are the economic foundation of a harmonious society, and a sound social structure and social order are its social basis. In the past, the Government was unaware of economic and social development theories, and could not give systematic guidance to economic and social development. Today it can, with the help of advances in the social sciences (e.g., economics and sociology). Governments at various levels must therefore study economic and social development theories to guide economic and social development. In this way, detours can be avoided, development costs can go down, waste can be reduced, and economy and society, and man and nature, can benevolently interact.

From the late 1950s through the 1970s, the Government made huge mistakes in guiding economic and social development, leading to the chaos of the "Cultural Revolution." Since 1978, the Government has boldly restored order and set the right policy of "focusing on economic construction, upholding the four cardinal principles, and sticking to reform and opening up." The country has marched down the road to modernization. In the new century, the Government has transformed the development concept and adopted a more systematic perspective, embraced the principle of human-centeredness, innovated development models, enhanced development quality, implemented the "five balanced aspects" (urban and rural development, balanced development of the regions, economic and social development, development of man and nature, and domestic development and wider opening to the outside world), and gradually brought economic and social development onto the track of coordinated and sustainable development, thus clearly showing the way to a harmonious socialist society.

Third, the Government must provide public goods and public services for economic and social development. As living standards improve, the demand

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for public goods and public services also grows. The people want better education, a more secure and effective public health system, more convenient transportation and communication facilities, a safer social environment, a better natural environment, cleaner air and drinking water. Satisfying the people's growing need for public goods and services is safeguarding their lawful rights, which is the primary function of government in building a harmonious society. If it earnestly performs this function, the Government can create a favorable environment for socioeconomic development, rally the enthusiasm of the social sectors, enhance creativity, and energize the society. But if the Government does not perform this function satisfactorily, people's reasonable needs will not be met, there will be popular resentment, and our drive to build a harmonious society will be seriously undermined.

Fourth, the Government must systematically and reasonably regulate and control social and economic development. Building a harmonious society calls for coordinated and sustainable social and economic development. But market mechanisms do not help in realizing this goal because market regulation is mainly post-regulation. Players try to maximize their own interests instead of the public interest. Without macro control by government, the economic structure cannot be rationalized and the macroeconomic environment stabilized; neither can coordinated and sustainable economic and social development be realized and a harmonious society built. In recent years, the Government has taken macro control measures to deal with such issues as overinvestment, overdevelopment, slow growth in farmers' income, and underemployment. These measures have had some effect, but they have not succeeded in rooting out the problems and conflicts. These will be a constant headache in our drive for coordinated and sustainable social and economic development and a harmonious society. The central Government must therefore strengthen its macro control.

The Government must exert not only macroeconomic control but also macro social control and regulation, i.e., keep a mutually beneficial relationship between social classes and ensure the openness of and equal access to social classes. Mutual benefits between classes reflect the principle of fairness, i.e., higher social classes shall not benefit at the expense of lower social classes. On the contrary, as the interests of the higher social classes are better served, the welfare of the lower social classes should also improve. Moreover, all citizens enjoy equal rights. While their status may vary because of political, economic, cultural, and social differences, class and status are not fixed, and no groups should be excluded. Government will formulate and implement a fair social policy to break down the barriers between social classes. There will be openness between and equal access to social classes, and upward and sideways mobility.

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Only in this way will the society be resilient, fairer, more dynamic and creative, and harmonious.

Fifth, government should effectively supervise the society. A harmonious society is stable and orderly. In the process of modernization, social order and harmony do not happen without human intervention. A social supervision system must be established and improved to effectively supervise, manage, and control the society, and to ensure social order and humane dealings. Government makes laws and regulations to steer social and economic activities and to safeguard social order.

To build a harmonious society and strengthen social supervision, management, and control, a public crisis management system must be established with government at the center. We must clearly define the responsibilities and authority of governments in the lawful handling of unforeseen public crises, strengthen the public crisis management system, and formulate and constantly improve a plan for dealing with unforeseen public emergencies. The aim is to minimize harm and loss from unforeseen events and prevent them from causing social unrest.

The Need for Functional Transformation in Government and Better Capability to Build a Harmonious Society

We have made important progress after more than 20 years of administrative reform. But some deep-rooted problems remain, and reform is still a painstaking task.

At present, the major problems in the administrative system of the PRC are:

- Governments are still in charge of many things that they should have no hand in, that they are unable to manage, or that they are unable to manage well. Many things still need administrative approval.
- Some local governments still make decisions for companies, attract investment away from companies, or interfere in the production and business affairs of companies.
- The social management and public service functions of government must be strengthened.
- The government structure needs to be rationalized. Functions overlap and responsibilities are not clearly defined, responsibility is often divorced from authority, management is unenlightened, and there is much inefficiency.
- Performance assessment is not methodical.

These problems not only hinder economic and social development but also the capability of the Government to build a harmonious society. To improve this capability, the Government needs to deepen administrative reform and speed up functional transformation.

First, we shall clearly define the jurisdiction of governments at various levels, and require governments to take good care of the things within their jurisdiction and to leave to others whatever is outside their jurisdiction. Governments shall further strengthen their public management and public service function, direct public resources (such as human, material, and financial resources) to public service and public management, focus their leadership on social undertakings and the task of building a harmonious society, further improve the handling of public emergencies, and enhance government capability to safeguard public safety and deal with unforeseen events.

Second, governments shall reform their social management system according to the principle of separation of governmental and nongovernmental functions, and of the functions of government from those of the enterprise. Governments shall standardize the status, functions, and activities of grassroots organizations; safeguard their lawful rights; apply the principle of respect for labor, knowledge, talent, and creativity; break down the structural barriers to social development and progress; and strengthen creativity and dynamism to make our society not only orderly and harmonious, but also full of life and vigor.

Third, we shall further streamline and optimize the government structure according to the principles of simplicity, consistency, efficiency, and the rule of law. We shall reduce administrative levels; clarify jurisdictions; and establish a system of public administration with clear jurisdictions, a rational structure, and orderly operation, and constantly improve the system so that governments can accurately and swiftly implement the public will, effectively administer public affairs, and become better able to build a harmonious society.

Fourth, we shall establish a rational system for assessing government performance, institute greater openness in government, speed up the development of a government of service and the rule of law, standardize government authority and actions according to law, improve democratic and rational decision making, establish efficient and smooth execution, and make the government truly fair, incorruptible, efficient, and concerned about the people's welfare.

Session 1

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On the Organizational Framework for Citizens' Participation in the People's Republic of China

Chu Songyan¹

Introduction

Human beings meet their individual needs by organizing themselves to allocate resources and share risks. In the private sector, resources are deployed and risks avoided through companies, while in the public sector these same purposes are achieved through the government bureaucracy. People also form civil society organizations (CSOs) such as clubs, associations, and unions to meet their needs and enrich their lives. As the 20th century drew to a close, scholars heralded the “global associational revolution” (Salamon 1999), led in different countries by nongovernment organizations (NGOs), nonprofit organizations (NPOs), the “third sector,” the voluntary sector. Therefore, stock companies, government, and civil society organizations make up the social governance structure.

In the People's Republic of China (PRC), the private sector is relatively mature, after more than 20 years of openness and reform. The bureaucracy is undergoing reform. The CSOs are growing more and more rapidly, and are gradually becoming an important organizational option for people wanting to express and advance their interests. However, many factors still hinder public support for the social governance structure.

Political Participation of Social Organizations

CSOs come in three categories in the PRC: social organizations, privately run non-enterprise units, and foundations. Each category has its own regulations. According to the Regulation on the Registration and Management of Social Organizations passed in 1998, social organizations (SOs) are voluntary, non-profit organizations of citizens formed to articulate common choices and decisions.

Growth of Social Organizations

The Regulation sets strict conditions for social organizations to be registered as legal entities. Organizations that do not meet the requirements are not legal organizations, though such organizations far outnumber those

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registered. Though it would be much more impressive to cover all social organizations regardless of their registration status, it is rather difficult to make out their exact number. Therefore, the social organizations referred to in this paper are the registered ones.

The growth of SOs in the PRC coincides with the period of openness and reform, marked by government's withdrawal from both the market and society. "One notable feature of the reform program sponsored by the Chinese Communist Party (CCP)," Professor Saich (2000) pointed out, "has been the expansion of social organizations." Before 1978, social organizations were quite limited in variety and numbers: there were fewer than 100 national SOs, and only slightly more than 6,000 local SOs nationwide (Kang Xiaoguang 1999). The adoption of the policy of openness and reform spurred activity among traditional SOs and led to the rapid emergence of new types of SOs. By the end of 2004, around 153,000 SOs were registered nationwide.

SOs have gone through four stages of development since 1978. Stage one (1978–1988) was the period of rapid growth. At this stage, there were no rules or regulations on social organization, as reform had just begun. Social organizations were managed by nearly every public agency. Their exact number was therefore difficult to determine, but the number was generally believed to be huge, compared with the number in later stages. In 1989, there were around 209,400 registered SOs.

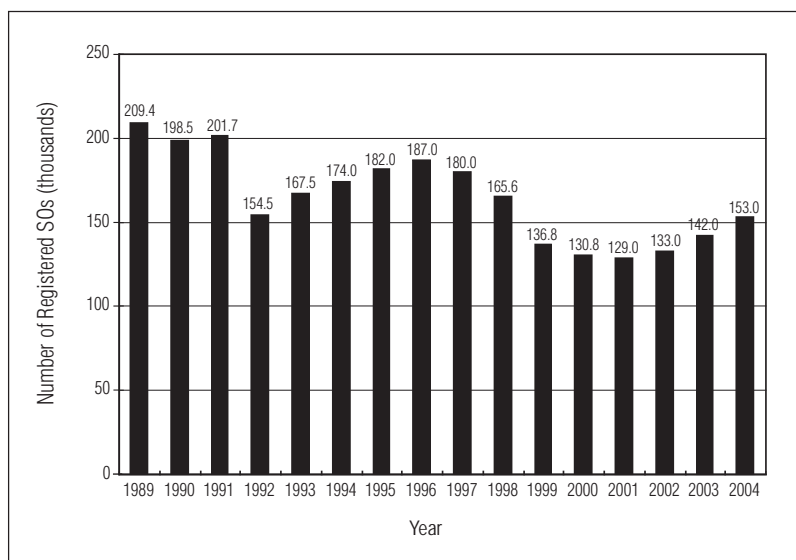
Stage two (1989–1992) was the cleaning-up period. As the social organizations rapidly increased, it became necessary and important to manage them through registration. On 25 October 1989, the first Regulation on the Registration and Management of Social Organizations was passed. It established the dual management model and introduced the system of registration. On 9 June 1990, the State Council issued a notice requiring local governments to inventory all SOs. From then on, SO statistics were included in national statistics. By 1992, the number of registered SOs had decreased dramatically to 154,500.

Stage three (1993–1998) was the period of steady growth. With the socialist market economy as the established goal of economic reform, professional and economic research organizations thrived. However, as social organizations were under-regulated—there was still only one regulation governing them—some illegal groups acted to the discredit of social organizations and caused harm to social stability. Therefore, the No. 22 File issued by the State Council in 1996 required strict supervision of social organizations by both central government agencies and local governments. SOs decreased in number, but their governance structure improved.

Stage four (since September 1998) is the regulating and nurturing period. On 25 September 1998, the revised Regulation on the Registration and Management of Social Organizations was passed, and some measures to encourage registration, such as lowering the requirements for local SOs, were adopted. However, in 1999, the illegal activities of the Falun Gong movement exposed weaknesses in the management of SOs. There followed a second round of housecleaning and a further decline in the number of SOs. As the weaknesses were gradually dealt with, SOs resumed their slow yet steady growth in 2001. Figure 1 shows the fluctuations in the number of SOs from year to year, reflecting the development of SO regulation by government since the passage of the first Regulation on the Registration and Management of Social Organizations in 1989.

To understand the development of social organizations in the PRC, we surveyed three provincial areas from 2002 to 2004. We sent out questionnaires to randomly selected social organizations in Beijing, Zhejiang, and Heilongjiang, and achieved an average response rate of 33.2%. We also did

Figure 1: Growth of SOs since 1989



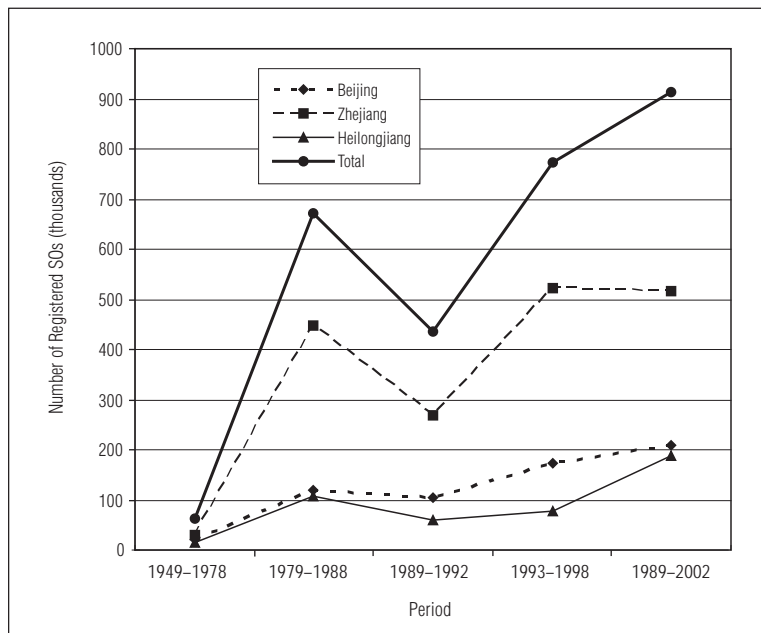
Note: Before 1989, when the first Regulation on the Registration and Management of Social Organizations was passed, there were no statistics on the number of social organizations.

Source: 1989 to 1991 figures were calculated with 1992 as base year; figures since 1993 were taken from the *China Yearbook on Civil Affairs*, published by China Society Publisher.

more than 100 interviews in this period. Zhejiang, where the private sector contributes more than 50% of GDP, represented the highly developed areas. Beijing, the capital, represented areas with moderate development, while Heilongjiang represented the poorer areas, where agriculture and decrepit state-owned enterprises are the engines of development. From the validated responses, it was evident that only 64 SOs, 2.5% of all the SOs surveyed, were established before 1978.

The increase in the number of SOs since 1993 has been steady, and has been spurred on by the lowering of the local registration threshold in 1998. Generally, the variations shown in the figure coincide with the development of SOs nationwide.

Figure 2: Growth of Social Organizations in Beijing, Zhejiang, and Heilongjiang



Note: 2,588 validated responses were obtained from the 2,858 SOs surveyed.

Political Participation of Social Organizations

Social organizations have been growing steadily in every social field and gaining increasing recognition as people with similar interests unite for common goals. Although the participation of social organizations has not been an equalizing factor in politics, it has become an inevitable factor in public policy making. Growing under the watchful eye of government and with its encouragement, social organizations are now “playing the role the government wishes [them to play in] ways the government wishes” (Lu Jianhua 2000) in policy making and the management of social affairs. They are becoming an important bridge between government and the citizens. On the one hand, they are helping to democratize policy making by articulating the citizens’ interests. On the other hand, by conveying government’s policy intentions and wishes to their members and the public, social organizations are promoting understanding and communication.

Political participation by social organizations in the PRC is, however, quite limited at present. A survey by the Zhejiang Bureau of Civil Affairs shows that only about 17% of business associations have actually influenced local government to stop or modify policies (Sun Jinxia 2005). Our survey came up with a similar ratio of respondent SOs who believed that their opinions had had a strong effect on certain policies. Another aspect shows the limited influence of SOs. The survey question “Do you think that your organization is considered an important factor by the government and officials?” drew a yes answer from 67.9% of respondent SOs in Beijing, 64.5% of those in Zhejiang, and 64.9% of SOs in Heilongjiang. But only 16.8% (411 of the 2,445) respondent social organizations surveyed said that they had strongly influenced government decision making. This inconsistency reflects the awkward status of SOs: while they aspire to be involved, they feel powerless to influence government.

Government decides how far social organizations can participate in government and what effect their participation will have. At present, reform in the PRC is still government-dominated. This means that government, relying on traditional skills and measures, still controls information and service delivery. SOs are not considered important information channels and service delivery partners. Therefore, they are merely passive and cannot fully express and defend their interests. Meanwhile, conflicting interests and competition are proliferating in the PRC. Government is faced with the major challenge of harmonizing these different interests by promoting the political participation of social organizations. The challenge has two aspects. On the one hand, the role of social organizations as the main avenue of interest expression and social governance should be emphasized and encouraged. On the other hand, social

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organizations should be guided toward public interest goals so that they are not exploited by a few. Therefore, government must regulate SOs while nurturing them, that is, it must consider encouraging social organizations to mediate between conflicting interests, and at the same time design mechanisms to keep social organizations from being controlled by a minority.

Table 1: Influence of Social Organizations on Government Decision Making

(%)

Influence on Government Decisions	Beijing	Zhejiang	Heilongjiang	Total
Very strong	1.1	0.3	1.0	0.6
Moderately strong	6.3	8.6	10.9	8.4
Strong	7.6	7.8	8.3	7.8
Not strong	40.0	45.7	44.6	44.3
No influence	22.6	19.1	15.8	19.3
Hard to say	22.4	18.6	19.4	19.6
Respondents	527	1,532	386	2,445
Total Surveyed	627	1,782	449	2,858

Note: Percentage figures represent proportions of valid responses, not of the total surveyed.

The Development of Social Organizations: Nurturing while Regulating

As is well known, the development of SOs follows the phase of reform. The reform process, because it is so uneven, both favors and restricts the growth of SOs. Traditional state institutions still dominate, squeezing the survival space of SOs. Among the SOs we surveyed, 70.4% complained of being dependent on government initiative. Since funds are in short supply among SOs and government is still the most important source, some researchers have predicted that “the [growth] of SOs’ activities mainly [depends] on the deepening of reform and the growth of the market” (Wang Ying, Zhe Xiaoye, and Sun Bingyao 1993). This is not enough, however. Since the reform is still government-dominated, a new model for the development of SOs—nurturing while regulating—must be adopted.

The Regulation on the Registration and Management of Social Organizations, passed in 1998, is now being amended in response to the challenge of social governance. But the present management system is still focused mainly on registering social organizations, and a complete institutional framework for the management of social organizations has yet to be established.

Generally speaking, for social organizations to function properly—for them to represent capably the shared interests of their members, collaborate in social governance, and enhance and preserve social welfare, complementing the state-market-society allocation of social resources and risks—an institutional structure for establishing, registering, governing, regulating and supervising, raising funds, obtaining preferential tax treatment, etc., for social organizations should be built up step by step. Social organizations are freedom of association in practice, and they take various forms. A registered, legal entity is only one such form. A large number of social organizations in all countries do not meet the registration standards. But registered social organizations do have easier access to tax benefits and government contracts, and derive legitimacy from legislation.

To nurture social organizations while regulating them, government must guarantee their independence while making sure that they are not for profit and nonpolitical, and do not harm the public interest. Independence prevents social organizations from being restricted, especially by government, from expressing their opinions freely. The not-for-profit principle sets social organizations apart from profit-oriented companies, while being nonpolitical differentiates them from political parties, and guarantees their reasonable and lawful participation. The principle of not causing harm to the public interest allows social organizations to represent specific interests that do not run counter to the general interest.

At present, the PRC needs to resolve various issues at the institutional level.

Regulation of Social Organizations Based on Classification

Social organizations can be divided into mutual benefit organizations (MBOs) and public benefit organizations (PBOs) according to their interests, and further into those with legal status and those without. The Regulation on the Registration and Management of Social Organizations applies only to social organizations with legal status. Many social organizations that do not meet the registration criteria are excluded, though they continue to exist by virtue of the freedom of association. However, they are generally underfunded and do not have the legal identity to participate in public affairs, thus increasing the possibility of conflicts between competing interests.

The growth in social organizations enhances social governance and public services. To allow social organizations to carry out their social responsibilities, a distinction must first be made between PBOs and MBOs, and different regulations set for each group. After that, the registration requirements can be retained as the standard for legal entities, while those social organizations that do not meet the requirements are also put on record. Such organizations could

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send their organization details to the supervising agency by post, and the agency could publicize the name lists of these social organizations regularly, so that the public knows of their existence and can decide what to do about them. Moreover, such records enable the State to understand better the activities and functions of social organizations and to consider their interests when making public decisions and social development strategies.

Need for Change in the Dual Management System

To guarantee the independence of social organizations, the dual management system must be reformed. The dual management system makes the Department of Civil Affairs the registration agency while entrusting the actual management of the organizations to professional responsible authorities. In this arrangement, the professional responsible authorities must be Party entities, government agencies, or other authorized bodies. The Regulation gives them unlimited power to supervise the social organizations. Under this system, it is difficult for social organizations to be independent from government and to protect their members' interests.

In reality, however, the Regulation only requires the professional responsible authorities to review the registration files of the social organizations and to guide their activities within the legal framework, and does not specify procedures for the professional responsible authorities to follow. As a result, some professional responsible authorities simply see to it that social organizations are registered. Other professional responsible authorities, however, regard social organizations as their departments or adjuncts. The social organizations lose their independence this way. On the other hand, some professional responsible authorities could also become too immersed in the interests of specific "departments." Moreover, although the Regulation places social organizations under professional responsible authorities, it absolves the latter of any legal responsibility for violations by social organizations under their charge; the legal burden falls solely on the social organizations. Hence, the legal relationship between the social organization and its professional responsible authority is an amorphous one. The professional responsible authority can neither regulate nor nurture the social organization effectively.

Getting rid of the dual management system and strengthening the institutional arrangement for the supervision of independent social organizations is an operational choice that must accord with the reality.

Need for Written Supervision Procedures

The supervision of social organizations revolves around their governance structure and fund-raising activities. Social organizations derive their income from membership fees, endowments from citizens and companies, and legal charges for services, but, because of a lack of connection between their management and the tax system, these organizations receive very little endowment and not much more in grants from government (see Table 2).

Table 2: Sources of Income of Social Organizations, 2000

(%)

Source	Beijing	Zhejiang	Heilongjiang	Total
Government grants	23.6	22.0	20.7	22.2
Membership fees	33.6	37.9	43.2	37.8
All endowments	11.8	15.5	8.1	13.7
Service incomes	23.4	17.7	16.8	18.7
Other	7.6	6.9	11.3	7.7
Respondents	362	1,183	258	1,803
Total Surveyed	627	1,782	449	2,858

Note: Percentage figures represent proportions of valid responses, not of the total surveyed.

Individuals and companies are entitled to tax exemption when they donate to PBOs such as charities, but without feasible procedures for realizing the tax exemption, they are not so willing to donate. Likewise, membership fees can hardly keep the organizations afloat with the strict regulation by the Civil Affairs Department, which holds down the fees. Hence, offering services for money becomes an important way for social organizations to stay alive. According to our survey, many social organizations now stay in existence by holding all kinds of exhibitions and fairs. Others have dwindled to little more than an excuse for the members to establish and keep friendships.

Over the near, as well as the longer term, therefore, better tax laws should be passed and other institutional arrangements made to secure the survival of social organizations and facilitate their supervision. The financial affairs of social organizations—statements of income and expenses, balance sheets, etc.—should be reported promptly to their members, and made known regularly to the public, and so should their activities. The reports should be made available in easily accessible public places.

The Regulation stipulates that there should be only one social organization in each social area at each administrative level. Many social

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organizations have ways of getting around this prohibition, sometimes using different names and different categories of activity to achieve the purpose. What is important is that social organizations are growing, and it is hard to say which ones are stronger or more representative. So the Regulation must be changed to encourage more social organizations to register by guaranteeing their members the freedom to join and withdraw from the organizations. The goal is to develop moderate competition to strengthen social organizations.

But building a perfect institutional framework in a short time is not so easy. For now, we can make incremental changes in laws and regulations in different areas to nurture social organizations while regulating them.

Institutional Framework and Feasible Mechanisms

Modern organizations seek opportunities for political participation to pursue a wide variety of interests. In the PRC, as reform and transformation proceeds, “group interests’ influence [on] politics will be more and more [significant].... Consequently, to regulate interests of different groups and keep [the] interest balance at [a] certain level will be an important aspect of political practice” (Li Jingpeng 1995, page 10). Political participation by social organizations should therefore follow some principles, and an appropriate institutional framework needs to be established to ensure a more inclusive political process.

Principles of Political Participation by Social Organizations

The participation of social organizations in political life should follow several principles. First, the public interest should dominate. Social organizations express their interests through various participation channels at every phase of public decision making, to influence policy. Many developed countries such as the UK and the USA require social organizations to follow the principle of public interest in participating in public decision making on education, research, etc. As the PRC is still undergoing social transformation, it is especially important that mutual benefit organizations and public benefit organizations participate in political process with a public-interest orientation. This helps the State to judge the demands of different social organizations, balance different interests, and mediate between conflicting interests. The social organizations, for their part, are able to connect the realization of their interests to the realization of the public interest. In the process, public-spirited citizens are formed.

Second, the principle of legitimacy and reasonability prevents public policy issues from being monopolized by a few powerful social organizations. As political participants, social organizations should not be exempted from

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laws and legal principles. They must cooperate as well as compromise with other organizations with competing interests.

Finally, the principle of nondiscrimination applies not only to social organizations but also to government. Powerful organizations are usually better able to make adequate use of the various channels for expressing their interests, while ordinary, and especially weaker organizations use expression channels too little, for lack of financial support and skills. Government should treat social organizations equally, making sure that they have equal opportunities to express their demands and that more powerful social organizations do not encroach on the public interest.

Therefore, not only must social organizations be brought into the political participation framework, but participation channels must be widened and feasible institutional mechanisms innovated.

First, social organizations should be able to represent and express their members' interests more openly in the social and political process. People are the masters of the State. This is the basic principle of the PRC's political life, embodied in the election of representative organs of the State, as well as in citizens' participation, whether direct or indirect, in public affairs. Moreover, as the basic social units allocating resources and risks, social organizations contribute to the balance of social governance. In the PRC, there is no lack of channels for expressing various interests in politics and governance. What is lacking is a way of making these various channels of expression more accessible through concrete institutional arrangements and procedures so that social organizations can participate in public decision making.

Second, public decision making should involve social organizations to encourage citizens' involvement in public concerns. For democratic decision making, social organizations should be involved at each stage of the process. Public hearings, symposiums, and other forums are necessary for decision makers to make sense of different, often conflicting, opinions. The implementation of decisions is also a continuing process that requires constant exchange of information between government and citizens. The participation of social organizations can also help strengthen the relations between government and citizens, and improve citizens' political awareness. In some localities, deliberations on public issues and the participation of environmental organizations in environmental policy making, among other measures, are contributing to the design of a framework for mediating between conflicting interests and keeping the public trust.

Finally, public affairs, especially at the community level, should be open to participation by social organizations. Such participation conforms to the rule of law and the protection of citizenship rights, and is one aspect of

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democratization. At present, social organizations are relatively active in social affairs, especially in urban communities, but participate less, and ineffectively, in state political affairs. The Lawmaking Act requires lawmakers to hear the opinions of a broad spectrum of society when drafting legislation. But concrete procedures are still under consideration.

Conclusion

A harmonious society needs a strong state, a strong private sector, and a strong society, as well as some kind of collaboration among the three. Though the PRC is becoming richer and stronger, there is no equilibrium between the three spheres: the State is too strong, the private sector is just gaining strength, and the society is still weak. Social organizations have been growing rapidly in recent years, and a flourishing and free society is an increasingly likely prospect. Yet the road to social harmony is still a long one.

Widening social organizations' participation can not only inspire citizens to give greater attention to public concerns and then strengthen their awareness of government and its activities, it can also lead to stronger citizens and a stronger state. Therefore, there is an urgent need for an institutional framework to support such participation. The Regulation and other related institutions either lack feasibility or conflict with one another. Institutions and laws must be developed to promote the growth of social organizations while regulating them.

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Qualitative Participation and Social Harmony: A Study of the Literacy Movement in West Bengal (India)

Rabindranath Bhattacharyya¹

Introduction

Qualitative participation is a much-disputed concept. Since democratic ideas gained popularity, theorists have tried to establish congruence between formal democracy, in the form of a constitution for popular government, and real democracy, in the sense of qualitative participation by the people in government. But political theorists and political sociologists differ greatly in their views about the nature and extent of such congruence, especially in India. The democratic process in India since independence has followed a political sequence of its own. But throughout this journey toward democracy, some issues have continued to block the sought-for congruence between formal and real democracy. One such issue is low literacy, which has hampered participation in two ways: (i) it has impeded the development of the rationality that is required for qualitative participation, to better understand the perspectives and needs of others and seek solutions to accommodate as far as possible the needs and interests of all; and (ii) it has helped maintain, if not facilitate, social cohesions along with primordial loyalties to language, religion, caste, and ethnic groups in a way that has blocked social harmony and hampered the extension of political citizenship through active participation in government. In India, participation at the village-level *panchayati raj*² is one means of participation in the larger democratic system that is relatively accessible to the disadvantaged and facilitates the participation of the people in decisions governing their lives, the public accountability of their leaders, and the equitable distribution of power.

This paper explores the link between increased literacy and the increased competence of citizens to participate in the decision-making structures of the rural local government, the *gram panchayats*.

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The Notion of Qualitative Participation

Participation is a social process wherein people exercise their collective initiative in an organized framework to promote their self-perceived interests through means over which they can exert effective control. The body politic is only a metaphor, but communal action is a fundamental fact of social life. Hence, the proper approach to participatory democracy is to consider the ways in which social beings do things together.

Not only do the social beings act in common, but individual acts are subject to rules of ownership as complicated as the laws of property. A society will seem to itself to be much more participant if the actions performed by officials are seen as being done at its instigation and for its sake, and are therefore accepted by the people as being, in some extended sense, of their own. This is largely a matter of social psychology, but it is grounded in the peculiar logic of the concept of action.

This action cannot be merely proclaimed, however; it has to be promoted. In ideal harmonious living, collective decisions do not result merely by aggregating the desires of the members of the polity. Rather, the participants attempt to influence each other's opinion in a rational manner and they strive to understand the perspectives and needs of others and seek solutions that accommodate as far as possible the needs and interests of all. This requires competence on the part of the participants.

Long ago J. S. Mill (1861) attempted to combine these two contradictory values of participation and competence. He opined that the "goodness of a government" depends on (i) the degree to which "it is adapted to take advantage of the amount of good qualities" in the governed that exist at any particular time; and (ii) the degree to which "it tends to increase the sum of good qualities in the governed." The first criterion refers to what may be called the protective goal, since Mill would consider government satisfactory to the extent that its institutions protect the interests of citizens and the general interest. The second criterion (for Mill the more important one) is what may be termed the educative goal, because it deals with government as "an agency of national education." Applying these two criteria, Mill in effect invoked two principles. The principle of participation requires the participation of each citizen to be as great as possible to promote both the protective and educative goals of government. Mill's arguments for extensive participation appeal to the need to protect the interests of each citizen and to improve the political intelligence of all citizens. The principle of competence, on the other hand, stipulates that the influence of the more qualified citizens should be as great as possible to promote both the protective and educative goals. Here Mill appeals to the need for competent

leadership to protect against the dangers of ignorance and sinister interests in the government and among the public, and to contribute to the process of civic education.

Although the two principles set the same goals, they call for different means to realize these goals and therefore often conflict with each other. The principle of participation constrains the principle of competence, just as the latter principle limits the former. Qualitative participation in effect upholds a judicious admixture of the two principles, emphasizing the participation of the maximum number of competent people in the structures of decision making. Hence, for qualitative participation, education remains an essential criterion.

Experience of West Bengal

“Freedoms are, thus, among the principal means as well as the primary ends of development,” Dreze and Sen (2002) observe. They add:

Similarly, illiteracy and what Nehru called, more generally, “ignorance,” involve not only a negation of the freedom to read and write, but also an impairment of the opportunity to understand and communicate, to take informed personal decisions, and to participate in social choice. Illiteracy is, in fact, a type of “social unfreedom” and supplements and often intensifies the burden of economic unfreedom in the form of income poverty. (pages 4–5)

Like most other Asian countries, India up to the time of independence had been suffering from low literacy, which had kept Indians from being aware of their sociopolitical and economic condition. According to the Press Release (6 September 2003) of the Ministry of Human Resource Development Information Bureau of India.

When India gained independence, four out of five of her citizens could not read.... The fast growth in literacy in the recent decades even in the face of huge additions to the population depicts a remarkable positive trend. At the same time, we cannot lose sight of the fact that India still have (sic) a long way to go towards the goal of total literacy. Out of about 87 crore³ illiterate adults in the world, 30 crore are Indians. (<http://pib.nic.in/archive/lreleng/lyr2003/rsep2003/06092003/r060920031.html>)

³ A unit of measure equal to ten million.

Hence, in the postindependence period, the Government launched different programs to increase literacy and narrow the gap between formal and real democracy. Table 1 gives data on literacy rates from 1951 to 2001, disaggregated according to gender.

India's perception of literacy varied over time. But with the birth of the National Literacy Mission in 1988, the perception of literacy, its definition and norms, reflected the objectives of functional literacy (National Literacy Mission 1994). The initial phase of the literacy movement was marked by a Total Literacy Campaign (TLC). The TLC model was area-specific, time-bound, volunteer-based, cost-effective, and outcome-oriented. Its goal was functional literacy, through prescribed literacy norms. Functional literacy not only refers to reading and writing skills but also touches on all other issues of development such as health, population growth, family welfare, women's empowerment, and, most important of all, employment.

Table 1: Literacy Rates in India, 1951–2001
(%)

Census Year	All Persons	Males	Females	Male-Female Literacy Gap
1951	18.33	27.16	8.86	18.30
1961	28.30	40.40	15.35	25.05
1971	34.45	45.96	21.97	23.98
1981	43.57	56.38	29.76	26.62
1991	52.21	64.13	39.29	24.84
2001	65.38	75.85	54.16	21.70

Note: Literacy rates for the 1951, 1961, and 1971 census years relate to the population aged 5 years and above, while those for the 1981, 1991, and 2001 census years relate to the population 7 years and above.

Source: Department of Education Web site (citing *Manpower Profile: India*, published by the Institute of Applied Manpower Research, New Delhi).

West Bengal, a constituent state in the east of India, has been ruled by a Left-Front government since 1977. According to the West Bengal Human Development Report 2004 (Government of West Bengal 2004b, pages 4–5):

With a population of about 82 million in 2001 according to the 2001 Census, West Bengal is the fourth most populous state situated in the eastern region of India. Accounting for about 2.7 per cent of India's area (88,752 square km) but about 7.8 per cent of the country's population, this state ranks first in terms of density of 904 per sq km as per the 2001 Census....

About 72 per cent of the people live in rural areas. According to the Planning Commission, the proportion of population below the poverty

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line in 1999-2000 in West Bengal was 31.85 per cent. The percentages of scheduled caste and scheduled tribe populations are 28.6 and 5.8 respectively in the rural areas and 19.9 and 1.5 respectively in the urban areas. Among the minorities, the Muslims are the dominant section and they account for about 28.6 per cent of the total population in West Bengal. The corresponding figures for rural and urban areas were 33.3 per cent and 11.8 per cent respectively. Further, it may be noted that these three categories, namely SC, ST and Minorities, together account for more than half the population, and these are also the three poorest groups in rural Bengal.

Since 1977 two major sets of institutional changes have occurred in West Bengal. The first consists of land reform, mainly tenancy reform and the distribution of agricultural and homestead land to landless and poor farmers. The second major institutional change is associated with the establishment of a three-tier system of local government (the *panchayat*) in accordance with the 73rd Constitutional Amendment Act. Before the 73rd Constitutional Amendment Act a two-tier system of governance—federal and state units—was prevalent. With the passage of the act, the third tier, comprising the district, block, and village levels, came into existence, for area planning and the implementation of development plans and programs. West Bengal was the first state in India to establish a real participatory democracy by transferring the decision-making powers from government bureaucracies to the people through the directly elected *panchayati raj* institutions.⁴

Although the Total Literacy Campaign in West Bengal started at the same time as the campaign in other states, literacy in West Bengal is still far short of mass literacy. According to census data, 77.0% of males and 59.6% of females were literate in 2001. In West Bengal the literacy campaign has four categories: (i) formal education, under which children 5–8 years old are sent to the institutional system or the primary school; (ii) informal education (e.g., the child education program *Shishu Shiksha Karmasuchi*) for children who remain outside the formal system of education because of socioeconomic constraints; (iii) adult education, for a target group ranging from younger adults 15–30 years old up to older adults above the age of 50; and (iv) women's education, to put an end to the traditional belief that women are best suited for domestic work and that there is therefore no need to send girl children to school.

⁴ According to the 73rd Constitution Amendment Act, 1992, of India, [Art. 243 (d)] “‘*Panchayat*’ means an institution (by whatever name called) of self-government constituted under article 243B, for the rural areas.” Panchayati Raj institutions comprise of the elected bodies at the District (*Zilla Parishad*), Block (*Panchayat Samity*) and Village (*Gram Panchayat*) levels.

Table 2: Literacy Rate in West Bengal and India, 1951–2001
(%)

Census Year	Male		Female	
	West Bengal	India	West Bengal	India
1951	30.9	27.2	11.5	8.9
1961	40.3	40.4	17.0	15.4
1971	42.8	46.0	22.4	22.0
1981	50.7	56.4	30.3	29.8
1991	67.8	64.1	46.6	39.3
2001	77.0	75.8	59.6	54.2

Source: Census of India, various volumes; Department of Education Web site.

It is evident from Table 2 that literacy in West Bengal, especially among females, has been higher than the rate for all of India in most postindependence census years. The noticeable jump in the literacy rate between the 1991 and 2001 census years was a direct result of the Total Literacy Campaign.

This growth in literacy is backed by growth in primary education (based on school enrollment and not actual school attendance). But, as viewed by V. K. Ramachandran, Madhura Swaminathan, and Vikas Rawal (2003), official data regarding school enrollment in West Bengal are poorer compared with that in other states.

These data come from school registers, which are created and maintained by school staff whose employment depends on the enrolment that they register. The fact that the proportion of pupils enrolled in an age-cohort is often larger than the size of the age-cohort itself is the clearest evidence of false data (page 10).

Hence, while the State Elementary Education Report Card, 2004 (Mehta 2005, page 25), gave impressive figures for girls' enrollment in 2004,⁵ the data came from school registers, created and maintained by school staff whose employment depends on the enrollment that they register. The fact that the proportion of pupils enrolled in an age-cohort is often larger than the size of the age-cohort itself is the clearest evidence of false data. Nevertheless, referring to the NSSO 52nd Round Report No. 439 (52/25.2/1) West Bengal Human Development Report 2004 (Government of West Bengal 2004b, page 154), says:

⁵ 49.5% in primary, 51.6% in primary and upper primary, 51.3% in primary and secondary/higher secondary, 57.9% in upper primary, and 46.6% in upper primary and secondary.

attendance rates for boys were generally slightly lower than the all-India average and substantially lower than the best performing state, which is Kerala, in both urban and rural areas. However, attendance rates for girls aged 6-10 years in rural West Bengal were generally better than the all-India average, although in urban areas the rate in West Bengal was slightly lower. For girls aged 11-13, attendance rates were higher or the same as the all-India average.

The 1992 Report of the Education Commission of West Bengal provides a useful account of the progress of school education (and primary education in particular) under the Left-Front government.

According to the report (Government of West Bengal 1992), there are a number of reasons for the steep progress of primary education in West Bengal. First, the number of schools increased, school enrollments increased more than 80% between 1977 and 1992, and the average distance between schools and living settlements was reduced across the state, especially in the area inhabited by the *dalits* and *adivasis*⁶. Second, all school education was made free throughout the state. Third, the number of teachers increased. Fourth, the government improved the conditions of employment of teachers: their salaries, allowances, and retirement benefits rose substantially after the Left-Front government came to power. Fifth, textbooks were provided free of charge under certain schemes. Sixth, the government of West Bengal introduced a system of automatic promotion for the first five years of school. However, the report also noted that dropping out is still a major feature of primary education, that the quality of teaching has not improved, that “the system of school inspection has in practice become defunct,” and that “no real accountability exists anywhere.”

To sum up, the literacy and school attendance statistics show that progress has been made in West Bengal through the literacy movement. Going by the West Bengal Human Development Report 2004 (Government of West Bengal 2004b, pages 144–163), this progress has been made especially among the scheduled castes, scheduled tribes, and other backward classes. However, the objective of the literacy movement is not simply to enable the person to read, write, or do simple calculations. The movement was conceived as a dynamic

⁶ The term *Dalits* refers to the marginalized sections of the Indian society. The year, in which the term was initiated, in 1939 or in 1956, is a matter of conjecture. As have been observed by the analysts, the term evolved due to the need felt by the *untouchables* of Maharashtra (a state in India), especially the *Mahars* (a low caste) to go beyond the Hindu caste structure with its sheltering concept of *Harijan* (the out-caste people) as used by Gandhi, and also to go beyond the class system defining them as proletariat obliterating their ethno-cultural distinctiveness. *Adivasi* means the aboriginal people, the tribal people.

program of social reconstruction intended to develop untapped human resources. The population covered by the program and the villagers at large are expected to be elevated to a new level of consciousness about environmental issues, relations in society, the role of women in rural society, communal harmony or national integration, etc. Such target population of the literacy movement must have the functionality and awareness that are fundamental in bringing about a radical change in the society through prior changes in the perceptual and motivational world of the individuals concerned.

Literacy and Participation

This paper works on the hypothesis that the increase in the rate of literacy affects participation by increasing not only its quantity but also its quality. Functional literacy increases awareness among the citizenry, whose participation was confined almost exclusively to voting and who had only limited participation in decision making after the elections. Once there is increased awareness, the principle of competence operates among the citizens while they participate in the institutional setup. To assess the increase in the quality of participation in West Bengal as a result of the increase in literacy, one may look at the participation in the *gram sansad*⁷ (village constituency) grassroots institutional setup of the *panchayat* system in West Bengal, which has remained very poor since its inception. The *gram sansad* and *gram sabha*⁸ are treated in this paper not as a delivery system of higher level of government but as an active institution of local self-government.

There are many reasons for the poor participation in *gram sansad* and *gram sabha* meetings:

- Voters lack awareness about their role and rights in the *gram sansad* and *gram sabha*.
- The complex village social structure prohibits the participation of the weaker sectors.

⁷ As far as the West Bengal Panchayat Act of 1973 (as modified up to 31 January 2004, especially by the West Bengal Panchayat [Amendment] Act of 1994) is concerned, "Every constituency of a Gram Panchayat under clause (a) of sub-section (3) of section 4 shall have a Gram Sansad consisting of persons whose names are included in the electoral roll of the West Bengal Legislative Assembly for the time being in force pertaining to the area comprised in such constituency of the Gram Panchayat." And "Every Gram shall have a Gram Sabha consisting of persons registered in the electoral roll pertaining to the area of the Gram." See in this context art. 16A and 16B of the West Bengal Panchayat Act of 1973 as modified up to 31 January 2004, Government of West Bengal, Law Department, Legislative, pages 25–27. Thus the difference between the *gram sansad* and the *gram sabha* is subtle.

⁸ According to Art. 243 (b) of the Indian Constitution, " 'Gram Sabha' means a body consisting of persons registered in the electoral rolls relating to a village comprised within the area of Panchayat at the village level".

- The marginalized sector has been sidelined in decision making.
- Meetings are strongly perceived to be of no use, with decisions made in the party offices of the ruling party of the *panchayat*.
- Women hesitate to participate actively because of social taboos.
- Decision making is perceived to be the affair of the higher echelons of the village.
- The meeting is held in an inconvenient place.

However, most of these reasons are bound to have reduced influence, or to be totally negated, by the increase in functional literacy. In May 1999, Ghatak and Ghatak (2002) assessed the attendance and participation at *gram sansad* meetings in a sample of 20 *panchayat* constituencies located in 14 *gram panchayats* in three districts—24 Parganas (N), 24 Parganas (S), and South Dinajpur. The authors surveyed villagers following recent *gram sansad* meetings, concerning their participation in these meetings. The overall participation rate in these meetings was found to be 12% of all voters, compared with the 16% reported for West Bengal as a whole. This suggests that one out of every seven or eight voters attended the *gram sansad* meetings (the minimum attendance required for a quorum is one out of ten). Of those attending, 43% on average were landless, 41% were marginal or small landowners, and the remaining 16% were medium or large landowners. The following table, using data from Ghatak and Ghatak (2002, tables 4, 5, and 6), shows the attendance rates:

Table 3: Gram Sansad Attendance Rates

Sector	% Attending	% Voters
Men	91	54
Women	9	46
SC	55	58
ST	13	15
Muslims	3	4
Landless	43	—
Marginal and Small Landowners	41	—
Left-Front Political Affiliation	67	65*

— = not available, SC = scheduled castes, ST = scheduled tribes.

*% of constituencies secured by Left-Front candidates.

But the most important observation of the authors was the improvement in the quality of the participation.

The participants actively voice demand for new projects, suggest how allocated funds should be spent and debate how projects should be designed. The Pradhan (Chairperson) and the local representatives are questioned on the progress of implementation of projects, and often face allegations about misuse of funds and selection of beneficiaries. The response of elected officials to these criticisms showed that they could not take the voters present at the meeting for granted. In some cases where there was overwhelming evidence in favour of the criticisms raised by the people, the village council officials admitted their error.... Sometimes the elected representatives and other village council functionaries gave a detailed account of the financial situation in respect of various schemes and tried to explain their poor performance in terms of delay of arrival of funds from the state government.

This represents a marked improvement over the previous situation where the power of the village council (gram panchayat) was totally concentrated in the hands of the Pradhan.... The Pradhan's power could be maintained mainly by the fact that the common villagers were not privy to information about the allocation of resources and there was no forum to voice their opinions and criticisms. The village constituency meetings seem to be an important institutional innovation to contribute to the ideal of participatory governance, although from our study we cannot judge how much of an effect it will have in making the allocation of resources responsive to public demand, or improving the implementation of projects. (Ghatak and Ghatak 2002, page 53)

Discussions in the 14 *gram sansad* meetings, according to the Ghatak and Ghatak study, revolved around four main issues, showing why competence is required for participation: (i) agenda setting (new programs and priorities for *gram panchayat* spending); (ii) design of future projects; (iii) selection of beneficiaries (of water or housing benefits); and (iv) review and monitoring of past and current *gram panchayat* projects (including location of projects, quality complaints, and corruption and mismanagement complaints). The account of Ghatak and Ghatak suggests a forum that enables genuine and competent participation by diverse groups in public discussions, leading to a measure of accountability of elected members to their constituencies.

Although the Ghatak and Ghatak study did take into account the quality of participation along with the quantity of attendance, no direct relation has

been established between attendance at village council sessions and the literacy rate of the members. That relation is established by an empirical study on the *gram panchayats* of Suri I Block in Birbhum district of West Bengal.⁹

After the Total Literacy Campaign, Birbhum was declared a fully literate district in 1992 with a literate population of 1,642,845, or 80.56% of the population aged 6 years old and above (National Literacy Mission 1993, page 29). Suri I block consists of seven *gram panchayats*, namely, Karidhya, Nagari, Khatanga, Tilpara, Alunda, Mallickpur, and Bhurkuna. According to the 2001 census, the block has a total population of 96,485—49,942 male and 46,543 female. The number of literate persons is 51,322, or 62.98% of the total population. The male literate persons number 30,805 (72.81%) and the female literate persons, 20,517 (52.37%). Tables 4 and 5 may help establish the connection between the increase in literacy rate and the increase in the number of citizens participating in postelection decisions in *gram sabha* (bottom level of the *gram panchayat*) and other meetings.

Table 4: Voter Turnout in *Panchayat* Elections

<i>Gram Panchayat</i>	1988 %	1993 %	1998 %
Karidhya	45.0	57.0	62.0
Nagari	42.0	58.0	61.0
Khatanga	39.0	55.0	59.0
Tilpara	47.0	53.0	56.0
Alunda	32.0	48.0	56.0
Mallickpur	37.0	46.0	57.0
Bhurkuna	46.5	53.2	61.0

Source: Panchayat Parichiti of Birbhum district, 1989, 1994, and 1999.

From the above tables it may be deduced that increased literacy has increased voter turnout and the average attendance at *gram sabha* meetings (except in Alunda Gram Panchayat). The obvious relation between the increase in the rate of literacy and the increase in political awareness is established by the data in Table 6, which show that candidacies in the *gram panchayats* of Suri I Block almost doubled in number between 1988 and 2003, from 118 to 232.

⁹ Data were collected for this study by Sudipta Pal in 2003 at Master of Philosophy level under the supervision of R. Bhattacharyya in the University of Burdwan.

Table 5: Average Attendance at *Gram Sabha* Meetings (%)

<i>Gram Panchayat</i>	1995	1996	1997	1998	1999	2000	Literacy Rate 2000
Karidhya	10.0	10.3	12.0	26.0	35.0	56.0	65.0
Nagari	10.0	12.0	18.7	21.6	48.0	50.0	62.0
Khatanga	10.0	10.0	10.3	27.0	32.0	49.0	60.0
Tilpara	10.0	14.0	21.0	30.0	37.9	48.0	55.0
Alunda	9.7	11.0	16.0	27.0	32.0	49.0	24.0
Mallickpur	9.9	10.0	16.0	25.0	39.0	45.0	50.0
Bhurkuna	8.6	10.0	17.0	32.0	36.0	42.0	36.0

Note: No available data on literacy rates before 2000.

Source: Records of *gram panchayats*.

Table 6: Number of Candidacies Filed in All *Gram Panchayats* of Suri I Block

Party	1988	1993	1998	2003
INC	24	25	22	33
BJP	—	2	5	18
BSP	—	—	—	—
NCP	—	—	—	—
CPI(M)	49	55	52	69
CPI	12	16	13	14
RSP	—	—	—	—
FB	—	1	—	—
AITC	18	28	42	58
Ind. and Others	15	30	32	40

— = not available; INC = Indian National Congress; BJP = Bharatiya Janata Party; BSP = Bahujan Samaj Party; NCP = Nationalist Congress Party; CPI(M) = Communist Party of India (Marxist); CPI = Communist Party of India; RSP = Revolutionary Socialist Party; FB = Forward Bloc; AITC = All India Trinamool Congress; Ind. = Independent.

Source: Office of the District Panchayat and Rural Development Officer, Bibhum, Government of West Bengal.

Cooperative Attitude

Because of the increase in awareness, the attitudes of people, especially those below the poverty line, are also changing fast. Different types of cooperatives formed by people with different occupations exist in West Bengal. Even as the cooperative movement is generally suffocating under various government regulatory controls, a small-scale cooperative movement, the Self-

Help Group (SHG)¹⁰ movement, has been gathering strength in the post-TLC phase. NGOs, state government departments, and the central Government have been facilitating the development of SHGs to generate self-employment in the rural areas. SHGs are encouraged to form their own fund, and not to go to moneylenders for loans. The groups set up microenterprises and arrange direct contacts between self-employed persons (like weavers or small-scale food processors) and buyers in the market, directly bypassing wholesale businessmen. SHGs also develop the capabilities of their members to participate effectively in decision making. In fact, throughout West Bengal these groups are sincerely attempting to redistribute wealth and power in a novel way among the poor, especially among the women. According to the Panchayat and Rural Development Department (2004a), there were 73,033 such groups throughout West Bengal up to January in 2004. The District Rural Development Cell, Burdwan district, reported in March 2005 that 7,604 such groups had been formed in the 277 *gram panchayat* area of Burdwan since April 1999. More than 2,750 of these groups were exclusively for women. All these indicate that literacy has increased awareness of participation in democratic associations, and this attitudinal change has had a positive effect on the spread of participatory democracy throughout West Bengal.

The development of SHGs has given impetus to the establishment of a self-funded rural social security system, which helps to do away with the massive underemployment in rural West Bengal. It articulates a *concept of governance* based on citizens' democratic acceptance of a carefully crafted balance between the freedom of markets and the provision of public goods for the redistribution of wealth in the society involving openness and concern for others. This favors the concept of civil society at all levels, over that of state sovereignty, and is aimed at the long-standing goal of societal harmony among different sectors, namely, different religions and different castes.

Social Harmony

The word "social" in the expression "social harmony" is an important reminder of the need to view people as part of a collective body and not as isolated individuals. It is often said that a family flourishes if there are strong ties among the members. Likewise a state could also achieve social harmony if more of its citizens were to participate with competence in the structure and

¹⁰ A group of rural poor people who voluntarily organize for poverty eradication. The SHG members save regularly and put their savings into a common fund for lending to the members. This fund and other funds that the SHG may receive as loans from banks or from the government are managed in common by the SHG.

process of government and if the local government were to make decisions in an autonomous manner. Education enables human beings to make rational decisions in every structure of democracy. In India various social cohesions along with primordial loyalties to language, religion, caste, and ethnic groups have traditionally hindered the development of political citizenship as well as social harmony. Kahane (1982, page 9) observed,

Although in modern western societies primordial associations have recently been utilized by minorities to promote their occupational, political and educational interests, they are nevertheless often considered a socially pathological phenomenon. In India, on the other hand the most common pattern since at least the beginning of the century has been the utilization of primordial associations.

Consciousness of participation in a democratic association cuts into the primordial loyalties of the members to their social cohesions and thereby facilitates the democratic participatory process that ultimately strengthens the bonds within the society.

Different philosophers have accounted in different ways for the development of social harmony at different periods of history. Confucius believed that harmony in society would flourish when social intercourse was determined by the virtue of humanity and benevolence (*ren*), a concept involving openness and concern for others. For that, men of high social rank had the additional responsibility of providing the people with an example of proper ethical conduct. This process of widening social networks and shared norms through social interactions remains relevant today, although the complex mechanisms, processes, relationships, and institutions through which the process can be generated are now different. Literacy is an essential tool in creating the social network and shared norms.

Conclusion

Participation has complex demands, which certainly include income distribution, equality of opportunity in the context of development, and basic education of the people. Dreze and Sen (2002, page 144) write, "The empowerment value of basic education is so obvious that there is something puzzling in the fact that the promotion of education has received so little attention from social and political leaders in the post-independence period." In fact, the comprehensive and holistic perspective of participation is often missing from the concept of social progress in India. Economic growth is an indispensable element, and sometimes a precondition, of social progress. But

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a single-minded pursuit of rapid growth cannot be the whole of development. Kothari (1990, page 73) observed, "... the unidimensional and almost exclusively economic basis of the development paradigm has undermined the prospects for not just development, but for survival of large strata of the world's peoples." The Total Literacy Campaign, despite its late introduction, warrants optimism about the potential for qualitative participation in the structures of local government in West Bengal. Once that relation becomes established, the development of social harmony will only be a matter of time.

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Enlarging Entrepreneurial Networks of Local Citizens in Backward Regions of India

Amita Singh¹

Introduction

The implementation of programs to reduce poverty has been a constant concern of policy makers in India. Policies have not generated entrepreneurship among the poor and given them a greater share of economic benefits. A serious gap discovered after the failure of the First Five-Year Plan was in people's participation in the policy process. The Balwant Rai Mehta Report and later reports further brought out the need to narrow the gap. With decentralization uncoupled from people's participation, the poor could not participate in a meaningful way in the policy process. The caste and communal agendas of the political parties also further weakened the process. A real effort at a change came with the 73rd and 74th Amendment Acts in 1992, when nongovernment organizations (NGOs) and civil society groups rose up to face the challenge of globalization in poor regions. The task was formidable: a huge mass of people had to be brought out of their social alienation and apathy to rediscover their power and wealth in the deepening democracy. A versatile leadership, motivational advocacy campaigns, self-help groups, and the use of information and communication technology (ICT) in governance would make this possible. By the start of the new millennium many grassroots societies in India were enjoying a resurgence of entrepreneurship, but only in those regions that brought a healthy coordination and understanding among the people, district administration, NGOs, and technology. These few regions led the way for others exploring policy implementation processes. This paper brings out the experience of three such regions in three states in India: Purba Midinapore in West Bengal in the east, Bundelkhand in Madhya Pradesh in central India, and Godhara in Gujarat in the west.

Methodology

The assessment and targeting of the poor in backward regions precedes poverty reduction programs. Targeting is done to obviate the costly identification of the poor under different schemes. Long and Shrivastava (2002)

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describe targeting as an innovation in program design in response to information asymmetry and the high costs of surmounting the information barrier. This policy area has seen a large amount of public-private partnerships and entrepreneurial networking, which have substantially increased the participation of below poverty line (BPL) families in the countryside. This is a positive development, since the survey to identify BPL families, introduced in 1997, was not carried out in 18 of 31 states, and even where it was carried out most BPL families did not get identification cards. This inefficient targeting was primarily due to the reliance on the identification of poor and vulnerable groups based on the division between BPL and above poverty line (APL) population groups in the process of providing food security. Conceptual and operational problems inherent in this division have manifested themselves in failed poverty reduction programs,² where there has been enormous rent seeking in the form of service delivery delays and misappropriation of funds. The Report of the Comptroller and Accountant General (CAG 2003) on the rural self-employment program Swarna Jayanti Grameen Swarojgar Yojana (SGSY), for instance, revealed that out of \$.22 billion spent up to 2003 (\$.68 billion in all was spent on the program) 53.5% was diverted, misused, or misreported. The CAG report also exposed the pathetically weak governance of program implementation, with state governments using the funds to cover their fiscal deficits.

This paper deals with the asymmetric information between the principal (government) and the agent (poor), which impedes the flow of funds to the targeted poor. It explores the need for community networks that could be self-motivated and self-accountable. The primary data for this paper were obtained through site visits, informal communication with local groups and *panchayats* (rural local governance units), and semi-structured interviews. Many local beneficiaries, service providers, and fund managers responded to questions with great enthusiasm. Questionnaires on financial and service sustainability and replicability were also circulated among those who could read and write.

Secondary data were obtained from project publications of district governments and from the offices of NGOs working with the *panchayats* and the district offices (collectorates). Data obtained from *panchayat* records traced the progress of projects undertaken in partnership with civil society.

² Some major antipoverty programs in India have had weak results. These include Samporna Grameen Rozgar Yojana (Comprehensive Rural Employment Scheme), Swarna Jayanti Grameen Swarojgar Yojana (Golden Jubilee Rural Self Employment Scheme), Indira Awas Yojana (Rural Housing Scheme), National Old-Age Pension Scheme, and Drought-Prone Areas Program.

The questions that were generally asked of the local groups were the following:

- When and why did they participate in the NGO program?
- What made them change their minds about participating?
- Were the transactions less costly or more economical as a result?
- Were the transactions done faster, and did faster delivery and the use of technology influence their decision to participate?
- Was political influence exerted in providing the services?
- Did they witness an attitudinal transformation in the local bureaucracy?
- Were rents or bribes involved?
- How were program decisions made?
- Who were involved in this process?
- How many other stakeholders were involved?
- What were their roles?
- What were the horizontal and vertical accountability mechanisms in the program?
- Could they suggest improvements?

The three governance experiments were selected for their contribution to widening the entrepreneurial networks. The following eight indicators were used in assessing program contribution:

- Transparency
- Participation
- Accountability
- Ease of service delivery
- Social well-being
- Replicability
- Partnership
- Sustainability

Achieving Governance Objectives in Three Backward Regions

Haldia Subdivision in Purba Midinapore

This region had always been prone to epidemics of cholera, diarrhea, and malaria. With the start of rains in May, the health department used to gear up for action but, despite its best efforts, it consistently failed to prevent an increasing number of children and elderly people from succumbing to the

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epidemics. In the early 1990s, with the resurgence of civil society activism around the state, this region also generated an increased need for mobilization to solve local problems. The growth of people's networks was a symptomatic outcome of civil society activism on local issues, which transformed an epidemic-prone region into a fully sanitized, disease-free, and an entrepreneurial village cluster in record time.

This region is made up of 38 *gram panchayats*, where BPL families constitute a clear majority. The Health for All Program was implemented to control diarrheal diseases through improvements in water supply and sanitation in 1990 and 1996. This successful experiment reduced child mortality by controlling the spread of waterborne diseases and imparting good sanitation practices. Working clusters of ordinary people, NGOs, and *panchayat* bodies were formed to promote community participation. The NGOs Lokjagaran Ramakrishna Mission, Abhyudaya, and Tamralipta Guchha Samiti brought the people and the *panchayat* bodies together, and the district administration worked behind the scenes. The initial clusters shown in Table 1 increased over time, as the project progressed.

Table 1: Cluster Organizations in Haldia Subdivision

Working Clusters or Combinations of Voluntary Groups	Blocks
Lokajagaran Ramkrishna Mission (NGO), Lokasiksha Parishad, Gram Unnayan, Kendra Sibrapur, Purba Medinipur district	Nandigram I and Nandigram II
Abhyudaya (NGO), Haldia, Chaitanyapur (<i>panchayat</i> office), Purba Medinipur district	Haldia, Sutahata, and Mahisadal (5 <i>gram panchayats</i>)
Tamralipta Guchha Samiti and Lokajagaran Ramkrishna Mission (NGOs), Lokasiksha Parishad, Gram Unnayan, Kendra Dakshin Dhalhara, Dakshin Narekeldah (<i>panchayat</i> office), Purba Medinipur district	Mahisadal (6 <i>gram panchayats</i>)

Nandigram II was the first block in West Bengal to be declared a fully sanitized block (on 29 December 2001). Haldia block was the second (on 2 April 2003) and Sutahata block was the fifth (on 27 May 2005). The district administration has sent proposals declaring the other two blocks (Nandigram I and Mahisadal) fully sanitized. The block sanitation plan has been an incremental process, which has also improved the operation of schools. Table 2 shows how social clusters can replicate successful governance experiments in other areas of society.

Table 2: School Toilet Blocks in Haldia Subdivision

Block/ Panchayat Samiti	No. of Gram Panchayats	No. of Schools	School Toilet Blocks			Percentage of Achievement
			At the Start of the Project	To Be Built under the Project	Total as of Sept. 2004	
Sutahata	6	79	20	59	79	100.00
Haldia	4	57	0	57	57	100.00
Mahisadal	11	126	28	98	126	100.00
Nandigram I	10	122	0	122	122	100.00
Nandigram II	7	91	2	89	91	100.00
Total	38	475	50	425	475	100.00

Source: Data collected from the Office of District Administrator, Poorba Midinapore.

Tikamgarh in Madhya Pradesh

A purely NGO-driven experiment that started with the creation of a small center for skill and market development for BPL families in the tribal region of Orcha in Tikamgarh district has since evolved into an imposing entrepreneurial base. TARAhaat (“star-market for communities”), a project of the NGO Developmental Alternatives, delivers products and services to the underserved markets of rural India using ICT in the local language. The project was launched in September 2000. It mainly serves the Bundelkhand region in Madhya Pradesh and adjoining border areas of Uttar Pradesh, where the power, road, and transport systems are antiquated and there is no rail service. Local mafias (*nati rajahs*) and tribal chieftains control administration as they did in medieval times, as a means of controlling cheap labor and the rich forest produce, including timber.

TARAhaat started as an extension of Gyandoot (e-governance project initiated by the Chief Minister of Madhya Pradesh Digvijay Singh to provide information and services to people). A system that combines local energy, skills, and wisdom with the use of modern technology has been developed to generate a market for non-timber forest produce, vegetables, animals, and handicrafts. Villagers have been gradually inspired to benefit from skills development, income generation, and other government policies through small entrepreneurship. Shops, taxi services, and the provision of handicraft training to others are typical village ventures. The TARAhaat Web site now claims to be the first digital portal designed specifically for rural India.

TARAhaat operates through franchised business-cum-community centers called TARAkendras. The TARAkendras are primarily job markets for the rural poor, which provide the following services:

- **Information.** Timely and relevant information on government schemes, health, law, and commodity prices in *mandis* (community market) is available.
- **Communication.** An e-mail service, TARAdaak (*daak* means “postal services”), is available in 10 Indian languages besides English.
- **Education.** This service is in great demand. TARAgyan (*gyan* means “knowledge”) gives job-oriented training in the English language, personality development, and other subjects (in Orcha Kendra and elsewhere), or in computers and information technology (in all other Bundelkhand *kendras* especially Niwari, Teherka, and Tricher).

The first franchised TARAkendra (“star center”), was launched at Orcha and then at Niwari, small towns in Tikamgarh district. There were 30 such *kendras* in 2005, out of which around 20 were in Punjab, the rich northern state (Bhatinda, Ludhiana, and Sangrur), and the rest in the Bundelkhand region of Madhya Pradesh, the central state of India. This number was expected to rise to 100 by the end of 2005, but as Dr. Ashok Khosla, chairman of the Developmental Alternatives Group, suggests, at least 400 to 500 TARAkendras are needed in rural India to make the venture self-financing.

The Punjab TARAkendras have not been functioning properly since the demand for information and marketing services is quite low and confined to queries related to emigration to Canada and the USA. However, *kendras* in Bundelkhand regions have been providing the following services:

- Issuing driving licenses
- Issuing *sewa* (service) cards to BPL
- Issuing scheduled castes and scheduled tribes (SC/ST) certificates
- Repairing hand pumps
- Providing hospital information
- Delivering government benefits to SC/ST, girls and women, and BPL
- Issuing certificates of domicile
- Issuing ration cards

The TARAKendra charge only 33 cents for each service, whereas the villagers used to spend more than \$35 earlier for the same service. Middlemen have been eliminated, so villagers now wait only 6–15 days to avail themselves of a service, versus the previous maximum waiting period of more than 6 months. A new e-health project, launched to link *kendra*, patient, and specialist in a neighboring big city, has immensely benefited local people, who no longer need to travel long distances to receive health care. TARAKendra services are provided in the following proportion:

- Gyandoot services (ICT programs of government) (50%)
- Job placement (NGO-driven, with government as a partner) (13%)
- Training (self-paced) (33%)
- Others (with partners in business and technology) (4%)

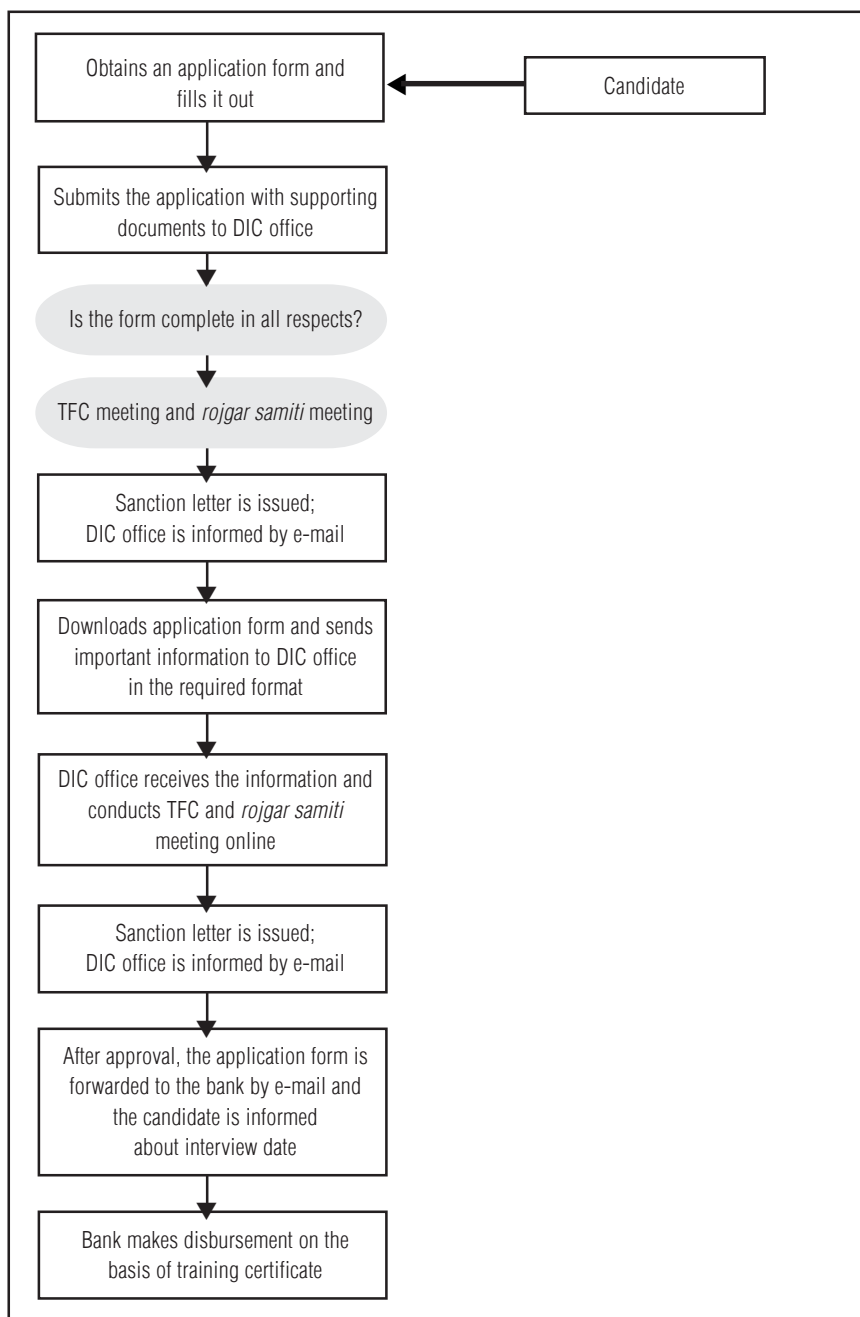
Figure 1 shows the role of ICT in TARAhaat service delivery.

The whole process is available on the Gyandoot network maintained by government in partnership with NGOs, allowing complete transparency and monitoring.

TARAhaat has become an institution that helps the poor, for whom the lack of information, employment, and opportunities for entrepreneurship is a major weakness of governance. Its Web site is more than a Web portal. It is a complete package offering Web-based education, information, and communication services in rural areas through franchisee cyber cafés (also called TARAKendras). It includes an e-mail facility in all Indian languages, and a wide range of offline and online services on different channels of www.tarahaat.com. Samsung has donated computers to TARAhaat cyber cafés in Babina and Lalitpur (Uttar Pradesh), and Tikamgarh (Madhya Pradesh). Microsoft has also given many computers under the training program for women in the BPL groups.

To ensure a transparent system, TARAhaat also teaches English to local people and trains them in policy issues and ICT applications for a nominal monthly charge of Rs100. Microsoft and Samsung have joined this transparency campaign, supporting locally produced street plays that expose cases of bad governance.

Caste and religious factors take a backseat, as was evident in the TARAKendras visited, where women from different communities worked and ate together. Local products are used to produce locally required building and other materials. Energy systems use technology that the local people understand more readily and can manage more responsibly.

Figure 1. Loan Application and Approval through ICT in TARAhaat

TFC= Tara Finance Center; DIC = District Information Center.

As the scale of operations expands, the cost of service delivery is likely to go down, as has already happened in the Orcha section, but this raises the question of the franchises being run well. The most important contribution of these *kendras* is the time saved by BPL tribal people in Bundelkhand. Now they do not have to make long trips to the district collector's office to get their driving licenses and SC/ST certificates, the two services in greatest demand. The lack of agricultural or any other means of livelihood had made these people dependent on government aid. Information about the kinds of occupations available in the market has recharged these communities.

Social well-being has increased as a result of the diversification of TARAhaat services to other areas and the use of the community knowledge, wisdom, and skills of all the residents. Small enterprises, self-help groups, rural cooperatives, voluntary organizations, schools, retailers, exporting corporations—TARA Nirman Kendra (“star construction centre,” which uses environment- and people friendly technologies and designs), Desi Power Group of Companies, and TARAhaat Information and Marketing Services Ltd. among them—have been organized under the program. There is scope for the use of every bit of rural skill and sensitivity.

Mahiti Shakti of Godhra in Panchmahal District of Gujarat

This governance experiment rose out of a partnership between government and local agents and the technical supply wing of the National Informatics Centre (NIC). The Mahiti Shakti (“power of information”) project has transformed the lives of tribal people especially those living in Gogumbha, the poorest of the tribal villages, located at least 60 miles (97 kilometers) from Godhra city. Before the project, these people had to walk long distances to Godhra city to obtain medical aid, a ration card, an SC/ST certificate, or a driving license.

Eight NGOs surveyed the information needs of 13 villages in the district. The survey revealed that the villagers mainly needed land records (maps, records of rights), government forms, agriculture, and information related to the administrative system at the village level, called the *panchayati raj*, which may provide information and support to the poor for legal assistance, health care, and seasonal programs of government.

The project, a brainchild of the district magistrate of Panchmahal, Ms. Jayanthi Ravi, brought this information closer to the people through kiosks installed in places visited most frequently by villagers, like groceries and eateries. In October 2000, the Concept Centre for Electronic Governance of the Indian Institute of Management in Ahmedabad developed a “proof of concept” for citizen-to-government and government-to-citizen transactions

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using information technology as a medium. The National Bank for Agriculture and Rural Development (NABARD), which is India's apex bank for rural development, also carried out a feasibility study, which has inspired many other banks to finance the kiosks.

Mahiti Shakti uses infrastructure already available in the villages. Working computers and a large number of frequented public telephone booths were networked and connected to the Internet. Trained operators from NIC helped villagers get access to information at these Mahiti Shakti *kendras*. Printouts could also be obtained, for a maximum of Rs10 per form. The kiosks thus provided single-window clearance for forms and other information that people in the villages used to have to spend much time, energy, and money to get.

As many as 200 district services forms have been made available online. Information about ongoing schemes like those of the District Rural Development Agency and the District Planning Board has also been made available. The Web-enabled version of the Gujarat Geographic Information System gives details of the availability of resources such as land, cattle, and milch animals. Weather forecasts are available from a control room at the District Disaster Management Department, which functions 24 hours a day.

The villagers have become so dependent on these information kiosks that services cannot be disconnected even for an hour. Thus, the local government officials have to work at full capacity, with transparency, individual accountability, and increased openness. Accountability and reliability are ensured through an on line grievance redressal mechanism called SWAGAT. At a videoconference held once a month, the state chief minister and villagers meet with the district administrators, including the district magistrate, to resolve the villagers' problems.

The successful formula has been replicated in other programs: the Internet-Dhaba ("kiosks") scheme, e-Dhara ("information flow") center, e-Gram ("villages"), and e-medical help. Between 2001, when e medical help was launched, and July 2005, more than 20,845 used the service for free tuberculosis treatment, medicine supply, and doctor's appointments for pathological tests. On the average, 300 villagers use this service daily. Similarly, according to the district office records of Godhra, from April to August 2005 more than 382 applications requesting information and citizens services were received at the block level, and more than 11,477 photocopies were requested. On the basis of a minimal fee worked out for these services, earning for the lowest office of district government increased from a deficit position to an earning of \$5,738 in a financial year. Besides the economic returns, villagers have come to see the need to democratize the deliberative bodies in villages and blocks, and have also formed entrepreneurial groups. Some of the less-used

laws and regulatory provisions before e-governance, such as the expansion of rural markets under the Agriculture Produce Committee Act of 1961 of the Gujarat government, have also received a push. For instance, with the information available at the kiosks, villagers have opened 25 dairy centers in rural areas populated mainly by poor shepherd tribes. These community-governed markets or village cooperatives form the agriculture produce marketing committee composed of farmers' and traders' representatives, an agricultural extension officer, a representative of the municipal corporation, and the registrar of cooperative societies. This committee now has a Web portal, www.agmark.net. The Gujarat State Agricultural Marketing Board manages and coordinates the functioning of this committee.

Besides forming meaningful income-generating clusters, the program has transformed the poor villagers by showing them a government that works or can be made to work. It has also transformed the local bureaucracy, which has gained through reliable service delivery.

Conclusion

Some important lessons can be drawn from this study of the three poverty reduction programs.

First, the targeted approach to poverty reduction generally leads to inefficient policy implementation and misappropriation of funds. Administrative identification is rooted in colonial bureaucratic models that are unscientific and unreliable.

Second, non-targeted schemes that provide information to people motivate them to know more about government programs. Income generation opportunities become more accessible to ordinary citizens and poor families realize better the value of their assets.

Third, partnership with intellectual groups and professional training from universities and management institutions infuses reliability into these programs, and makes funds—loans from banks and project grants from national and international funding agencies—more readily available. The sustainability of the innovative experiment in governance is thus ensured till it becomes self-sufficient.

Fourth, ICT applications in these service delivery programs have changed attitudes to technology. Now technology is more commonly looked upon as a facilitator rather than a tool for power accumulation, as was the case during the green revolution. ICT has been able to cut through the caste and communal mind-set as benefit seekers appear before a neutral service provider, a kiosk.

Last, entrepreneurial networks grow when local bodies deliver transparent, fast, and reliable service.

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Local Governance, Decentralization, and Participatory Planning in Indonesia: Seeking a New Path to a Harmonious Society

Ida Widianingsih¹

Introduction

Post-Suharto Indonesia is moving toward more participatory development planning, within the framework of new decentralization policies, which allow local flexibility. Former development policies and programs were uniformly implemented throughout the country under a ministerial decree that disallowed any possibility for differentiated models. As a consequence of decentralization, recent local government policies and practices have had social, cultural, economic, and political influences from across the diverse archipelago. Even though the decentralization laws in Indonesia are still looking for their final form, in terms of development planning, the decentralization process has been opening up chances for local government to develop new planning mechanisms, as shown in various localities like Bima and Dompu regencies under the Support for Decentralization Measures (SfDM project) of German technical cooperation (GTZ); 35 municipalities and regencies in various provinces under USAID's Performance Oriented Regional Management (PERFORM) Project; and budget planning in Bandung regency (Usui and Alisjahbana 2003, Sumarto 2003, GTZ Advisory Team 1997).

Within the framework of the new decentralization policies, participatory planning allows local government to be more responsive to the public and to deliver better service. More importantly, the characteristic of participatory planning of trying to involve all development stakeholders can minimize potential conflicts among those involved in development. This paper focuses on how the practice of participatory planning underlines the need for public administration to change its role and function in development and how it contributes to building a more harmonious society. This paper examines the practice of participatory planning in decentralized Indonesia, with empirical findings from Solo municipality, which adopted participatory planning in 2001. This has been accorded recognition through a "participatory award" from LogoLink, an international network for participatory planning initiatives.

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In Solo, rethinking the development paradigm was crucial because the city's diversity has contributed to a high level of conflict and social disintegration.

The Changing Nature of Public Administration: The Emergence of the Participatory Approach to Local Governance

Even though public administration is still a debated concept, it is considered the most important field of political science, both as a practice and as a field of study (Starling 2005, page 1). It is also viewed as a dynamic concept, since it is influenced by the social, political, economic, and cultural environments. Berkley and Rouse (2004, page xi) argue that the dynamics of public administration is closely related to the increasing value of disparities within the community. In the same vein, Peters (2003, page 2) notes that the dynamics of public administration leads to differences in public administration practices across countries. In view of these factors, there is a need to use an integrated and multidisciplinary approach to understanding public administration.

The emergence of the New Public Management (NPM) in the 1980s and 1990s marked the evolution of the nature of public administration. Regardless of the different ways that public administration theorists refer to the NPM model—ranging from “managerialism” (Pollitt 1993) to “market-based public administration” (Lan and Rosenbloom), in fact the New Public Management is basically focused on management and on performance appraisal and efficiency. Therefore, NPM is moving toward private sector characteristics (Starling 2005, Peters 2003, Hughes 1998). Compared with the traditional understanding of public administration, this latest development is influenced by the democratization process within global economical and political systems (Starling 2005, Peters 2003). The new understanding of public administration now makes the concept of “governance” an important element in public administration.

Even though the definition of governance has great variation, the most fundamental notion of governance for our purposes is that government is no longer the autonomous and authoritative actor that it might have been at one time. Rather, the public sector is now conceptualized as depending on the private sector in a number of different ways, and much of public policy is developed and implemented through the interaction of public and private actors. Since governance is understood as the process of decision making and the process by which decisions are implemented, an analysis of governance focuses on the formal and informal actors involved in decision making. OECD (2001) notes that good governance has eight major characteristics—it is

participatory, consensus-oriented, accountable, transparent, responsive, effective and efficient, and equitable and inclusive, and it follows the rule of law, as shown in the figure below.

The call to establish good governance has given the public the chance to be involved in decision making. The old style of government-dominated development programs is no longer trusted. Instead, there is an urge to ensure the direct participation of the community in conceptualizing, planning, implementing, monitoring, and evaluating development programs. Many argue that governance will find its best performance within decentralized systems (Samaratungge 1998, Rondinelli and Cheema 1983). Decentralization focuses on two main aspects: decentralization between levels of government and also from government to other institutions such as the market and nongovernment organizations (NGOs) (Bennet, in Samaratungge 1998, page 7). It is the transfer to lower-level government of legal, administrative, and political authority to decide and manage public functions (Samaratungge 1998, page 8). Conyers (1990) argues that decentralized governance is produced by good governance. Her research found that more than 62 developing countries have been implementing the decentralization process, which basically offers “open space” for the community to be involved in decision making and development planning.

Saito (2000, page 1) argues that decentralization can contribute to good governance because it can change the relationship between central government and local government, besides strengthening the relationship between

Characteristics of Good Governance



Source: OECD (2001), page 117.

government and civil society. Since the 1980s, decentralization has been promoted as a solution to many problems of administration and governance. In the global context, according to the International Development Research Centre (IDRC), decentralization has almost become a prescription for a more democratic society. Most governments like the idea of unblocking centralistic government, improving management capacity, and giving more direct access to policy making. In developing countries in particular, decentralization has gained popularity because of problems arising from the impact of centralistic government (IDRC 2002, pages 1–2). As quoted by Gilbert in Helmsing (2001, page 2) estimates that 63 out of 75 developing countries are implementing decentralization policies to share their central government functions with local governments. More specifically, Conyers (1990, page 16) argues that the benefits of decentralization lie in its capacity to increase people's participation in planning development activities.

However, LogoLink (2002, page 17) has noted that in many cases the decentralization to local governments of powers, authorities, and responsibilities for delivering basic services has not been accompanied by the decentralization of resources needed to carry out these mandates. The case of decentralization policy in some South African countries showed that the incapability of local governments to manage local resources led to the failure of decentralization (Rondinelli 1981). One important aspect of decentralization policy is how it relates to decentralized fiscal resources. How can local governments implement planning and policy if they have no access to financial resources? For example, the decentralization program in Zimbabwe failed because the central Government still held all the financial resources under its authority (Conyers 1990, page 21). In contrast, the Philippine decentralization program is considered successful because it has a legal framework to ensure that the central Government will decentralize financial resources to the local level (LogoLink 2002; IIRR, LGSP, SANREM CRSP/Southeast Asia 2000). Even though the relationships between decentralization and participation are obvious, the degree of success of participatory planning depends on power relationships. What power is actually decentralized? And to whom is power decentralized? Who has power at the local level? (Conyers 1990, pages 21–24).

Participatory Planning Approach: An Alternative Strategy for Building a Harmonious Society

The new planning paradigm was declared by the United Nations Centre for Human Settlements (UNCHS) 1994 in Nairobi. According to the declaration, new development planning should consider community

participation, the involvement of all interest groups, horizontal and vertical coordination, sustainability, financial feasibility, and interaction of physical and economic planning. The declaration concluded that the community becomes the main agent of development because it is the community that is directly affected by development planning. The new terminology of anti-centralistic planning—including bottom-up planning, participatory planning, democratic planning, grassroots planning, public involvement, collaborative planning, and advocacy planning—shows that new development planning paradigms should open up more space for the public to participate in decision making that affects their own lives and future.

Friedman (1992, page 3) defines planning as a process that connects scientific and technical knowledge with activities in the public domain to enhance social transformation. Furthermore, he argues that planning can be seen as social learning and social transformation. As social learning, planning positions the government as facilitator. The characteristic of this planning is people learning by doing. It is decentralized, bottom-up, and politically open. As social transformation, planning is a political process with a collective ideology (Friedman 1992, page 4). Participation is defined as public involvement in development. The degree of people involvement in development could be varied. Arnstein (1969, pages 216–217) states that, in practice, participation can develop into three main different typologies: nonparticipation, tokenism, and citizen participation. In planning theory, participation is understood as giving the public space to discuss problems and priorities. The degree of community participation in planning will depend on the dynamics of knowledge, actors, and space within the planning process. In understanding participatory planning, these three elements become important. Participatory planning usually involves different stakeholders with different knowledge and interests. The knowledge used in the process also varies with the stakeholders involved. Space refers to all opportunities that influence planning, including formal and informal organizations and policy making (LogoLink 2002, pages 8–9).

Public participation in planning brings closer relations between the local authority and the community. Decentralized planning, it is believed, can overcome all the limitations created by centralized planning (Rondinelli and Cheema 1983, page 14; Samaratunge 1998, page 2). It can cut short a long procedural process and, as a consequence, should increase local officials' knowledge of administrative capabilities (Rondinelli and Cheema 1983, page 15). The benefits of participatory planning identified by Rondinelli (1981, pages 135–136) are:

- Accommodation of local needs
- Less bureaucracy
- More effective and realistic planning
- Greater political and administrative emphasis on remote areas
- Greater representation in policy making
- Greater administrative capability of local government to manage development
- More efficient political dynamics, control of decision making
- Flexible, innovative, and creative administration
- More effective location of services and facilities by local leaders
- Greater national unity, more public goods and services

Participatory planning also involves communities in identifying and planning their needs, as well as in implementing and evaluating them (LogoLink 2002, page 34). Moreover, the advocates of participatory planning believe that this approach can open up opportunities for people excluded from development not only to participate in decision making but also to assess the level of local government transparency and accountability (LogoLink 2002, page 4). The decentralization of management and development planning is important because it can spread growth and integrate different regions and diverse countries. For example, the Tanzanian administrative reform in 1972 abolished traditional government, and gave more authority to local government in development planning (Rondinelli 1981, page 134).

In terms of promoting a harmonious society, local governments can play an important role in facilitating and promoting peace through good governance. The principles of good governance, which ensure the equitable and accessible provision of government services, the protection of security and human rights, and the active promotion of community harmony and a “culture of peace,” can be achieved through appropriate approaches and tools. Therefore, the participatory planning approach can be used as an alternative strategy toward a harmonious society.

Participatory Planning in Decentralized Indonesia: Seeking a New Path to a Harmonious Society

As previously mentioned, Indonesia is now moving toward more participatory planning. However, in practice there are many differences between localities depending on their social, cultural, and political background. A successful example is the municipality of Solo, which adopted participatory planning in 2001 and has been accorded recognition through a “participatory

award” from LogoLink, an international network for participatory planning initiatives (Sugiartoto 2003, page 202). Solo, also known as Sala or Surakarta, has an important place in Indonesia’s history as the capital city of the former Mataram kingdom. It is known as a center of Javanese culture, and is home to two historic palaces—the Surakartan Palace (Keraton Kasunanan) and the Mangkunegaran Palace. Both palaces are now chiefly symbolic, and have no administrative or decision-making power. In modern Indonesia, the city has emerged as a forerunner in the reform movement (Sugiartoto 2003; Qomaruddin 2002a, 2002b).

Solo is located in Central Java province, only 60 kilometers from the city of Yogyakarta, which is well known for its leading role in social and political change. The population of Solo is about 550,000. However, during the working day that can triple to 1.5 million, as people come from the surrounding areas for employment, trade, commerce, and governance activities (Sugiartoto 2003, Pratikno 2002). Solo is a municipality with five subdistricts and 51 smaller divisions known as *kelurahan*. Under the new decentralization program, the municipality carries the same functions as other Indonesian local government areas, including responsibility for education, health, social services, and public administration.

Previously, development planning in Indonesia was highly centralized and followed complex stages of planning, characterized by elite and bureaucratic domination from sub-village (*kelurahan*) to national levels. After a long struggle, Indonesia gained independence from the Dutch colonial power in 1945. Five-year development plans were introduced in 1969, and from that time to the third plan, which ended in 1984, Indonesian development prioritized economic growth rather than social issues. During this time, Indonesian development was designed by and for political leaders, economists, and administrators for their own benefit (Rondinelli and Cheema 1983, Marthuur 1983, Samaritungge 1998). The main stakeholders of development planning processes at the national level were the National Development Planning Board, known as BAPPENAS (Badan Perencanaan Pembangunan Nasional), all ministries, regional governments, and other related institutions. Universities were involved as consultants. At province and regency levels, development planning was conducted by government agencies known as Regional Development Planning Boards, or BAPPEDA (Badan Perencanaan Pembangunan Daerah).

At the village level, planning was conducted under the strong influence of the village head and a government organization known as the Community Resilience Group (Lembaga Ketahanan Masyarakat Desa [LKMD]). Theoretically, the LKMD represented community needs, although in reality it only strengthened the power of the village head, who appointed the LKMD

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head and the secretary. Members were mainly elite community figures (*tokoh masyarakat*) (Antlov 2002a, Van Den Ham and Hady 1989). As a consequence, poor communities were rarely involved in decision making, and development focused on physical infrastructure (Sugiartoto 2003, Pratikno 2002).

This has been categorized as “development by, for, and from the *kelurahan* officials” (Sugiartoto 2003, page 140). In fact, case studies show that *kelurahan* officials also had no strong bargaining position in planning. Although local planning may have been conducted by *kelurahan* officials, the programs undertaken were determined at higher government levels, without appropriate representatives from the *kelurahan* (Rahmanto 2003, Pratikno 2002).

Indonesia’s development planning since the early 1980s has been described by officials as participatory, yet the notion of participation was rhetorical rather than real. Participation at that time was limited to the middle class, including academics, local bureaucrats, or well-known businesspeople (Hady 1997, page 151; Sjaifudian 2002, page 3). Development planning in Indonesia evolved from mainly top-down during the 1960s to a combination of bottom-up and top-down planning in 1982, when a ministerial decree for bottom-up planning was enacted. This established Guidelines for Local Development Planning and Monitoring, known as the P5D system (Pedoman Penyusunan Perencanaan dan Pengendalian Pembangunan di Daerah). Under this law, development planning was intended to be conducted from the lowest level of government administrative bodies (villages and *kelurahan*) to district or municipality levels. However, because the P5D system positioned upper-level governments as decision makers for the lower levels, local government had no ability to decide which programs could be funded or implemented. After lengthy and cumbersome decision processes, higher-level planners approved only 5–10% of proposals initiated at the village level (Buentjen, quoted in Sjaifudian 2002, page 4).

Criticism of the old planning mechanism strengthened during the reform era that began in 1998, following the downfall of the Suharto government. An early change under decentralization in Solo occurred in the name of the former Community Resilience Board (LKMD), which became known as the Village Community Development Institution (Lembaga Pemberdayaan Masyarakat Kelurahan [LPMK]). The institution’s function also changed. It is no longer the only institution with final decision in planning; rather, planning now involves several village institutions, although problems still emerge because of misunderstandings about the new role, and the inconsistency of local regulations. For example, the mayoral decision ratifying the LPMK in 2003 stated that participatory development planning was the responsibility of LPMK. In contrast, an earlier mayoral decision on participatory planning

mechanisms stated that the process would be conducted by an independent committee. Another inconsistency is in the design of block grants. Again, the mayoral decision stated that LPMK had a role in this design, while a different mayoral instruction said that the block grant should be designed by a nominated committee. Moreover, the organizational structure of LPMK is not clear. For example, it includes the Women's Welfare Organization, when that group existed independently under the existing *kelurahan* administrative system.²

In Solo, rethinking the development paradigm was crucial because the city's diversity (as shown in the table) has contributed to a high level of conflict and social disintegration.

Structure of Solo Community, 2003

Characteristics of Population	Subdistrict					
		Jebres 136,866	Pasar Kliwon 85,374	Laweyan 107,200	Banjarsari 162,363	Serengan 61,758
Religion	Muslim	103,901	54,130	85,215	114,368	47,048
	Christian	30,624	30,289	21,133	45,590	14,500
	Buddhist	1,397	869	433	1,556	145
	Hindu	944	87	419	869	62
Socioeconomic Characteristics		Ethnicity	Religious	Entrepreneurial	Slum area	Developing
		Academic		Urban	Agricultural	Industrial

Source: Kartono (2004), page 54.

Between 1911 and 1998, Solo experienced at least 11 major riots relating to economic disparities and political and social issues. These began with conflicts between Javanese and Chinese traders in 1911, radical anti-Surakartan Palace movements in 1918–1920, and anti-Chinese movements in 1960 and 1980. The most serious violence surrounding the downfall of the Suharto regime in 1998 occurred in Solo. Apart from the social and personal loss and destruction, the region lost around Rp500 billion (\$58,823,529, at \$1=Rp 8,500), 10,000 people lost their jobs, and around 50,000 to 70,000 people became unemployed (Kartono 2004, Qomaruddin 2002a, Pratikno 2002, Sugiartoto 2003). Kartono (2004, pages 11–12) notes that the high conflict potential of Solo was triggered by power and value struggles within the diverse community, and argues for a new alternative planning process that considers community

² Personal communication, IPM Solo staff, Division of Community Empowerment and Advocacy, 2004.

participation to help overcome the socioeconomic disparities, and also for conflict management.

In particular, Solo has introduced a new paradigm in development called humanized development (*pembangunan nguwongke uwong*), which positions equality and freedom of expression as important rights of citizens. In general, this covers the issues of partnership and community participation, improved human resources management, economic development, and law enforcement. The new participatory planning was jointly initiated by universities, NGOs, and the new Solo Planning Agency (Bapeda) (IPGI Solo 2002b, BAPPENAS and GTZ 2003, Kustiawan 2003, Sugiartoto 2003).

The Solo city government made a radical change in 2001 by introducing direct community involvement through a mechanism called Participatory Development Planning (Perencanaan Pembangunan Partisipatif [PPP]) (IPGI Solo 2004b, LogoLink 2002, Pratikno 2002). The change in Solo began after a government official at the municipality level named Qomaruddin took part in a Ford Foundation–supported study tour on decentralization and participatory governance to the Philippines in 2000. He was able to advise the mayor and other staff about participatory practices. However, as has often occurred in Indonesia's transition to democracy, he met with resistance from those afraid of losing power and control (LogoLink 2002, Pratikno 2002). At the same time, he continued working with interested NGOs and academics and established a partnership forum called Indonesian Partnership for Good Governance Initiatives (IPGI) Solo (Sugiartoto 2003, page 30). IPGI Solo conducted discussions at the local level to determine an appropriate planning concept. These discussions involved the Solo Planning Agency (Bapeda), the State University of Surakarta, and Gita Pertiwi, a local NGO involved in environmental and governance issues (Sugiartoto 2003).

The discussions began with research on the role of the Community Resilience Board (LKMD) in development. This was conducted in 10 selected *kelurahan* out of the 51 in Solo. The selection of the research sites was based on certain criteria that reflected Solo's diversity: *kelurahan* with a mainly Muslim population, those occupied by mostly poor communities, *kelurahan* populated mostly by non-Javanese, *kelurahan* with complex informal sector problems, *kelurahan* mostly occupied by wealthy communities, and those far from the city center, which rely on agricultural activities. This research found that the domination of LKMD in development planning at the *kelurahan* level created high community resistance to the role of LKMD (IPGI Solo 2004b, Sugiartoto 2003).

The new wave of decentralization has not significantly changed local development planning, which remains weak and confusing. The initial

enactment of Solo's new participatory planning method in 2001 was not very effective, possibly because at that time the idea of establishing new planning mechanisms was still new. The wording of the relevant mayoral document suggested that only *kelurahan*-level governments should follow participatory planning.³ The Solo government was caught between accommodating a new idea and keeping the old system that was still used throughout the country.

The legal framework of participatory planning was also unclear at the provincial and national levels. This lack of clarity contributed to the uncertainty of planning processes at the *kelurahan* level, and to the resistance of *kelurahan* government officials to the new methods. However, IPGI Solo persisted in its efforts to introduce change through participatory pilot projects in the 10 villages covered by the research (Sugiartoto 2003, Pratikno 2002). Regardless of the difficulties, the initiative of IPGO Solo, in partnership with Solo's local government, is considered good practice because even within the uncertain planning laws and procedures, local government followed a new paradigm of development.

The experience of other countries including Nicaragua, the Philippines, and Viet Nam also shows the importance of legal frameworks (LogoLink 2002). However, the existence of a legal framework itself does not guarantee the success of participatory planning. Other enabling factors, such as a strong community, involvement of NGOs, and other social and political elements, are major contributors to the success. For example, the Philippines could implement participatory local planning because an appropriate sociopolitical environment existed along with the legal framework. However, in Viet Nam, even though the relevant legal framework has been in place since 1945, participatory planning has never been practiced because of the absence of other enabling factors (LogoLink 2002, pages 32–35).

Under Solo's mayoral circular letter in 2001, the new planning mechanism began with development meetings at the *kelurahan*, sub-municipality, and municipality levels. Decisions then moved to the Regional Planning Board (Bapeda), and on to budget planning through the regional government, before projects were undertaken at the community level. A forum was elected from the community, government, university, and private sectors to conduct the *kelurahan* development meeting. The LKMD and the *kelurahan* head (*lurah*), who used to be the main decision makers in *kelurahan* planning, were now only facilitators, and the *kelurahan* development meeting was funded from the Solo municipality annual budget (APBD) (Sugiartoto 2003, page 100).

³ Circular letter from Solo's mayor (Surat Edaran, SE Walikota, No. 411.2/789).

The change to a new paradigm has been a slow process because the old planning mechanism was in use for more than 20 years. The barriers to new planning methods and ideas include cultural obstacles and the attitudes and orientation of both the bureaucracy and the people (Sugiartoto 2003, LogoLink 2002). For example, the Javanese community is very patrimonial and hierarchical, and its culture contrasts with the principle of participatory planning (Logolink 2002, page 25). As Sugiartoto (2003, page 27) points out, this attitude developed in Solo's royal court (*kraton*) and disallows the possibility of viewing ordinary citizens as equals. Because of the predominance of the "old order" (represented by the traditional community leaders) in the meetings at *kelurahan*, subdistrict, district, and city levels, this culture continues. In this culture, the relationships between leader and community, and between government and community, still follow the patron-client system. Most of the bureaucracy in Solo shows resistance to change, especially among those who benefit from the old system. Many bureaucrats are still skeptical and doubtful of participatory planning (Bapeda Kota Surakarta 2004, LogoLink 2002). Hence, change is still largely superficial, and the top-down approach still dominates.

In the first year of its implementation, the new planning mechanism showed only a slight difference from the previous method under the P5D system. From IPGI Solo's experience, the new planning implementation did often increase the number of people involved in the process. For example, in *kelurahan* Batuanayar, P5D meetings were usually attended by 30 to 40 people, whereas in 2001 from 35 to 105 people were involved in the new mechanism. However, increased community involvement in the process did not guarantee a significant change in the planning process, because the community did not understand the participatory planning method. Perhaps because of adherence to or the influence of the old development planning, the first *kelurahan* development meeting was also conducted without clear direction. There was no list of program proposals made. The local elite still dominated; hence, development was still the same and was mainly focused on physical infrastructure such as the *kelurahan* office and renovation of the symbolic village gateway (*gapura*)⁴ (IPGI Solo 2004b, IPGI Solo 2002a).

Throughout the Suharto period, the community came to understand development as merely physical. Moreover, people had neither the means nor

⁴ During the Suharto New Order regime, the *gapura* symbolized levels of development achieved in Indonesian villages or *kelurahan*. A *gapura* could be erected only after a certain percentage of households in the settlement were classified as having left the poverty level. Often, disproportionately large sums of money were expended on their construction and maintenance.

the confidence to criticize, and tended to accept government decisions. This led to inappropriate programs. Qomaruddin (2002, page 14) noted that this legacy engendered difficulties in gaining community participation in Solo planning processes. Another problem was that the community had no experience in conducting democratic meetings; therefore, their capacity and skills remained very limited. At the next level, that of the sub-municipality, the situation was the same. Although up to 397 people could be involved on the first day of a sub-municipality development meeting in *kelurahan* Banjarsari, for example, the outputs were still the same as those under the P5D system. In 2001, 70% of programs concentrated on physical development, and only 30% on social, economic, and cultural issues (Sugiartoto 2003, page 171). At the district level, the number of people involved was far greater than expected. At least 800 people from different areas were involved in planning. However, the output again could not satisfy stakeholders involved in this case, because of inappropriate time management. Most of the time was consumed by discussion of a code of conduct rather than the content of development issues (Sugiartoto 2003, pages 174–177).

In 2002, the second year of the new mechanism, planning at *kelurahan* level showed a difference in prioritizing development activities. A new mayoral decision provided stronger law enforcement, and increasing attention was paid to nonphysical activities, including a credit scheme for pedicab drivers and food sellers, land reclamation programs, and street vendor issues (Pratikno 2002, IPGI Solo 2002a, Sugiartoto 2003, IPGI Solo 2004b). After the learning experience of the first year, the 2002 *kelurahan* development meeting was conducted with a clearer direction and more support from higher levels of local government. For example, the Regional Planning Board collaborated with IPGI Solo in training 255 facilitators for 51 villages (IPGI Solo 2004b, pages 12–13). The process started from neighborhood meetings, which listed program priorities to be discussed at subdistrict meetings. Not all *kelurahan* were able to submit a list of priorities because of their limited capability to produce an appropriate plan document; in such cases the subdistrict committee prioritized programs on the basis of data provided at the *kelurahan* meeting. During this period, community interest and involvement in *kelurahan* development meetings increased, and although some *kelurahan* heads had difficulty gaining community participation, others attracted strong interest, with the highest involvement being 400 persons (IPGI Solo 2004b, page 3).

Women's participation in the *kelurahan* development meetings increased only from 5% in 2001 to 7% in 2002. However, real progress was made, in that people began to address structural issues, which were impossible to discuss openly under the New Order regime. From the second year of implementation

of participatory planning, Sugiartoto (2003, pages 196–197) noted at least three lessons learned: people were more open to change, they were also starting to criticize government policy, and they were becoming more aware of their own problems. A number of significant problems still have to be overcome. There is still a highly structured hierarchical power relationship in the local culture. In negotiations between people and the state, this is overtly expressed through the formal uniforms worn by local government staff. Another difficulty is that the introductory participatory planning generated “wish lists” that frustrated the community and officials because the program proposals made were rarely approved (LogoLink 2002, pages 46–47).

A number of practical problems also occurred. In one case, socioeconomic representation was unequal, and in another ward officials were excluded from the meeting for the sake of efficiency. Some *kelurahan* facilitators were ineffective, and presented a long list of problems or needs without any clear indication of how problems occurred and how they could be resolved (Rahmanto 2003, page 67). The uncertain role of the still existing Community Resilience Group (LKMD) also created difficulties (IPGI Solo 2004b, page 4). Some inconsistencies remained because of lack of coordination and agreement between local government offices, and the production of different documentation. For example, relevant new local planning documents such as the local annual plan (Repetada) and the local strategic plan (Renstrada) were not available because the main guideline, the local development program (Propeda) was still only in draft form. Planning documents also followed different time frames. One of these was for the period 2002–2005, another for 2002–2006, and yet another for 2003–2007 (Bappenas and GTZ 2003, page 70). The latest Solo participatory planning mechanism under the 2004 mayoral decision addresses these issues by integrating the planning documents.

Despite the practical problems, in 2003 and 2004 community involvement continued to increase. Development prioritized long-term programs such as the poverty alleviation program in *kelurahan* Pasar Kliwon, which allocated a block grant for the pedicab driver credit scheme (economic aspect). Other *kelurahan* allocated scholarships for the poor (free education for the poor) (IPGI Solo 2004a and 2004b). Budget transparency began to increase, and the allocation of funds to development programs was clarified.

In 2004, significant changes were made in gender issues, representation, program priorities and indicators, the role of planning committees, opportunities for participation, time frame, design of mayoral decisions, and transparency (IPGI Solo 2004a and 2004b). Every planning stage must now involve at least 30 women, and the List of Development Programs must also consider women’s perspectives. The 2004 initiatives also involve the informal

sector more directly in planning. Another change is that the Priority List is no longer held at the district level, but is decentralized to the subdistrict level. Mayoral decisions are also designed for more public involvement, and must be discussed publicly before they are enacted.

The new participatory planning method has generated significant differences in the stakeholders involved, the mechanisms used, the levels of community participation, and financial sources. The old system involved only the head of the *kelurahan*, subdistrict staff, the LKMD, and informal leaders. The new planning system involves NGOs, civil society organizations, informal sectors, *kelurahan* officials, political parties, university staff, and the *Kelurahan* Community Development Institution (LPMK), previously called the LKMD (IPGI Solo 2004b). The new planning begins with neighborhood discussions, and aims to maximize community participation. Financing now comes from Solo's local development budget, called the *kelurahan* block grant. The role of government now is mainly that of facilitator rather than decision maker.

Conclusion

This paper argues that the implementation of a participatory planning approach in Solo has reduced the high conflict potential in the city because it positions equality and freedom of expression as important rights of citizens. In general, participatory planning covers the issues of partnership and community participation, improved human resources management, economic development, and law enforcement. From analyses of the case of Solo, it is evident that the limitations of the participatory planning practice relate to the loss of community trust in the role and function of government at all levels. For example, it is a tendency of local government to merely change the name of institutions or processes without introducing real change. One demonstration of this is resistance to the former Community Resilience Board (LKMD) as village planner because of its image as an institution of the New Order regime. Although the LKMD was renamed the Village Community Development Institution (LPMK), the basic functions of the institution and the degree of representativeness remain the same.

The dilemma of the LKMD position in development planning indicates the existence of an "anti New Order." The same indications can be found in many localities, and in my opinion this situation has engendered demands for a "free New Order"—the desire for changes in institutions and systems regardless of their positive or negative aspects. The importance of understanding the philosophy of the new system is sometimes neglected. This is underlined when local government in many localities introduces a "new planning system"

that is in fact the same New Order planning system, in the hope of erasing the negative image of the New Order regime.

This paper also found stronger recognition of the importance of participatory planning in the decentralization era. Particularly in Solo, the local government has been working together with NGOs and civil society organizations to establish a new planning mechanism that generates more participatory development. The experience of Solo shows that the direct involvement of the community in all stages of participatory planning creates a feeling of inclusion and a sense of purpose. The community is enthusiastic for the process (Qomaruddin 2002b, page 15). Moreover, new relations between different ethnic groups begin to develop. People are involved in participatory planning as a community. The community also becomes more responsible for development programs in its area, and is motivated to learn skills related to participatory planning (Qomaruddin 2002b, page 16).

From the Solo case study, it can be seen that the success of participatory planning as an alternative strategy for building a harmonious society can be achieved only by maximizing the roles of all development stakeholders. Awareness of the importance of networking between all development stakeholders should be developed further to keep balanced relationships among development stakeholders. However, change has not been maximized and is slow because there is limited understanding of the process. In Solo, the strong local culture has influenced the practice of participatory planning through *kelurahan*, sub-municipality, and municipality meetings. There is a tendency toward elite domination and the exclusion of women and the young generation. Another obstacle is the difficulty in convincing some top-level local administrators and local parliament members to support the new planning method. There is also a need to institutionalize access to information in decision making through an appropriate legal framework.

It can be concluded that even though the practice of participatory planning in Solo has opened a new track toward a more harmonious society, shifting to a new development paradigm is not an easy job. Participatory planning requires those who hold power to share it with other development stakeholders, thus reducing their control over the community. The Solo case study shows that it is important to emphasize the need of local government to change the way it behaves and to develop new relationships with the community and other development stakeholders.

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Citizens' Participation in Local Budgeting: The Case of Mongolia

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Introduction

Decentralization has been part of Mongolia's reform agenda since the 1990s. In 1992, the Management Development Program decentralized power and created management capacity at the local level. In 1994, the Public Service Law sought to define the tasks and directions of the public service system. In 1996, a reform policy on the trends and structure of government activities clarified the structure, authority, and functions of the central Government.

But, despite these reforms, decentralization in Mongolia has been centrally driven and implemented slowly, and is so far incomplete. Citizens elect local parliaments, but governors are nominated by these parliaments and appointed by the next higher level of government. Administratively, local governments have some control over local personnel, but sectoral policy decisions (primarily in health and education) remain centralized. Budgeting is still centralized as well, and local governments neither have significant revenue-generation powers nor control over intergovernmental transfers.

Mongolia lacks an integrated decentralization strategy and still has only a vague understanding of the decentralization concept, its virtues and threats. As a result, some recent reforms have reversed the decentralization process. A reform of the General Tax Law (GTL) in 2001 reduced local budgets significantly, and the Consolidated Budget Law (CBL) mandated the inclusion of the personal income tax in the central budget after 2002. Similarly, in 2003, the Public Sector Finance Management Law (PSFML) required all spending on education and health to be part of the line ministers' portfolio, rather than financed out of local government's budgets, as was done previously. These centralizing measures aside, the decentralization agenda is still active in Mongolia and continues to move ahead with the support of civil society and international development organizations. The movement has been particularly active in the engagement of citizens in public decision making.

This paper discusses fiscal decentralization and citizens' participation in local budgeting in Mongolia, the lessons learned, and suggested improvements. Fiscal decentralization is influenced by the interests of the central Government,

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citizens' participation, and the capacity of the local governments to implement this policy. Citizens' participation is the hallmark of fiscal decentralization.

Country Profile

Mongolia is a unitary state with a central government and three levels of subnational governments: *aimags* and the capital city, which have provincial status; *soums* (rural districts) and *duuregs* (urban districts); and *bags* (rural subdistricts) and *horoos* (urban subdistricts). *Aimags* and the capital city are intermediate tiers of government, and *soums/duuregs* and *bags/horoos* are local governments. *Bags* and *horoos* are the lowest formal administrative and territorial units. There are now 21 *aimags* with 329 *soums*, and 1,560 *bags*. The capital city has nine *duuregs* with 117 *horoos*. For a country of the size and population of Mongolia, having 2,000 or so subnational units means jurisdictions with very low population densities. To address this issue, the Government of Mongolia is discussing a regionalization plan to reduce the number of subnational units in the country.

According to the Constitution, the administrative and territorial units of Mongolia are organized on the basis of both self-governance and state management. Hence, Mongolia has a dual system in which each administrative and territorial unit has both a governor and a hural (assembly of people's deputies). While the former represents the central Government throughout the territory, the latter is a truly representative institution.

Aimag and *soum* hurals serve as representative bodies of the local people, pass regulations for their respective political and administrative jurisdictions, and monitor the local administrative bodies. In addition, hurals approve the budgets of their respective *aimags* and *soums* and oversee budget execution. *Aimag* and *soum* governors run the local administrative organizations and are the local representatives of the central Government. Governors make, implement, monitor, and evaluate local policies. The governors' offices also provide administrative services: they serve as civil registries, provide notary services, and expedite licenses and permits. *Bag* and *horoo* hurals are self-governing organizations with the direct involvement of residents; their main function is to solve common local issues. *Bags* and *horoos* also have governors, who primarily provide liaison between the citizens and *soum* authorities.

Hurals are elected directly by local residents. *Aimags* and *soums* vary greatly in size and population, and the size of each hural varies with its population (see table). In the selection of governors, hurals submit their nominees to the governor at the next level of government, who makes the appointment. Thus, *aimag* governors are nominated by the *aimag* hural and appointed by the prime minister. *Soum* governors are nominated by the *soum* hural and appointed

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by *aimag* governors, and *bag* governors are nominated by the *bag* hural and appointed by *soum* governors.

Size of Hurals, by Number of Representatives

Level of Government	Population	Number of Representatives
Aimag	Up to 50,000	25
	50,001–90,000	30
	More than 90,000	35
Ulaanbaatar		40
Soum	Up to 2,000	15
	2,001–9,000	20
	More than 9,000	25
Duureg		15 (3 <i>duuregs</i>)
		35 (5 <i>duuregs</i>)

Under this dual system, state management of government seems to dominate self-governance, as the appointed governors at each level have ultimate control over the functioning of the administrative and territorial units. Currently, there is a substantial amount of delegation of state powers to *aimag* governors,² and of intermediate powers to local governors. Thus, in general the center of power lies in the governors, who implement most of the major sectoral functions and decisions as representatives of the central Government.

Budgeting

The budget cycle in Mongolia consists of four stages: budget formulation, budget appropriation, budget execution, and budget monitoring and evaluation. Each budget entity goes through these four stages. The PSMFL (article 4.1.4) defines a budget entity as “an organization that carries out the functions and services of the state either with national or local funds.” Thus, for example, at the *soum* level there are six budget entities: the *soum* hural, the *soum* governor’s office, and the *soum*’s school, kindergarten, cultural center, and hospital.

The process of budget formulation begins with each *soum* and *aimag* budget entity preparing its budget proposal. Authorities in charge of budget preparation at this level are:

² The governor in Ulaanbaatar has special powers, which include the right to attend Cabinet meetings, to communicate directly with the Prime Minister, and to coordinate policy with the Central Government (Law on the Capital City Legal Status, article 23.2).

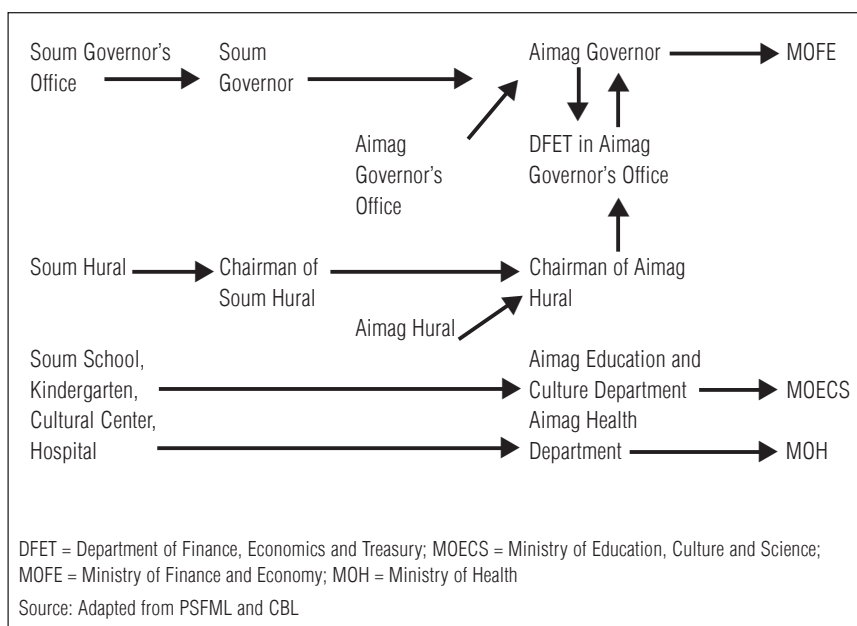
- In the hural, the secretary of the hural;
- In the governor's office, the deputy governor and the accountant; and
- In the school, kindergarten, cultural center, and hospital budget entities, the general managers and accountants of these entities.

The budget estimates prepared by these entities are submitted to the authorities at the next higher level of government, according to the process shown in the figure. The budgets of the *soum* governor's office and hural, and those of the *bag* governors, are submitted by the deputy governor of the *soum*, on behalf of the *soum* governors, to the *aimag* governors and the Department of Finance, Economics and Treasury (DFET) in the *aimag* governor's office. *Soum* schools, cultural centers, and kindergartens submit their budget proposals to the *aimag* education and culture department, and hospitals submit their proposals to the *aimag* health department. The proposals are submitted by each entity's general manager and accountants. The deadline for submitting the budget proposals of the *soums*' budget entities is not defined, but is usually between June and July of each year.

The DFET in the *aimag* governor's office consolidates the budget proposals of the *soum* hurals and *soum* governors' offices and sends the consolidated proposals to the DFET head and to the budget officers of the Ministry of Finance and Economy (MOFE) before 15 August. Similarly, the *aimag* education, culture, and health departments consolidate the budget proposals of the *soum* budget entities and submit the consolidated proposals to their respective line ministries at the state level, which review the proposals and submit them to MOFE, also before 15 August. The MOFE reviews and consolidates the budget proposals of all the entities and submits the consolidated proposals to the Government of Mongolia before 15 September. The Cabinet then discusses the state budget and submits it to the Parliament of Mongolia before 1 October. This marks the end of the budget formulation process (adopted from PSMFL).

The budget formulation process has its origin in the strategic business plans (SBPs), on which the budget entities base their budget estimates. SBPs are 3-year plans made according to the general budget framework approved by the Parliament of Mongolia. An SBP must reflect the strategic tasks of a budget entity for the next 3 years, as well as the type, quantity, quality, and cost of the expected budgetary outputs (PSFML, article 26.2). In addition to the SBPs, *soums* and *aimags* must base their budget priorities on their midterm (3–5 years) and long-term (more than 5 years) development plans, and on the governor's 4-year action programs.

Budget Proposal Submission Process



The absence of a specific deadline for submitting these proposals is problematic, because it introduces uncertainty to the budgetary process and gives *aimags* very little time to consolidate the budget and engage in meaningful discussions about budget priorities.

The process of budget appropriation begins with the Parliament's approval of the state budget. In early December, *aimag* hurals approve *aimag* budget proposals within the approved budget framework. After this, the *soum* hurals also approve *soum* budget proposals and submit these to the *aimags* sometime in December. While the *soums'* budget proposals are undergoing approval at the *aimag* hural, the *soum* governors' offices have the opportunity, though limited, to exert influence.³ However, once the *aimag* hural approves the budgets, the *soum* hural can no longer make changes in the line items. In January, the *soum* hural releases a budget resolution and submits it to the DFET in the *aimag* governor's office, together with the detailed budget allocation.

The process of budget appropriation, stakeholders say, is not properly regulated. Not only do the norms (Administrative and Territorial Units, Their Management Law, CBL, and PSMFL) fail to fully and coherently regulate the process, but the *soum* and *aimag* hurals have not yet designed efficient

³ This is done through the elected representatives of the *soums* to the *aimag* hural.

procedures to coordinate the process.⁴ As things stand today, only once during their sessions do the local hurals hold an open discussion to comment on the budget proposals submitted by the governors. As a consequence, the local hurals pay very little attention to the process of budget approval. Also, because budget proposals focus on the financing of current expenditures, which are relatively small, these meetings do not stimulate productive and effective discussions. Moreover, the budget proposals of *soum* hospitals, schools, kindergartens, and cultural centers are not discussed in the hurals as the proposals are directly approved by the Great Hural of the State within the framework of the respective sector budgets. As a result, *soum* citizen representatives indicate that in practice the budgets do not reflect the real priorities of the *soums*. For this reason, budget approval often becomes a formality, with limited participation from *soums* and *aimags*.

The budget year goes from 1 January to 31 December. During this period, *soum* and *aimag* budget entities collect revenues according to their revenue plans, and spend in accordance with two instruments: output purchase agreements (OPAs) and performance agreements (PAs). After the Parliament of Mongolia approves the state budget, line ministers at the state level sign OPAs with *aimag* governors and PAs with general managers, who are responsible for the day-to-day management of the budget entities. Similarly, after the *aimag* hural approves the *aimag* budget, the *aimag* governors sign OPAs with the *soum* governors and PAs with the general managers. At the *soum* level, once the hurals approve the budgets, the *soum* governors sign PAs with the general managers.

Through OPAs and PAs the different levels of government coordinate their spending, mostly on health and education. This budget execution process has helped local budget entities (schools, kindergartens, etc.) to execute their budgets more effectively, to limit overspending, and, consequently, to improve overall fiscal discipline.

Despite the improvements introduced by the performance agreement system, however, the current system of budget execution still has deficiencies, which include the lack of flexibility of budget entities to meet local needs and a mismatch between national priorities and local revenue generation.

Budget entities cannot meet local needs. When higher-level budget entities approve budget proposals, they largely ignore local opinions, as well as the geographical, economic, and social factors of each particular case. Instead, budget approval is based solely on the previous year's budget, so during budget

⁴ Only the CRHs of Tuv and Orkhon *aimags*, and some districts of Ulaanbaatar, have specific regulations on budget approval.

execution *soums* have little flexibility to respond to local needs. For example, in Umnudelger *soum* of Khentii *aimag*, the budget for meals for schoolchildren in 2004 was the same as in 2003, so it fell short of meeting the necessities for 2004 (Center of Mongol Management 2004).

There is a mismatch between national priorities and local revenues generation. In the current system, budgets do not fully provide for the appropriate revenue sources for the financing of a number of government projects that local governments must implement. Local budgets are overburdened, and the implementation of the projects is often hampered. The situation has been particularly problematic in the local implementation of national programs related to structural changes, like the White Revolution, which is not funded out of local budgets.

The fourth stage of budgeting—after budget formulation, appropriation, and execution—is budget monitoring and evaluation. Mongolia has several mechanisms for budget monitoring and evaluation. These include both internal and external controls. The internal mechanisms are: (i) hierarchical control by the governors, and (ii) financial inspection by the State Professional Inspections Agency. The external mechanisms are: (i) monitoring by local *hural*s, (ii) auditing by the State Audit Board, and (iii) monitoring by citizens.

Governors are responsible for controlling budget execution by the budget entities. They have authority to evaluate budget performance and, if necessary, to penalize misconduct. According to the Administrative and Territorial Units, Their Management Law (article 33.2), *soum* governors have the power to penalize directors of *soum* budget entities (governor's office, schools, kindergartens, etc.). Penalties for budgetary misconduct range from reductions in the salary of the directors of budget entities for a period of 1 to 3 months, to the termination of employment. In practice, however, *soum* governors do not seem to use these powers regularly, even when they discover irregularities in budget execution.⁵

The **State Professional Inspection Agency (SPIA)** is a central government regulatory agency, with branches in each *aimag*. The SPIA has the right to inspect all administrative services, including budget execution. Its Department of Financial Inspections reviews the budget every 2 years. If it uncovers financial misconduct, the department may impose financial penalties. According to *soum* administrators, however, the sanctioning power of the department is ineffective and not sufficiently preventive.

⁵ For instance, in Tarialan *soum*, Uvs *aimag*, the hospital director was penalized by the *soum* governor with a 20% reduction in salary for 3 months, because of a procurement problem. Unfortunately, cases that a *soum* governor exercised this power are few.

The **State Audit Board** acts on behalf of the Parliament of Mongolia to audit the execution of the budget and the implementation of laws. The State Audit Board has branches in each *aimag*, the *aimag* audit boards. These boards perform financial audits of *aimag* and *soum* hurals, governors' offices, and other budget entities. In addition to the State Audit Board, the CBL, PSMFL, and the Administrative and Territorial Units, Their Management Law give hurals extensive monitoring rights. However, for a number of reasons, these rights are seldom fully exercised. For example, central line ministries—and not hurals—approve the expenditures of state budget entities. Thus, since hurals have no authority over these expenditures, they cannot effectively monitor them.⁶

Citizens' Participation in Budgeting

Citizens in the local areas virtually do not participate in monitoring and other stages of the budgetary process. Generally, this is so because the budgetary process in Mongolia has traditionally been vertically driven. The new constitution promotes participation, but the development of local self-governance is in its initial phases. Therefore, citizens in *bags*, *soums*, and budget entities have very limited participation.

Some participation takes place at the local level, mostly in the form of written and orally transmitted communications between citizens and line department civil servants, *soum* administrators, and elected officials. In Tarialan *soum*, for example, citizens are invited to the budget approval meetings. In Undurshil *soum*, an opinion poll conducted by the hural of Dundgobi *aimag* resulted in the creation of two *bag* centers at a cost of MNT800,000 (approx. \$658).⁷ Also, citizens in this *soum* requested, and received from the *aimag* governor, MNT500,000 (approx. \$411) for reconstructing the *bag* office building. These funds came from an emergency fund under the discretionary control of the governor. Citizens also express their opinions concerning school and hospital heating, schoolchildren's meals, prices of products bought by budget entities, and local investment needs (Center of Mongol Management 2004).

According to this research, there are three main reasons for the low levels of citizen participation. The citizens themselves lack knowledge about the activities of local governments and the ways in which they can participate. Also, the limited size of budgets and their high fixed-expenditure commitments discourage participation, as citizens believe that participating

⁶ Only the hural of Baruunturuun *soum*, Uvs *aimag*, uses its monitoring rights.

⁷ Bank of Mongolia. <http://www.mongolbank.mn> (accessed on 15 September 2005).

would not be effective. On the other hand, local governments, administrators, and politicians also rarely encourage citizen participation. According to one questionnaire used the research made by CMM,⁸ 79.7% of the citizens who were interviewed had not participated at all in local budget making and spending. This is too low a level of participation.

Citizens usually do not know that they can participate in budgeting and how can participate in it. More than half of those asked did not know about existing mechanisms for holding decision makers accountable. Citizens, however, have the right to request the SPIA and the State Audit Board to conduct financial inspections and audits, but they do not exercise this right.

Citizens think that participation would not be effective. Among the interviewees, 29.4% thought that they could take an active part in the local budgetary process but have not participated; 64.5% said that citizens could not expect to have their common issues reflected in the local budget; 34.2% said that they had participated in budgeting, but their suggestions were not reflected in the budget.

Citizens are interested in participating, but local politicians and administrators usually ignore their interest. The questionnaire also revealed that more than half of the interviewees were interested in participating in the monitoring of budget execution. But 40% agreed that there was not enough information on budget execution, and 90% wanted to have such information made more available to the public.

More generally, citizens' participation is low in the *bags*, *soums*, and budget entities. *Bags* are the primary organizational units in the country. These traditional forms of association have traditionally provided a suitable geographical division for Mongolians living in distant locations. *Bags* are the first entry point for citizens, so they are the basic units of decentralization and citizens' participation. Citizens' participation in *bags*, however, is very limited. At present, the legal framework is not consistent in addressing the issue of *bag* participation. On the one hand, the Constitution (article 59) dictates that *bags* should have meetings of citizens; on the other hand, the Administrative and Territorial Units, Their Management Law does not provide *bags* with an independent budget. The salary of the *bag* governor, for example, is part of the *soum* budget. Budgetary independence is a critical factor in participation. In the case of the Sustainable Livelihoods Program, for example, the selection of projects is discussed openly in the Bag Common Hural, and this has become the engine for promoting citizens' participation in local decision making. In

⁸ The Research on Fiscal Decentralization made by the Center of Mongol Management (CMM) and financed by Household Livelihoods Support Program in 2004.

other words, citizens will decide to participate only if they see a benefit in doing so. *Soums*, being the lowest level of government with budgetary autonomy, are supposed to organize open discussions to decide local budgetary allocations. In practice, however, this process is ineffective for at least two reasons. First, *soums* approve the budget proposals of *hurals*, governors, and governors' offices, but not those of schools and hospitals. Leaving out decisions about health and education, which are an important component of citizens' demands, makes *hurals* less participatory. Second, even if there is a tendency for more active participation in budget planning, at the time of budget approval, authorities are not bound to incorporate citizens' proposals, and this further discourages citizen participation.

Problems and Suggestions

The research identified a number of problems associated with the current system of local public finances in Mongolia and the level of citizens' participation in local budgeting. These problems, together with some suggestions, follow.

Lack of information and transparency. There is an overall feeling among stakeholders that transparency in the operation of budget entities is still limited. Specific budget information is not available or is inadequately provided to citizens. Similarly, other information on the activities and performance of government activities is not available to the public. None of the local administrations in the *aimags* and *soums* covered by this research provided open information on its budget execution to citizens. The situation calls for broadening citizens' access to government information. The whole budgetary process must be made more transparent. Budget entities especially must make their expenditures and performance measures more accessible to citizens.

Low capacity (lack of knowledge and skills). Although limited, a number of reforms have been introduced to rationalize the budgeting by local governments. The reforms, however, require heavy investments in training and capacity building, which are still missing. Specifically, local officials require training in the preparation of strategic business plans, outcome definition, cost estimation, performance evaluation, and the drafting of effective contracts and performance agreements. In addition, a number of *soums* and *aimags*, especially in the most remote parts of the country, still need basic training in generating medium- and long-term development plans, and in formulating, executing, and monitoring their budgets. For this reason, the effects of the reforms have not yet materialized. For example, even though local budgets should be performance-oriented, budgets are still planned according to the old input-based classifications and provisions. The central Government must

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therefore invest heavily in local capacity building. Training to improve the technical skills of public servants in charge of local fiscal functions, including skills in the preparation of strategic business plans, is needed.

Lack of accountability. Overall, local accountability in Mongolia is still weak. Most accountability mechanisms are vertical, so horizontal and social accountability is undermined. Line ministries, especially in the health and education sectors, have strong vertical control over their local representatives. This weakens the accountability of these central representatives to both the local hural and the citizens. Not only do elected local bodies have ineffective mechanisms to hold local administrations accountable, but citizens also lack ways to effectively control their local governments. Citizens do not have effective mechanisms to voice their demands and complain about the inefficient work of public servants. There must be additional mechanisms for social accountability to allow citizens to voice their concerns and local governments to respond to those concerns.

Lack of local participation. Citizens' participation in both the executive and legislative branches in *bags*, *soums*, and *aimags* is marginal. Citizens have limited knowledge and information about the public policies of local governments. One questionnaire used in this research found that only 9.5% of those interviewed had participated actively in local budget making and spending.

The existing legislation fails to provide options for citizens to participate in the planning and monitoring of budget entities, and citizens also lack knowledge and information about administrative and budget reforms. The traditional thinking that it is up to the administrators to solve local problems is still dominant among local residents. Mongolia has had no experience in the decentralization of its public administrative institutions. Therefore, decentralization and local self-government skills are not yet developed. Even among civil servants there is no agreement on the concepts, requirements, and mechanisms of decentralization. In various cases, local problems continue to be solved in a centralized way, with very little participation from citizens. New mechanisms for citizen participation must be devised to allow efficient state-society interaction, especially in the areas of local planning and budgeting.

Interference from higher tiers of government. In many ways, Mongolia remains a centralized country with a strong central presence—administrative and political—at the local level. Central line ministries still exercise power at the local level, and this limits local self-governance. Fiscally, most locally generated revenue ends up in the central budget, creating a disincentive to increased local tax collection. Local governments are still far from having the political, administrative, and fiscal autonomy to govern their own affairs, with

little intervention from the central Government. In sum, the limited possibilities for increasing local revenues and the few initiatives in support of local interests have become obstacles to the development of local self-governance and decentralization. The central Government must clarify the current assignment of expenditures and ensure that the country's development plans incorporate both national and local priorities.

Conclusion

The low levels of citizens' participation are caused by citizens' insufficient knowledge of how they can participate in budgeting, the limited size of local budgets and their high-fixed expenditure commitments, and the lack of initiative among local governments, administrators, and politicians. Mongolia needs to communicate more information about local budgeting, encourage citizens' participation in budget making, and improve the accountability of decision makers. What is missing is citizens' participation that serves as a basis for fiscal decentralization.

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Relationship between the Size of Local Government and Citizen Participation in Sri Lanka

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Introduction

Public participation in democratic society is both vital and problematic. Citizen engagement in the development and implementation of policy can help to generate a heightened sense of public value for what government does. Listening to citizen preferences, providing citizens with an opportunity to analyze available options and determine a preferred option, and providing feedback through performance measurement and monitoring and evaluation are all likely to help ensure that the public will value more highly the publicly funded services they receive. According to Berner (200, page 23), citizen participation in governance is widely encouraged by academics and professional organizations and is a popular conference topic. What do governments try to accomplish when they involve citizens? There are two expectations (Berner 2001):

- To inform the public of government decisions, and
- To involve the public in decision making.

This paper discusses the level of citizen participation in local government authorities in Sri Lanka and its relationship to the size of local authorities.

The local government of Sri Lanka has a long history extending to the period of Sinhalese kings in the 4th century. The oldest chronicle of Sri Lanka, *Mahawansa* (6th century), mentions local administration by the *nagara guttika* (city mayor). Village organizations called *gam sabhas*³ functioned under village leaders, who enjoyed the power to administer local affairs and also performed judicial functions such as dealing with petty offenses and resolving disputes.

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³ Village councils prevailed in ancient Sri Lanka.

Local government today is an expanded version of such responsibilities, operating under the democratic system of governance. There are three types of local authorities—municipal councils, urban councils, and *pradeshiya sabhas*⁴—under the administrative supervision of the provincial councils. The various aspects of their establishment and operation are covered by the Municipal Council Ordinance, the Urban Council Ordinance, and the Pradeshiya Sabhas Act.

Review of the Literature

What is *citizen participation*? According to Parry (1992, page 16; cited in Lowndes and Pratchett, 2002, page 2), it is taking part in the formulation, passage, and implementation of public policies. Parry's definition of citizen participation as political participation emphasizes the actions taken by citizens seeking to influence the decisions ultimately taken by local public officials and elected representatives. Defined this way, citizen participation includes not only participating in electoral activities but also contacting public officials, joining protest actions, and getting involved, either formally or informally, in local issues (Brady et al. 1995, pages 272–273; cited in Lowndes and Pratchett 2002, page 2).

According to Leatherman and Howell (2000, page 1), local officials rely on citizen input to stay informed about public concerns and to gain insight into citizen preferences. They add that citizen participation is at work if information flows from the electorate to the decision maker. Moreover, there is a direct relationship between the freedom of information and citizen participation in a country (Participation and Civic Engagement Group-World Bank 2000, page 1). Freedom of information, including access to information, is essential for transparent and accountable government. Access to information enables the citizens (the clientele) to be involved in formulating social policies and making governance decisions, and ultimately restores societal harmony. Only with adequate information can people discuss and debate the activities of their governments. Therefore, the right to information is increasingly recognized as a fundamental human right, protected under international and constitutional law. The local people should have equal opportunity to communicate their views and suggestions regardless of ethnicity, religion, social status, gender and other characteristics. The World Bank (2000, page 2) advocates the same equity principle.

⁴ A local government authority in Sri Lanka.

The system of local government is itself a way of encouraging citizen participation in public decision making. As Franklin and Ebdon (2002, page 1) put it, local government has the best opportunity to promote face-to-face interaction between the elected officials and the public. Hence, there is a strong tradition of fostering citizens' involvement in local political decision making. Allowing citizens' groups to decide how resources should be allocated is thought to foster high levels of social capital (Putnam 1993; cited in Franklin and Ebdon 2002, page 1). In social capital theory, the clients are the key stakeholders of government programs and their input is solicited since they are most likely to be affected by the decisions made.

Several expectations and prescriptions guide citizens' participation in resource allocation. Franklin and Ebdon (2002, page 2) suggest four groups of factors that determine the level of citizen participation in decision making by a particular local government:

- Structure of the local government unit;
- Participants;
- Mechanisms of participation; and
- Process of public participation.

The size of the local authority is part of the structure. The other components are the form of government and the legal requirements for input into government.

With respect to the participants, the local government officials have to consider who will participate and who will identify and invite them.

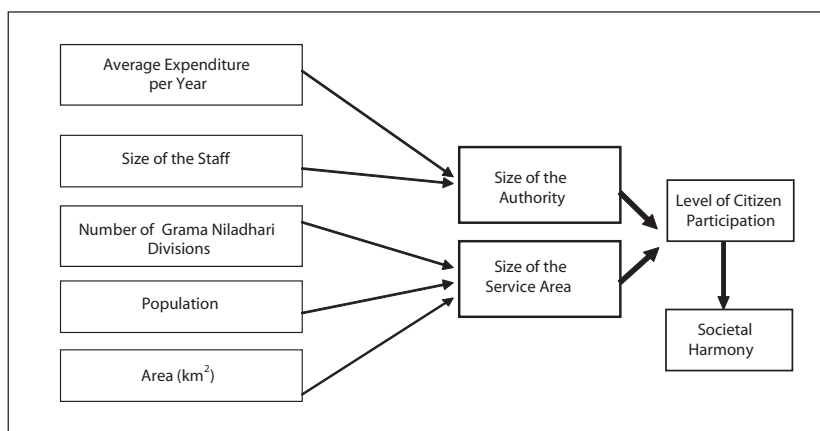
Franklin and Ebdon (2002, page 4) mention public hearings, public meetings, citizen surveys, citizen juries, and Web surveys among the mechanisms that countries generally use to get people's views. In the choice of mechanism, Franklin notes, timing is important. People must be given enough time to express their views before the local administration decides. Another consideration is the scope of the material to be presented. Citizens will be active when the discussion concerns neighborhood issues, Gurwitt (1992, pages 48–54; cited in Franklin and Ebdon 2002, page 4) points out. He adds that participation tends to improve when there are several mechanisms for it.

The last group of factors considers the logistics of the process itself. A common barrier to meaningful participation, say Frisby and Bowman (1996, page 78), is lack of knowledge. Therefore, designing a participation process that provides the information necessary to educate and inform the participants, in a language they understand, is an important first step in finding out their preferences.

Concept of the Study

The study tested the assumption that the size of the local authority and the population covered (independent variables) influence the level of public participation (dependent variable), which in turn leads to societal harmony. The determinants of size that were considered were average total expenditure per year (both recurrent and capital expenditure) and number of staff (executive, nonexecutive, and temporary), contractors, and suppliers. Figure 1 shows the framework of the study.

Figure 1: Framework of the Study



Source: Authors' research.

Significance of the Study

Sri Lanka has a well-organized system of local government administration with powers, functions, and duties vested by ordinances and a host of other subsidiary legislation. During the pre-independence period and more specifically during the second half of British colonial rule, local government institutions in Sri Lanka were greatly influenced by local government developments and practices in the United Kingdom (Abeywardana 1992, pages 116–126). Thus, the local government authorities in Sri Lanka including municipal councils, urban councils, and *pradeshiya sabhas* have become more expansive and bureaucratic.

According to Nanayakkara (1992, page 3), two main principles of local government should be taken into account. One is *access* by the community, which means the institutional capacity to utilize the views of the community through the direct involvement of the citizens in local planning, project

implementation, and other areas of decision making. The capacity of government to promote access, Nanayakkara (1992, page 3) says, is inversely related to the size of the governing bodies. The second principle of local government is *service*, and it is related to the principle of access. The service principle suggests that local government has to achieve technical adequacy aligned with community needs and interests. In the Sri Lankan context, the question to be asked in this regard is how far devolution and decentralization have taken place.

Therefore, to ensure effective citizen participation in local government decision making and provide better services, the governing bodies and their clientele must be of a “proper size.” This empirical study set out to see whether there is indeed a negative relationship between the level of citizen participation and the size of the governing bodies, and to gain an understanding of other factors that can affect the capacity of the authorities to promote effective community participation.

Methodology

This research combined qualitative and quantitative research techniques. The population of the study consisted of all three types of local government authorities in Sri Lanka—municipal councils, urban councils, and *pradeshiya sabhas*—and their clientele. As of 2003, Sri Lanka had 14 municipal councils, 37 urban councils, and 258 *pradeshiya sabhas* (Department of Public Administration 2003, page 124). One local government institution of each type in the capital, Colombo, was selected. The three institutions were: Sri Jayewardenepura Kotte Municipal Council, Maharagama Urban Council, and Homagama Pradeshiya Sabha. A representative sample of the clientele (general public, government organizations, community-based organizations, private sector, and nongovernment organizations) was also drawn through stratified random sampling.

Officials of institutions were interviewed with the aid of a structured questionnaire and an interview guide (Appendix 1). Beneficiaries were also interviewed and observed. Secondary sources of information supplemented the primary sources.

Indices of the size of the governing body, service area, and public participation were used. Scatter diagrams and a simple linear regression model were constructed, with the size of the governing body and the size of service area as independent variables and the level of citizen participation as the dependent variable. The results obtained through the regression model were compared with the results of the interviews conducted with officials and beneficiaries.

The index of the size of governing body was based on recurrent expenditure and workforce. Recurrent expenditure—expenses incurred to maintain current activities—“plays a more important role in determining the size of the institution than the level of capital expenditure” (Central Bank of Sri Lanka 2002, pages 50–56) and was therefore used to determine the size of the governing body. Generally, the recurrent expenditures of local government institutions in Sri Lanka cover salaries and wages of employees, transportation, supplies and instruments, maintenance of capital assets, interest, dividends and bonuses, subsidies and donations, and pensions and gratuities. These items are divided among five major programs as follows:

- Common administration and staffing;
- Health services;
- Land and buildings;
- Common utility services; and
- Welfare facilities.

The size of the labor force of the local authority was also taken into account. The labor force was divided into three categories, namely, executive staff, nonexecutive staff, and contractual employees. These categories of the labor force comprised the subcategories listed in Table 1.

The index of the size of the service area of local authorities was based on the population, *grama niladhari* divisions,⁵ and the area covered (in square kilometers).

Getting Citizens to Participate

Local authorities in Sri Lanka use three methods—formal meetings, discussions, and questionnaires—to get the views of their clientele. The Commissioner of the Sri Jayewardenepura Municipal Council had this to say:

The views of the public are considered when designing projects to address crucial issues such as garbage clearing. We discuss such matters informally, particularly with the business community, and occasionally with the general public. (29 September 2005 survey)

⁵ Grassroot-level administrative unit in Sri Lanka.

Table 1: Labor Force of Local Authorities

Executive Staff	Nonexecutive Staff	Contractual Staff
Secretary	Clerical Staff	Foreman
Technical Officer	Storekeeper	Office Assistant
Health Consultant	Cashier	Caretaker, Playground
Librarian	Bookkeeper	Caretaker, Cemetery
Assistant Librarian	Assistant, Preschool	Bookbinder
Ayurvedic Medical Officer	Assistant, Library	Computer Operator
Officer-in-Charge of Day-Care Center	Telephone Operator	Security Personnel
Officer-in-Charge of Preschool	Driver	
Work Authority	Watcher	
Accountant	Plumber	
Town Planner	Motor Grader Operator	
Sri Lanka Technical Service	Backo-loader Operator	
Civil Engineer	Assistant, Cemetery	
Legal Officer	Labor, Street Lighting	
Medical Officer	Typist (English and Sinhalese)	
Income Examiner		

Source: 29 September 2005 survey.

The Secretary of the Maharagama Urban Council noted:

Not only informal discussions but also formal meetings are held with the community if we need to get the views of the general public with regard to various decisions taken with the ultimate intention of uplifting the standard of living of the community. (29 September 2005 survey)

According to the Secretary of Homagama Pradeshiya Sabha:

Generally, informal discussions are held to get the views of the clientele on the projects, which are expected to be implemented through the Pradeshiya Sabha. Apart from that, questionnaires are distributed among the clientele to get their views when and where necessary. (3 October 2005 survey)

In comparison, following a survey of local authorities in England between March and July 2002 (with a 55% response rate), Curtain (2003, page 2) identified a wider variety of tools and processes for enlisting citizen participation, as follows:

- More traditional forms of consultation such as public meetings, consultation documents, co-option into committees, and question-and-answer sessions;
- Customer feedback through service satisfaction surveys and complaint and suggestion schemes;
- Innovative methods of participation such as interactive Web sites, citizens' panels, focus group discussions, and referendums; and
- Approaches that encourage citizens to deliberate issues through citizens' juries, community plans and needs analysis, visioning exercises, and issue forums.

The choice of method is dictated by the goals of citizen participation and the desired citizen input. According to Leatherman and Howell (2000, pages 1–2), the following are common purposes for which citizen input is sought and the methods that are generally effective in achieving the task:

Community meetings and public hearings. Open gatherings of people from the community who wish to be heard about a topic or issue. A public hearing is often formal, with statements going into an official record of the meeting. A community meeting will often be an informal gathering where people come to share ideas with local officials.

Focus groups. Small gatherings of stakeholders who meet in a confidential setting to discuss an issue or react to a proposal. These meetings are often facilitated by a trained individual. Participants are typically asked to respond to open-ended questions intended to initiate a discussion among the group.

Workshops. Meetings focused on the accomplishment of a predetermined task. Primary stakeholders are often involved because of a high level of interest in the issue, but the full range of interests should be represented. Rather than soliciting general opinion, workshops are intended to focus on specific concerns and produce a predetermined product. The benefit of such meetings is that those most directly affected by an issue are directly involved in addressing it.

Task forces. Small (usually 8 to 20 people) ad hoc citizen committees formed to complete a clearly defined task in the planning process. A task force is often appointed to study a particular issue and offer a report of findings and recommendations to the policy-making body. They often function under deadlines.

Priority-setting committees. Citizens' groups appointed to advise local officials regarding citizens' ideas and concerns in planning community projects. Participants are trusted to represent the concerns of citizens and sometimes act as a "go between" with the local government.

Policy Delphi. A technique for developing and expressing the views of a panel of citizens chosen for their knowledge about an issue. The objective is to work toward a consensus of opinion that can be used by policy makers in decision making. Successive rounds of presented arguments and counterpoints move the group toward consensus, or at least to clearly established positions and supporting arguments.

Interviews, polls, and surveys. Potentially less threatening means by which citizens can speak directly with someone about their views. Detailed information can be gathered. It can be informative in both content and overall reaction to an issue. To be valid and representative, this method requires a trained survey taker to maintain confidentiality and statistical reliability.

Media-based issue balloting. Coupled with a media-based effort to discuss alternatives and consequences of potential solutions. Citizens are asked to respond through the local media. Letters to editors or radio call-in shows are monitored to gain a sense of the public reaction. It can be a good way to gain a quick reaction to proposals from those most likely to be active on an issue.

Citizen advisory boards. Appointed groups of representatives of one or more community interests. An advisory board studies an issue and makes recommendations to policy makers. The range of decision-making authority can vary and, in some cases, may be binding.

Referendums. Direct and binding decision-making authority by the electorate. For highly controversial issues or where uncertainty exists about the overall sentiment of the community, decision makers sometimes allow the issues to be decided in referendums.

The very limited and rudimentary methods of public participation in Sri Lanka drew this comment from the Secretary of the Maharagama Urban Council:

Even though we have highlighted the term “public participation” in our mission statement, corporate plan, and other documents, that is, in fact, the most neglected by us in our duties. (29 September 2005)

The citizens have no access to an elected representative at the local government office. Instead, they meet a bureaucrat, a career official who may be unresponsive to their grievances (Nanayakkara 1989, page 276). One reason for this neglect could be that local government officials have not been trained for citizen participation. Such training should be part of a properly organized mechanism of citizen participation. Only then can the institutions move toward

novel and effective methods of citizen participation, which will ultimately lead to societal harmony.

Public Participation Index

An index of citizen participation was developed on the basis of the following factors:

- Number of formal meetings held each year (X_1);
- Number of discussions held each year (X_2);
- Number of times questionnaires are distributed each year (X_3);
- Number of projects adjusted each year to suit the clientele (X_4); and
- Number of projects implemented each year irrespective of the views of the clientele (X_5).

The first four factors were assumed to have a positive impact on the level of citizen participation, and the last factor, to have a negative impact.

The citizen participation index (CPI) was computed as follows:

$$\text{CPI} = (X_1 + X_2 + X_3 + X_4) - X_5$$

Local authorities with a higher CPI have greater citizen participation in decision making, and ultimately greater societal harmony, and vice versa. Table 2 shows the CPI for the last 3 years for the Sri Jayewardenepura Municipal Council, the Maharagama Urban Council, and Homagama Pradeshiya Sabha.

Table 3 gives the index of the size of the three local authorities selected (see Appendix 2), together with their CPI. As mentioned earlier, recurrent expenditure and workforce were considered in determining the size of the authority.

To understand the relationship between the two indices, a scatter diagram was created out of the computed values (Figure 2).

The diagram shows a nonlinear relationship between the size and the level of citizen participation in the three types of local governmental authorities in the country: municipal councils, urban councils, and *pradeshiya sabhas*. The regression line was constructed by converting the values into logarithms as follows:

$$Y = -14.712 \ln(X) + 68.636$$

where Y is the level of citizen participation and X is the size of the local authority.

Table 2: Citizen Participation Index (CPI)

Local Government Authority/ Year	No. of Formal Meetings (X_1)	No. of Discussions (X_2)	No. of Times Questionnaires Are Distributed (X_3)	No. of Projects Adjusted (X_4)	No. of Projects Implemented Irrespective of Views of Clientele (X_5)	CPI
Sri Jayewardenepura Municipal Council						
2002	10	21	4	3	5	33
2003	12	18	6	2	6	32
2004	9	17	5	6	4	33
Maharagama Urban Council						
2002	11	11	5	4	4	27
2003	11	18	5	5	4	35
2004	9	17	5	7	4	34
Homagama Pradeshiya Sabha						
2002	16	20	5	8	3	46
2003	22	20	7	10	2	57
2004	18	18	5	11	—	52

Source: Interviews on 29 September and 3 October 2005 with the Secretaries of the Sri Jayewardenepura Municipal Council, the Maharagama Urban Council, and Homagama Pradeshiya Sabha with additions by authors.

The value of R^2 stands for the extent to which the size of the local authority affects the level of citizen participation in local authorities. The R^2 value of 0.625 indicates that 62.5% of the variation of the level of citizen participation is due to the variation in the size of the local authorities. Hence, in Sri Lanka, the size of the authorities can be used to explain the level of public participation in local government institutions.

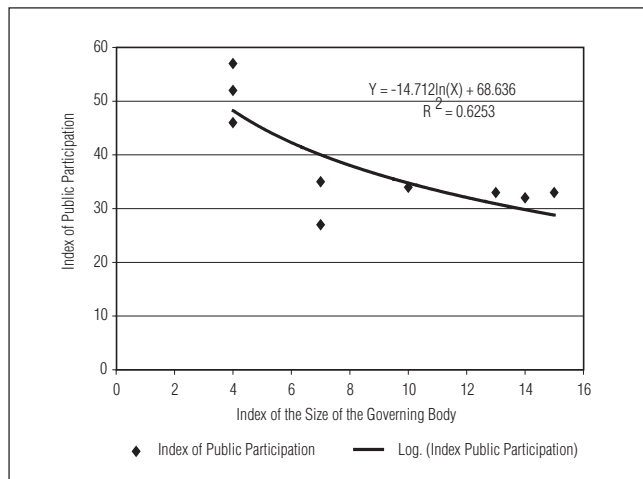
The slope of the regression line shows the degree of relationship between the size of the local authorities and the level of public participation. The slope of -14.712 indicates an inverse relationship between the two variables. In other words, the smaller the size of the local authority, the greater the level of citizen participation in its decision making, and vice versa. Thus, *pradeshiya sabhas*, the smallest local government institutions in the country, have greater citizen participation in decision making, whereas the municipal councils, the largest local government institutions, have marginal citizen participation.

The *pradeshiya sabhas* have proper mechanisms for getting the views of the beneficiaries about decisions made. They have appointed beneficiary groups

Table 3: Index of the Size of Local Authority and Calculated CPI

Authority/Year	Index of Size of Authority	CPI
Sri Jayewardenepura Kotte Municipal Council		
2002	13	33
2003	14	32
2004	15	33
Maharagama Urban Council		
2002	7	27
2003	7	35
2004	10	34
Homagama Pradeshiya Sabha		
2002	4	46
2003	4	57
2004	4	52

Source: Interviews on 29 September and 3 October 2005 with the Secretaries of the Sri Jayewardenepura Municipal Council, the Maharagama Urban Council, and Homagama Pradeshiya Sabha with additions by authors.

Figure 2: Relationship between the Index of the Size of the Authority and CPI

Source: Survey data, 2005.

with the assistance of community-based organizations. Homagama Pradeshiya Sabha, for instance, has appointed the following beneficiary groups or committees:

- Library committee;
- Health and education committee;
- Public utility service committee; and
- Sports and recreation committee.

The Secretary of Homagama Pradeshiya Sabha remarked on the level of public participation in the *pradeshiya sabha* thus:

We have sufficient time to conduct participatory meetings and discussions because we maintain a small budget and workforce for that. If we were to have a large budget, that would lead to a larger staff, and maintaining the Pradeshiya Sabha itself would become an issue. So, we don't utilize a larger staff to maintain registers, accounts, ledgers, and other documents. Rather, more officials are utilized to work with the community. (3 October 2005 survey)

On the other hand, a client of Homagama Pradeshiya Sabha had these comments about the quality of the services rendered by the *pradeshiya sabha*:

Homagama Pradeshiya Sabha is a very familiar public office to us. Its officials are always with the general public when solving the issues in the area. They provide us with very good service no matter what their political background might be. (3 October 2005 survey)

A large budget and a large workforce evidently hinder public participation and thereby dilute societal harmony. The internal processes of such institutions use up a large amount of resources, and not enough is left for participatory meetings and discussions. According to Peiris (1992, page 6), local government is participatory democracy, and that should be the main objective of local government institutions. Hence, local authorities should focus more on stakeholder management. But local authorities in Sri Lanka are more concerned with maintaining their internal business processes. The Secretary of Sri Jayewardenepura Kotte Municipal Council said this about municipal councils:

The council has to maintain a huge budget. Furthermore, because we are a larger organization, beneficiaries are reluctant to come to the council to discuss their issues. They have very limited opportunities to meet the Mayor and other elected officials, and this is very unfortunate. (29 September 2005 survey)

As organizations become larger, there is progressively less opportunity to promote citizen participation in decision making.

The relationship between the size of the service area and the level of citizen participation was also determined. The service area was calculated by considering the size of the population served, the number of *grama niladhari* divisions under each local authority, and the size of the local authority in square kilometers (km²). Table 4 gives the index of the size of the service area (Appendix 2) and the CPI.

Again, a simple regression model was constructed to analyze the relationship between the two variables. The size of the service area was considered the independent variable, and the citizen participation index, the dependent variable. Figure 3 shows the scatter diagram and the regression line plotted.

A linear relationship between the two variables is observed. The regression equation can therefore be established as follows:

$$Y = 2.3931X + 21.229$$

where X is the index of size of service area and Y is the citizen participation index.

Since R^2 is equal to 0.7162, around 72% of the variation in the level of citizen participation in local authorities in Sri Lanka can be attributed to a variation in the size of the service area. The slope of +2.391 indicates a positive relationship between the size of the service area and the level of citizen participation in the local authorities in Sri Lanka. As the size of the service area increases, so does the level of citizen participation, and vice versa. This characteristic of local authorities in Sri Lanka is shown in Figure 4.

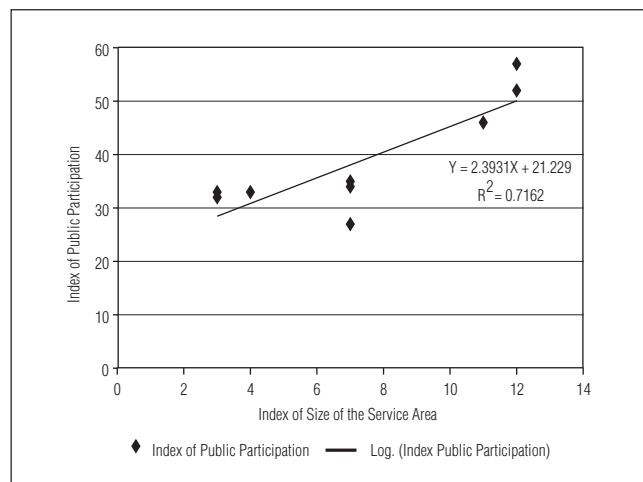
Thus, a small governing body with a large service area will have a high level of citizen participation. The *pradeshiya sabha*, the smallest local government organization, serves a very large area. Its level of citizen participation and societal harmony is very high. A municipal council, on the other hand, is very large but serves a very small area. Its level of citizen participation is very low, and societal harmony is neglected.

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Table 4: Index of the Size of Service Area and Calculated CPI

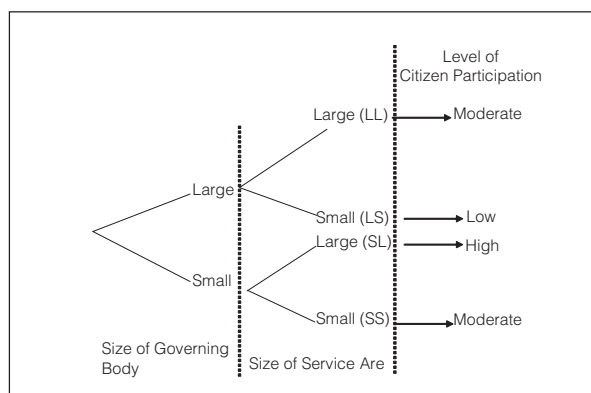
Authority/Year	Index of Size of Authority	CPI
Sri Jayewardenepura Kotte Municipal Council		
2002	11	33
2003	12	32
2004	12	33
Maharagama Urban Council		
2002	7	27
2003	7	35
2004	7	34
Homagama Pradeshiya Sabha		
2002	3	46
2003	3	57
2004	4	52

Source: Interviews on 29 September and 3 October 2005 with the Secretaries of the Sri Jayewardenepura Municipal Council, the Maharagama Urban Council, and Homagama Pradeshiya Sabha with additions by authors.

Figure 3: Relationship between Index of the Size of Service Area and CPI

Source: Survey data, 2005.

Figure 4: Determinants of Level of Citizen Participation in Local Authorities in Sri Lanka



Source: Authors.

Conclusion

The level of citizen participation of local authorities in Sri Lanka is based mainly on the size of the governing bodies and the size of the service area covered. There is an inverse relationship between the size of the governing bodies and the level of citizen participation, but it is a negligible one. In other words, in a participatory democracy, local government institutions, whatever their size, should be able to accommodate the views of their clientele when and where necessary. However, there is a positive correlation between the size of the service area of local authorities and the level of citizen participation.

Small local government institutions with a large service area are better participatory institutions. On the other hand, large local government institutions with a small service area are poor in citizen participation in decision making.

Most often, Sri Lankan local government institutions pay more attention to managing their internal business processes. Thus, they have largely neglected to consider the views of their clientele. When they do get the opinions of the people, the local authorities in Sri Lanka use traditional methods such as discussions, interviews, and questionnaires, and not the more comprehensive and sophisticated methods of citizen participation that are commonplace in the developed world.

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Appendix 1: Interview Guide (Beneficiaries)

1. Individual/Business/Community-based organization(s):
2. If individual, level of education: Occupation:
3. Local authority to which beneficiary belongs:
4. Services received from the local authority:
5. Level of satisfaction:

☐ Strong ☐ Moderate ☐ Indifferent ☐ Low
6. Mode, amount, and frequency of payments made for the services rendered by the authority:

Mode: Amount: Frequency:
7. Do you participate in the process of decision making by the local authority?
8. If yes, nature of decision making: Mode:
9. If no, why not? (You are given no opportunity/not interested in the process, etc.)
10. Level of accessibility of elected members of the authority:

☐ Adequate ☐ Moderate ☐ Indifferent ☐ Inadequate

Appendix 2: Indices of Size of Governing Body and Service Area

Item	Sri Jayewardenepura Kotte Municipal Council			Maharagama Urban Council			Homagama Pradeshiya Sabha		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Size of Governing Body									
Recurrent Expenditure (SLRs'000)	4	4	4	1	1	1	1	1	1
No. of Executive Staff	4	4	4	2	2	2	1	1	1
No. of Nonexecutive Staff	4	4	4	2	2	3	1	1	1
No. of Contractual Staff	1	2	3	1	1	3	1	1	1
Index of Size of Governing Body	13	14	15	6	6	9	4	4	4
Size of Service Area									
Population	1	1	2	2	2	2	3	4	4
Grama Niladhari Divisions	1	1	1	3	3	3	4	4	4
Area (km ²)	1	1	1	2	2	2	4	4	4
Index of Size of Service Area	3	3	4	7	7	7	11	12	12

Recurrent Expenditure (SLRs'000) 1: 30,000–70,000; 2: 70,001–110,000; 3: 110,001–150,000; 4: 150,001 and more

No. of Executive Staff 1: 10–30; 2: 31–50; 3: 51–70; 4: 71 and more

No. of Non-executive Staff 1: Less than 350; 2: 351–500; 3: 501–650; 4: 651 and more

No. of Contractual Staff 1: 15–20; 2: 21–25; 3: 26–30; 4: 31 and more

Index of Size of Governing Body Column subtotal

Population 1: 120,000–140,000; 2: 140,001–160,000; 3: 160,001–180,000; 4: 180,001 and more

Grama Niladhari Divisions 1: 20–25; 2: 26–30; 3: 31–40; 4: 41 and more

Area (km²) 1: 15–20; 2: 21–25; 3: 26–30; 4: 31 and more

Index of Size of Service Area Column subtotal

Local Government Structures for Strengthening Societal Harmony in Tanzania: Some Lessons for Reflection

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Introduction and Purpose of the Paper

Harmony has been elusive in many countries of Africa, Middle East, Asia, and Eastern Europe. The lack of harmony in these continents has often manifested itself in conflicts such as wars between countries or between ethnic groups fighting for control over resources (arable land, water, minerals, etc.), religious dominance, or monopoly of state power (Maganga 2002). As harmony declines in these societies, social tensions emerge and the potential for conflict increases. Finally wars break out, people get killed, and citizens flee their homes and countries for safer havens. They ultimately become refugees.

For more than 40 years societal harmony in Africa has been in serious crisis. Since the 1970s more than 30 wars have been fought on the continent, most of them between states. Fourteen of Africa's 53 countries were afflicted by armed conflicts in 1966 alone. These accounted for more than half of all war-related deaths worldwide, and more than 8 million refugees, returnees, and displaced persons (Guest 2004). In the last four decades, Africa has produced 9.5 million refugees and, worse, hundreds and thousands of people have been slaughtered as a result of these conflicts. For instance, until July 2004, in Darfur, Sudan, the Arab militia—the *janjaweed*—killed as many as 30,000 people and left more than a million others displaced (see Dousing the Flames of Darfur, in *The Economist*, 3–9 July 2004, page 13).

In the Democratic Republic of the Congo 3.3 million people have been killed in various wars. In 1994 close to a million people (Tutsi and moderate Hutus) were killed in what is now known as the "Rwanda Genocide." This is without mentioning what has taken place in Angola, Burundi, Ethiopia, Eritrea, Nigeria, Sierra Leone, Somalia, and Uganda. Wars have also been recorded in the former Yugoslavia, between the Serbs, Croats, and Bosnians. In Sri Lanka, two ethnic groups—the Sinhalese and the Tamils—have waged wars against each other that have left so many people dead (Bowen 1996).

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This paper looks at how public administration can create conditions for preventing the emergence of the conflicts briefly outlined above and can therefore promote harmony in society. It reviews the major initiatives that Tanzania's public administration has taken to create relative harmony and stability over the years, and presents some lessons for reflection. More specifically, it describes the major local government structures that Tanzania's Government has put in place to ensure that societal harmony is maintained as a key condition for socioeconomic development. The paper has seven main sections: (i) the introduction, where the purpose of the paper is outlined; (ii) a discussion of key conceptual/theoretical issues related to societal harmony and public administration; (iii) a discussion of some theoretical requirements for societal harmony to exist; (iv) a look at how colonial administrations created the potential for disharmony in Tanzania; (v) a focus on Tanzania's local government system structures that have been put in place to promote societal harmony; (vi) some lessons for reflection; and (vii) conclusions.

Conceptual Issues

Societal harmony has been defined as a state of peaceful existence and agreement (Hornby 2000). The concepts "peaceful existence" and "agreement" imply the presence or existence of diversity in society, as well as the mechanisms to harmonize diversities for better and productive uses. Diversity, broadly viewed, may mean citizens who differ in social status, personal perspectives, level of education, socioeconomic needs, and access to power as well as public goods and services. Diversity may also mean differences in natural endowments: some parts of the country may be better endowed with resources such as minerals, rivers, forests, pastureland, and socioeconomic infrastructure than other parts of the same country. With such diversity in society, there is always a struggle for access and therefore a potential for conflicts to arise and thus for harmony to fade. This means that certain mechanisms must be put in place to contain or resolve such conflicts for societal harmony to exist.

Crum (1987, page 29), for instance, writes:

Conflict appears everywhere. We find it in our personal lives at home, between parent and child and between spouses. We find it at work between employer and employee. It is there between man and woman. We see religion against religion, nation against nation. It is the underlying theme throughout all human history. With the increasing complexity of life on this planet, the exploding human population, and our possession of awesome weapons, which could trigger our total annihilation, conflict has become the critical issue of our time.

Crum contends that it is not whether one has conflict in one's life, it is what one does with that conflict that makes a difference. Shonholtz (1998) sees conflict and democracy as inseparable. He argues that democracy legitimates conflicts that are peacefully expressed and resolved. In a democratic society, according to Shonholtz, conflict can make the entire society aware that new normative rules must be set to effect orderly change.

Slaikue and Hasson (1998) argue that conflict itself is not the problem, but unresolved conflict is. The two scholars see conflict as an integral dynamic in the growth and development of living organisms and groups. Conflict occurs when the ideas, interests, or behavior of two or more individuals or groups clash.

Bowen (1996) addresses the causes of societal disharmony, while focusing more on ethnic conflicts. He dismisses the view that the world's present conflicts are fueled by age-old ethnic loyalties and cultural differences. This view, he says, is based on three mistaken assumptions: first, that ethnic identities are primordial and unchanging; second, that these identities motivate people to persecute and kill; and finally, that ethnic diversity itself inevitably leads to violence. Bowen argues that this view misrepresents the genesis of conflict and ignores the ability of diverse people to coexist. Diverse identities coexisted throughout history without necessarily leading to conflicts, he adds. Moreover, society has always designed mechanisms to contain and resolve differences.

To Bowen, conflicts in Burundi, Rwanda, Sri Lanka, and the former Yugoslavia resulted from the creation by political leaders of elite and nonelite classes with varying access to public services and benefits, including state power. The creation, for example, of the Tutsi elites by the Belgian colonial administration in Rwanda led to the emergence of antagonistic relationships between the Tutsi elites and the nonelites (the Bahutu and Batwa). The same happened in Sri Lanka, where the British colonial administration created Sinhalese elites against the Tamils. Therefore, what Bowen is saying is that social differentiation is inherent in human society, but it can be used by ruling elites either for positive ends such as forging a strong social consensus for the development of society or for negative ends such as spawning interethnic or interstate conflicts for their own political gain or other reasons. This means that politics and public administration can either create and sustain societal harmony or destroy it.

Public administration is therefore another key concept where societal harmony is concerned. McSwite (1997) looks at public administration as the study and work of management in public organizations, and the study and work of leadership in those organizations. Bennis (1993) says that managers and administrators focus on doing their work right, while leadership is

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concerned with selecting the right programs, policies, values, and goals. Bennis contends that in today's environment, it makes more sense to describe public administration as the practice and theory of doing the right things the right way in the service of society. In short, the task of public administration is both to manage and to lead.

Behn (1998), Terry (1995), Selznick (1983), and Denhardt (1981) discuss in detail the role of leadership and public administration in society. They all agree that leaders motivate, mobilize, and inspire the citizens to support programs for implementation. Public administration redefines the policies and programs and crafts strategies for putting these into practice, for the public benefit. According to Perry and Keller (1991), public administration has three components: administrators, the human side of the government bureaucracy and a source of action; structures, or the framework within which decisions are processed and implemented, views are exchanged, and information is shared; and procedures for carrying out mandated activities.

So far, our review of the literature has served to remind us of a number of issues. First, the concept of "societal harmony" assumes diversity in society and, therefore, the possibility of conflict. Second, where social diversity is concerned, the key issue is not to stop conflicts from happening but rather to harmonize the various divergences toward a common agreement for the betterment of society. Third, public administration is a critical institution in the promotion and sustainability of society harmony. Finally, societal harmony is a value that public administration must purposively create and sustain.

Requirements for Societal Harmony: Some Theoretical Considerations

Societal harmony is a result of many factors. First, it assumes a commitment by the society to guarantee the safety and security of its members including their property. Secure people will have peace of mind, settle down, and live without worries or fear. They can concentrate on productive work for their own betterment as well as for the development of society as a whole. The people in the Democratic Republic of the Congo or the Sudan can hardly be expected to settle down and live harmoniously. Societal harmony does not exist where members of society constantly live under the threat of war, torture, displacement, or dispossession.

The second factor is political will. People in leadership positions must willingly and consciously show that they are committed to creating peace and harmony in society. Unless the leaders do this, the followers are not likely to have peace and harmony. What is happening in Burundi, Somalia, the Sudan,

and Uganda is a leadership crisis in which the leaders, mainly for self-serving reasons, refuse to show the political will to end the armed conflicts in their countries. In Uganda, President Yoweri Museveni has persistently turned down meetings with the Lord Resistance Army fighters, who virtually control the northern part of Uganda and have engaged the regime in armed conflict for more than 10 years. If the belligerent sides can meet and discuss their differences honestly, peace and harmony will be possible.

The third factor is equity. Hobbes (1651) wrote on this subject:

The safety of the people, requireth, further, from him, or them that have the sovereign power, that justice be equally administered to all degrees of people; that is, that as well the rich and mighty, as poor and obscure persons, may be righted of the injuries done to them; so as the great, may have no greater hope of impunity, when they do violence, dishonor, on any injury to the meaner sort, than when one of these, does the like to one of them: for in this, consisteth equity, to which as being a precept of the law of nature, a sovereign is as much subject, as any of the meanest of his people.

Therefore, the role of the political leadership in society is to formulate policies that ensure that all members of society have equal access to public services and goods. Distributive and redistributive policies are one way of attaining social equity. On the other hand, preferential treatment of one part of the population by politicians or administrators to the neglect of other parts is unfair and is likely to create discord.

The fourth factor is citizens' participation in political and governmental decision making. Arguments for enhanced citizen participation often rest on the merits of the process and the belief that an engaged citizenry is better than a passive citizenry (Putman 1995, Arnstein 1969). It is also believed that if the citizens participate, policies might be more realistically grounded in citizens' preferences, the public might be more sympathetic evaluators of the tough decisions that government administrators have to make, and the improved support from the public might smooth divisions, and make it easier to govern and regulate (Irvin and Stansbury 2004). Participation dispels inertia. The political leadership, for its part, must create an informed and active citizenry by sensitizing society to its political and social rights and obligations, and mobilizing its members (Baregu 2001). But for all this to happen, there must be relevant structures within which the members of society can elect their leaders, participate in resource allocation decisions, and air their views about the conduct of their leaders and the government in general.

The fifth factor is political identity. The people, individually or collectively, must be able to identify themselves with the state authorities and be able to support their political or economic philosophies and strategies (Heater 1990). Political identity presupposes that the government is people-centered and responsive to the needs of its citizens.

The sixth factor is education and training. The citizens must have the skills needed to carry out their responsibilities. Leading a nation whose citizens are illiterate and ignorant is difficult—and expensive. Training can be in the areas of leadership, citizen mobilization and motivation, management of meetings, conflict resolution, records management, or other fields that the government may regard as critical.

The seventh is sustained growth of the economy and trade. The ability of a nation to produce enough commodities for internal consumption and for export plays a very critical role in promoting societal harmony. Hungry citizens cannot be productive and are hard to lead. Moreover, the production of commodities for export enables the country to earn foreign exchange that it may use to import capital goods and other raw materials for further investment and production. A weak economy cannot meet or sustain the needs of the citizens, and is thus a fertile ground for popular dissatisfaction as citizens chase fewer commodities and services while their needs overwhelmingly surpass the commodities and services available. The government must therefore manage the economy properly so that enough resources are generated to sustain the needs of the citizens and the society as a whole.

Colonial Seeds of Disharmony

Before we look at the structures that Tanzania has put in place to strengthen harmony, we need to review a few historical issues about Tanzania. Tanzania gained its independence on 9 December 1961, after more than 75 years of German (1885–1918) and British (1919–1961) rule. Like most other colonial regimes, the Germany and British colonial administrations created social and economic imbalances to suit their colonial interests. This was the policy of divide and rule. First, they created elitist classes based on race (Europeans, Asians, and Africans), which had unequal access to public goods and services. Europeans enjoyed the best access and Asians (mainly Indians) were dominant in the financial and commercial sectors. The vast majority of Africans, however, occupied the lowest rung of the social ladder. A few Africans, mainly from chiefly lineage, were allowed limited access to public goods and services. So at independence, tensions related to race and inequity were brewing. This was a challenge that the nationalist government had to face and resolve.

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Second, the colonizers created imbalances in the ethnic structures of the country. Tanzania had and still has more than 125 ethnic groups, each one with its own language. Development plans and strategies favored those ethnic groups that resided in high places, such as those around Kilimanjaro Mountain, the west lake region (i.e., Lake Victoria), the Southern Highlands region, and the Indian Ocean coastal areas (from Tanga to a few kilometers south of Dar es Salaam). These areas had fertile land, sufficient rainfall, and cool weather. Incidentally, in these same places the European settlers established private businesses (mainly coffee and sisal plantations), and allowed the establishment of missionary centers, which provided limited social services such as education and health care, besides religious ministry (Christianity). Road and rail networks were fairly developed in these regions. At independence, these areas were far ahead of the rest of the regions in education, health care, and wealth. They had also developed passionate tribal feelings that made them regard other tribes (especially those not “favored” by the colonizers) as unwanted and inferior.

Third, and related to the second factor, was the absence of a policy for investing in socioeconomic infrastructure to develop the entire territory. Places where there were settler plantations or mining facilities were well served by roads and railways. Hospitals, schools, and churches followed the European missionaries. But the central, western, and southern regions of the territory were completely ignored.

Fourth, the colonial administration did not allow the residents to participate in central or local government processes. Policy and administration were the exclusive monopoly of the colonial administration (European) officials. A small number of Asians (mainly Indians) had limited participation in colonial administration. The development of political identity and national pride was thwarted.

Fifth, and related to the second and third factors above, the colonial administration made no attempt to unite the people by introducing a common national language. The Germans and the British promoted and used their own languages in official business. Very few local residents spoke these foreign languages. Every ethnic group spoke its own language. Linguistic parochialism reinforced the other imbalances and severely hampered the efforts of the nationalist government to build a nation.

Finally, and directly related to colonial practices in Burundi, the Democratic Republic of the Congo, and Rwanda, was and still is the factor of refugees. Tanzania has taken in close to a million refugees. The presence of these refugees makes it even less likely that the Government, with its already overstretched capacity, can provide public goods and services to its own citizens.

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The refugees also cause environmental degradation by indiscriminately cutting down trees and grass to build their dwellings, and pose a threat to security, with the guns they illegally carry. Relations between local residents and the refugees are uneasy and tense at best. Armed conflicts have broken out, and people on both sides have been killed. Yet the refugees are unwilling to go back to the turmoil in their home countries.

Local Government Structures for Strengthening Societal Harmony in Tanzania

This paper deals mainly with local government in Tanzania. The local government system is patterned after the British model. It is a centralized system with limited decision making and financial autonomy. There are at present 122 local authorities throughout the country. Acts of Parliament 7 and 8 of 1982, which define the responsibilities of local authorities, provide the legal framework of local government. In addition, sections 145(1)–145(2) and 146(1)–146(2) of the 1977 Constitution ordain the existence of local government to promote development and democracy in the districts and subdistricts. Local authorities are either rural (district councils) or urban (city, municipal, and town councils). Directly under the district council is a ward, under which there are the village governments and, under each village government, a 10-house cell. Under the municipal or town council is a ward, and under that the *mtaa* (street government) and finally a 10-house cell. A city council follows the same structure as these other two urban councils except that it runs through a municipality.

More than 85% of Tanzania's population of 35 million (according to the 2002 Census) is under local government. Because the vast majority of the people live at this level, this is where most of the potential tensions discussed above are most strongly felt. Structures must therefore be put in place to ensure that tensions and disagreements are resolved and divergent views are harmonized. These structures are discussed below.

The Council

The urban or district council is the supreme elective structure that formulates and approves bylaws, the budget, and other development programs, and promotes representative democracy. Councilors elected by the citizens residing in the wards bring the people's development concerns, views, and grievances to the council for discussion and settlement. The council meets every 3 months for this purpose. Councilors serve for a term of 5 years. Those who do their work well are normally reelected. The residents' power to retain

councilors in their posts compels the latter to be attentive to the residents' concerns. In this way harmony is promoted and strengthened at the grassroots level.

The council functions through committees responsible for finance and planning, administration and establishment, social services, economic services, and education. The policies passed by the council are implemented by the administrative staff under the director of the local authority, who is appointed by the council on the basis of merit.

The Ward Development Committee (WDC)

The ward is a political and administrative structure from which councilors are elected. Administratively, the ward functions under the ward executive officer (WEO), who is appointed on the basis of merit by the council. The WEO attends to the day-to-day management of the ward, including the building of roads, schools, and dispensaries and the resolution of conflicts among the residents. The WEO functions under the ward development committee, whose membership is made up of the ward councilor, street government (*mtaa*) chairpersons, and council administrative staff responsible for the various activities in the ward. No policy making takes place at the ward level. The WDC is another grassroots structure that is well placed to detect nascent conflicts and resolve them before they can endanger harmony. The WDC meets every month to review the development status in the ward.

The Mtaa (Street) or Village Government

The *mtaa* (street) government exists under sections 14(1)–14(5) of Acts of Parliament Nos. 7 and 8 of 1982, and the village government under sections 22(1)–22(3) of the same acts. Each of these local governments functions under an assembly in which all *mtaa* or village residents 18 years old and over can formulate and approve by-laws and policies for the development of the *mtaa* or village. The chairperson of the assembly is elected by the residents and is assisted in planning and carrying out approved policies by the *mtaa* or village executive officer. Like the local authority council, the *mtaa* or village assembly works through committees, each of which deals with a specific functional area such as safety and security, education, health care, environment, women and children, water, and discipline. The assembly likewise promotes representative and participative democracy, and detects and resolves disagreements among the residents.

Ward Land Tribunals and Village Land Councils

Land is a resource for which every citizen strives to acquire for survival. As the struggle for land acquisition goes on, the likelihood for conflict to emerge increases. To forestall such potential conflicts the Government established ward tribunals under the Act of Parliament No. 7 of 1985. The role of ward tribunals is to receive, examine, and settle citizen disputes over land. In 2002, under the Land Dispute Settlement Act No.2, the Government established village land councils, whose role is ensure that equity in land allocation is observed. The act also ensures that land so allocated is put to productive use. Essentially, both the ward land tribunals as well as the village councils seek to maintain harmony at the ward and village levels by addressing residents' land disputes before they turn into conflicts.

The 10-House Cell

The 10-house cell is the grassroots structure that is closest to the people. In this structure, 10 households work under a chairperson, whom the household members elect. The 10-house cell mobilizes residents for development activities such as maintaining general cleanliness in the area, and resolves disagreements among the household residents. The disagreements relate mostly to demarcation between households, misunderstandings between spouses, drunken behavior, theft, and sexual abuse. Cases that demand higher expertise are normally referred to the *mtaa* or village government committee for action.

Some Lessons for Reflection

Despite the seeds of disharmony, Tanzania has been a model of relative peace and stability in Africa. Tanzania's public administration has managed to contain and resolve local disagreements. From the foregoing, we can draw a number of lessons.

First, the Tanzanian experience clearly shows that ethnic or geographical diversity does not necessarily lead to societal disharmony. Tanzania's public administration managed to unite the entire population, with more than 125 ethnic groups, by developing and using a common language, Kiswahili. Predominantly spoken in eastern, southern, and central Africa, Kiswahili borrows its vocabulary from the Bantu, Arabic, and European languages especially Italian, German, and English. More than 90% of the people of Tanzania now speak the language. Social identity has been strengthened and attempts to weaken peace and stability have been forestalled. Throughout the struggle for independence (1954–1961) the nationalist leaders strongly

preached and emphasized the values of unity in Kiswahili. Ethnic parochialism and false notions of ethnic superiority were strongly condemned, and policies were later formulated to help do away with such harmful attitudes. So the leadership factor is critical here.

Second, public administration with its expertise in human behavior and social science research should be able to investigate and find out the causes of disharmony in society. Public administration must therefore devise and submit relevant legislative proposals for this purpose, for approval and implementation.

Third, it is not necessarily true that the wrongs of the colonial administrations cannot be corrected. The postindependence regimes should be able to do away with the ethnic divisions.

Fourth, citizens' participation in the processes of government is critical in strengthening societal harmony. The public administration, in consultation with stakeholders, should design appropriate structures to allow the people to express their views and concerns regarding policy issues. Only if the citizens, too, take ownership of the processes of government can they identify themselves with the government and support it. The village assemblies, ward development committees, and local authority councils are some of the structures that Tanzania's public administration has put in place to facilitate and promote citizens' participation and representative democracy and ultimately strengthen societal harmony.

Finally, the education of citizens is a must. It is difficult and expensive to lead an ignorant citizenry. Shortly after independence, Tanzania embarked on a long-term citizen education program, which involved full subsidy for primary, secondary, and university education. This made it possible for children, especially those from poor families, to acquire an education. Under the same program, all adults were compelled to register for literacy classes. At present, 95% of the population can read and write. The citizens can understand their leaders and can question the soundness of their policies. They can also call on their leaders to explain their actions. The leaders are thus compelled to provide good leadership. Sustainability mechanisms have been put in place to ensure that these achievements do not die away. The public administration must analyze training and determine the knowledge and skills required to achieve the society's goals, and see to it that the capacity-building programs are carried out.

Conclusion

Societal harmony is a prerequisite for development. But it must be created and strengthened through purposeful public policies. Since societal harmony is for the people's benefit, the people should have a hand in its creation so that they give it the proper value. They need structures through which they can help create societal harmony. Public administration should set up and sustain those structures and generally facilitate the process of creating societal harmony. It must have the political will to do what it ought to do.

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Session 2

Public Administration Strategies that Help or Hinder Societal Harmony

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Changing Relationship with Government: Contracts or Partnerships in the Delivery of Community Services

Jo Boulderstone

Community Service Organizations in Australia

“Nonprofit,” “not-for-profit,” “nongovernment,” and “voluntary” are all terms used for organizations that have neither a commercial business nor a public governmental orientation. Organizations to which these terms are applied can include social and sporting clubs, professional associations, advocacy groups, foundations, social service agencies, private schools, credit unions, and self-help groups. The organizations may: (i) vary in size from tens to thousands of people; (ii) be local to a small community or have branches throughout the country; (iii) have budgets that range from hundreds to millions of dollars; (iv) undertake commercial activities; (v) have both paid staff and volunteers, or volunteers only; (vi) provide services to nonmembers or not; and (vii) be governed by boards or committees elected by the members or appointed by sponsoring organizations.

Nonprofit organizations have a significant historical role in Australia, and, in some areas, a long-standing relationship with government. Nonprofit schools and assistance to the poor and the sick had the support of colonial governments, and were funded by wealthy individuals or churches (Lyons 1993). This history of government support of church-based welfare services differentiates Australia from the United States of America, where the recent funding of faith-based services agencies has generated controversy. Nonprofit organizations play a significant role in the Australian economy, employing 7.6% of the workforce and contributing 3% to gross domestic product in 1996 (Lyons 2001).

Community service organizations (CSOs) are a subset of the nonprofit sector comprising organizations that

[P]rovide support, care, encouragement and advice for people in a way that is primarily determined by them, involves some enduring pattern of

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interaction and is designed to remove the need for support or to enable people to achieve feasible independence or autonomy in their home and community, or a setting that as closely resembles this as possible. (Lyons 2001, page 33)

Some services are provided by CSOs for a fee. But since many of the recipients of services in the community services sector have limited income, such services are funded by government, individual donors, and corporate donors, as well as by the service providers themselves, with revenue they raise through investments or business activities (Lyons 1997). Services may also be provided by volunteers supervised by a paid staff member or another volunteer. In Australia in 2000–2001, governments contributed 69.9% of the funding for such services, with the balance coming from donations (individual and corporate), fees, and sales of goods.

The relationship between CSOs and government encompasses more than funding. In addition to providing some form of financial support, governments may:

- influence the organization through its *legislative* framework, which may be applicable to any organization, whether nonprofit or for profit (e.g., employment, occupational health and safety [OH&S], and equal employment opportunity legislation), or may be specific to nonprofit organizations (e.g., taxation exemptions);
- *facilitate* the setting up of nonprofit organizations by providing encouragement or infrastructure;
- influence organizations through *regulation* (e.g., regulation of nursing homes) or assist in the development of service standards;
- influence an organization's *service delivery framework* through guidelines for funding and service delivery models; or, though less frequently,
- *authorize* an organization to act on its behalf (e.g., in Australia the Royal Society for the Prevention of Cruelty to Animals [RSPCA] can conduct inspections and initiate prosecutions in cases of cruelty to animals).

Not surprisingly, the nature of the relationship between government and nonprofit organizations changes over time. The change can result from deliberate policy decisions or from the way policy decisions are carried out (e.g., introduction of different funding mechanisms, competitive tendering, or increased monitoring), but the complexity of the relationship also means

that the change may be an unanticipated consequence of other changes (Craig and Manthorpe 1999). The dimensions of change include the closeness of the relationship, the degree of formality, the level of risk taken by each party, the degree of resource sharing, and the extent of dependency. Changes in the relationship between government and nonprofit organizations have had, and will continue to have, a wide range of impact on nonprofit organizations as well as on government representatives (Edwards 2001).

This paper draws on a recent study of CSOs in South Australia that explored their changing relationship with government through a period of public sector reform (Baulderstone 2005). The study involved interviews with managers of CSOs and public sector organizations in 2000–2001, following a period of public sector reform, and again in 2004, after the introduction of the language of partnership.

Public Sector Reform

Reforms in the public sector have been widespread in Western democracies, and Western notions of public sector reform have increasingly been applied to developing countries (Minogue 2001). Such reforms have been driven by various factors (Aucoin 1995, Aucoin and Heintzman 2000, Lipsky and Smith 1990, Peters 2001, Sullivan and Skelcher 2002):

- economic factors, including a perception of increasing costs in the public sector;
- the influence of ideological concerns, including public choice theory and agency theory;
- the proliferation of interest groups, which are more assertive and organized as mechanisms of public participation;
- increased media scrutiny of the public sector;
- a belief that government agencies were unable to deliver policy outcomes; and
- demands by parliamentarians for a greater role in governance.

Public sector reforms required the adoption of management techniques that were more like those of the private sector (Broadbent, Dietrich, and Laughlin 1996), and a shift in emphasis toward a market-based institutional framework and the adoption of contract or contract-like relationships. The virtues of operating under contract are said to include making responsibilities explicit and creating appropriate incentives (Walsh 1995). Many of the public sector reforms (including the adoption of an accrual accounting framework, an emphasis on results, and performance reporting on outcomes) directly

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affected the management of accountability, changing the focus from inputs and processes to outputs and outcomes (Argy 2001). Other reforms promoted the empowerment of clients as well as both lower-level employees and managers in the public service (Peters and Pierre 2000). Shergold (1997), as Commonwealth Public Service Commissioner, described the changes in the Australian public sector as having moved it overall from a culture of administration, emphasizing process, to one of management, emphasizing performance and achievement of outcomes.

In Australia there has been limited contracting out of services previously funded by government (Lyons 1997), with competitive tendering generally being used to award contracts for new services rather than existing ones. The changes in existing program areas or services have instead primarily involved adopting a different set of funding arrangements (e.g., in 2000), including many elements of formal contracts even if they continued to be identified as service agreements. Whether provided through competitive contracts, ongoing contracts, or grant funding, funding from government, for most nonprofit organizations, leads to mutual dependence (Nevile 2000).

Lyons (1995) identified five models of the funding relationship between government and community organizations, and noted a progression toward competitive tendering and, to a lesser extent, quasi-voucher systems. The influence of the different funding models on the location and type of service is shown in the table.

Both the government-as-philanthropist and submission models can be seen as forms of grant funding. Grant-based funding, in turn, can be seen as

Influence of Funding Models on Type and Location of Service

Model	Service Specification	Location of Service
Government as philanthropist	Specified by CSO	Determined by CSO
Submission	Broadly specified by government	Proposed by CSO, negotiated between CSO and government
Planning	Specified in more detail by government but with CSO input	Determined by government
Competitive tendering	Specified by government	Determined by government
Quasi-voucher	Specified by government	Determined by government

Source: Adapted from Lyons (1995).

more of an investment in the organization, providing a high degree of autonomy in the use of the money to meet client needs. The competitive tendering and quasi-voucher models, on the other hand, involve the purchase of a clearly specified service (output) for identified users. In theory, both the competitive tendering and quasi-voucher models require the capacity to clearly define and cost outputs. Historically, they have been alternative, rather than sequential, developments from the planning model; however, the adoption of a quasi-voucher model has been limited to particular program areas in the community services sector in Australia, most notably the Home and Community Care program.

In practice, public sector reform left many CSOs subject to a mixture of funding models (Australian Council of Social Services 1997, Lyons 1997) with differing requirements as a result of different approaches between the Commonwealth, state, and territory governments, and, in some cases, between program areas within a level of government.

Various practical difficulties with the specifications of contracts (or service agreements post-reform) between government and the private and nonprofit sectors have been identified in principle (Austin 2003, Considine 1996) and in practice (Auditor General of Western Australia 2000, Barrett 1997, De Hoog 1984, Hardy and Wistow 1998, Heinrich 1999, Najam 2000, Public Accounts and Estimates Committee [Victoria] 2002, Smith and Lipsky 1993, Smyth 1997, Taylor 2000):

- Contracts often failed to identify the key attributes of the service—to adequately define the specifications of the service or output being purchased.
- There was a loss of public sector knowledge and expertise, such that public servants could not clearly specify requirements, identify performance indicators, or assess risks.
- The public sector lacked expertise in contract management and complex negotiation, in some cases as a result of the high turnover of staff in these positions.
- There was a risk of corruption or capture in contract letting and management.
- The transaction and compliance costs of service providers were high.
- Roles and responsibilities were not sufficiently defined for the contracting parties.
- The performance information requested and provided was inadequate for determining whether outcomes were being achieved.
- Contracts included penalties for poor performance but not rewards for good performance.

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- The shortness of the contract periods reduced the capacity of nonprofit organizations to achieve efficiency gains, and threatened service continuity.
- Progress payments on contracts were not linked to program milestones.
- The financial risks to the government were not rigorously assessed and managed.
- Government agencies lacked awareness of the total costs and impact of contracting on the delivery of community services. Hardy and Wistow's study (1998), for example, found that the focus on price penalized providers who invested in staff training and quality assurance systems, and paid reasonable wages.
- Delays in contract preparation by government resulted in contracted agencies delivering services without a contract in place.
- The results of tendering decisions, as well as feedback, were communicated late to nonprofit organizations and so could not help them be more successful in the future.
- Human services contracts were difficult to monitor, both because government agencies lacked monitoring resources and expertise, and because outcome measures and monitoring tools were difficult to develop.
- The planning and purchasing areas of the funding department sometimes communicated poorly with each other.

Widespread funding by government has limited the transfer of roles from the public to the nonprofit sector in the area of community services, but the adoption of contracts and contract-like funding agreements has also clearly been problematic. Poor planning and a lack of skills and knowledge needed to implement changes were commonly noted. Early planning and consultation may have predicted difficulties such as price-quality tensions and the need for clear communication channels. It is not clear whether there was a lack of awareness of the new skills that would be needed to manage contracted performance and procurement, or whether pressure to demonstrate that change was being achieved led to premature action. The increased monitoring requirements undertaken by public servants have had to be accommodated within a shrinking public sector required to demonstrate efficiency gains through reduced staff numbers while increasing effectiveness. The concurrent organizational changes and requirement to adopt new roles have contributed to gaps between the rhetoric of reform and the actual change achieved, besides highlighting gaps in public sector skills.

Impact on CSOs

The relationship between government and CSOs has changed during the period of public sector reform. Some of these changes were deliberately directed by government while others were more indirect consequences. While some of the impact has been widespread, the experiences of CSO interviewees suggest that other changes were mediated by individual relationships with public sector staff.

This study found that, rather than significant changes in service autonomy, there appears to have been a subtle change of focus in service delivery that is more evident in those CSOs where government funding is the primary source of income. Where this change has occurred, it is likely to have led to a narrowing in the scope of services delivered, at the risk of inappropriate “one size fits all” provision. This was seen as more evident in output-funded services. Other effects include:

- CSOs’ *trust* in their public sector counterparts has been damaged, although this is not universally true. Trust was more likely to have been damaged in the early period of the introduction of contractual language, partly because of the polarized interpretations of some public sector staff and CSO fears about the consequences. However, some CSO managers retained positive relationships with individual public sector managers, which mediated their perception of the broader relationship. The monitoring of contracts in some program areas was seen as punitive, but again the approach varied between public servants, even within the same program.
- For CSOs, the most significant impact has been on *resources*—the cost of staff time spent preparing tenders and meeting additional reporting requirements, and the cost of additional information technology for reporting. These costs have been heightened by the specific reporting requirements for different funding programs, necessitating the repackaging of similar information, and by the lack of congruence between the extent of monitoring and reporting the funding agencies expect and the level of funding the CSOs receive. Further cost increases have resulted from broader government changes, including changes in OH&S legislation and the introduction of a goods and services tax, which have made compliance more costly for organizations in all sectors, but particularly for small organizations. Moreover, because administrative and infrastructure costs were often not recognized in contracts and there was a lack of evidence to enable

the establishment of unit costs for the services, some CSO tenders underestimated the cost of delivery of a particular service.

- The impact on *service quality* appears mixed, with some CSO managers identifying positive outcomes from the increased emphasis on measurement while others believe that their internal accountability processes had already been working satisfactorily. Where negative effects were identified, these tended to be associated with the diversion of funds to accountability requirements rather than service delivery. There was evidence of an increased emphasis on the management and monitoring of volunteer workers, although influences toward increased professionalism of staff and greater awareness of the applicability of employment regulation are likely to be as important as any changes in the relationship with government funders. This suggests a degree of pressure for consistency and for alignment with government policy particularly at the managerial level, where there is greater awareness of the contract requirements. Tension can arise between management and frontline staff, who are often more focused on responding to the needs of the individuals with whom they are in constant contact.
- There have been *structural changes* in the CSO sector, with some organizations creating more formalized networks and partnerships, including instances of small organizations seeking support or administrative assistance from larger ones. While such decisions have been influenced by several factors, an acknowledged driver of change in some instances was an increased capacity to win competitive tenders.
- The sector appears to be more *aware of accountability* issues, and the nature of accountability to government funders itself appears to have changed. CSO managers in this study felt that government funders were not clear about how that accountability should be managed. Some CSO managers were responding proactively by developing stronger internal systems and starting quality accreditation. Such initiatives were motivated by a desire not only to strengthen internal accountability but also, in some cases, to position the organization favorably in the eyes of funders and donors.

Partnership and Collaboration

A paradigm shift is occurring in the way in which the government, business and community sectors relate to each other, challenging each to redefine their respective roles and responsibilities. (Edwards 2001)

A new discourse that includes partnership, integration, joined-up government, and governance has been adopted by governments in Australia at the federal, state, and local levels. The language of integrated service delivery and joined-up government has been introduced into debates about the roles of both government and the nonprofit sector. Collaboration and partnership are increasingly identified as both a policy goal (e.g., Australian Council of Social Services 1999) and an implementation methodology for the delivery of human services in Australia (Institute of Public Administration Australia 2002; Penter, Bindi, Thompson, and Gatley 2002) and elsewhere (Lewis 2001, Miller and Ahman 2000). Cooperative or integrated service delivery is seen as the best approach to serving user needs, given their increased complexity (Department of Human Services 1999).

In the literature, collaboration, partnership, and integration are discussed at both the policy-making level and the practice or service provision level. They can involve:

- the service user as a partner (Bruner, Kunesh, and Knuth 1992);
- programs within an agency (Cross, Yan, and Louis 2000; Gowdy, Rapp, and Poertner 1993);
- organizations within a system, e.g., health (Graham and Barter 1999, Gray 1985, Lister 2000, Osborne and Murray 2000, Penter et al. 2002, Wilkinson 1997);
- sectors—public, private, nongovernment (Ginsler 1998, Grubbs 2000, Huxham and Vangen 2000, Institute of Public Administration Australia 2002, Lindenberg 2001);
- systems, e.g., health, education, welfare (Ad Hoc Working Group on Integrated Services 1996; Bruner, Kunesh, and Knuth 1992; Hooper-Briar and Lawson 1994; State Services Commission 1999); and
- levels of government (Ad Hoc Working Group on Integrated Services 1996, Institute of Public Administration Australia 2002).

However, the rationale underpinning all such approaches is the existence of complex problems whose resolution is beyond the capacity of a single organization, program, or sector (e.g., Huxham and Vangen 2000). Other

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identified drivers were (Bazzoli et al. 1997; Bruner, Kunesch, and Knuth 1992; Department of Education, Training and Youth Affairs 2001; Dinerman 1992; Gardiner 2000; Ginsler 1998; Henneman, Lee, and Cohen 1995; Hooper-Briar and Lawson 1994; Miller and Ahman 2000; Oliver 1990; Taylor-Powell, Rossing, and Geran 1998):

- **Overlapping mandates of organizations.** Increasing understanding of the complexity of issues and focus on early intervention and prevention have led to expanded mandates of organizations and increasing areas of overlap.
- **Resource constraints.** Increasing demands on resources encourage approaches that reduce duplication and increase impact.
- **Fragmentation.** Social and bureaucratic fragmentation and competition reduce the likelihood of resolving problems. Processes of integration can help build interconnections.
- **Disengaged citizens.** Processes of integration can act to engage citizens (or service users) and to enable shared ownership of solutions.
- **Competitive environment.** Interagency integration is one response to an increasingly competitive funding environment.
- **Increased focus on outcomes.** The shift in focus away from input and output measurement toward outcomes increases attention to the need to coordinate and integrate service provision.
- **Globalization.** This is seen as requiring new forms of policy coordination that will involve integration across levels of government, sectors, and organizations.
- **Technology.** Technological changes enable increased and easier sharing of information and knowledge across traditional boundaries.

A number of Western democracies have put in place or considered formalized statements of cooperation between governments and the community services sector. Perhaps the earliest and most well-known of these is the Compact on Relations between the Government and the Voluntary and Community Sector. This is a set of principles and undertakings that provides a framework for relations between government and the sector in England (Home Office 1998). The development of local compacts has been encouraged and at a national level there is an annual review of progress against work plans. Good practice guidelines on funding and consultation that attempt to shape the relationship between funder departments and service delivery agencies have been developed for government agencies. Compacts have subsequently been signed with the nonprofit sector in Scotland and Northern Ireland.

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In response, the Government of New Zealand set up a working party in 2000 to look at the relationship between government and community organizations. This group reported on resource development, capacity building for the sector, taxation and charitable status, and relationships with local government and the business sector, and made recommendations and identified research questions in each of these areas (Community Policy Team 2001, Hanley 2000). It concluded that there was not enough coherence in the community sector to support a formal agreement with government, but recommended that government make a formal statement of intent, setting out principles and values and a number of relationship-building activities. The steering group set up to implement the recommendations reported on progress in 2002. A Web site providing advice for government funders was set up and a number of pilot projects were conducted. These included the development of standard documentation, reduction in duplication of monitoring by different agencies, and a lead-funder approach to purchasing (Bailey and Wilde 2001).

In Canada the Government formed a task force to hold a series of “joint tables,” one of whose objectives was to work toward an “accord” (Brock 2000, Voluntary Sector Taskforce 2000). Strategies identified by the task force for coordinating participation within government and the sector included capacity-building measures such as data collection, research, and information-sharing initiatives and skills development for the sector. An Accord between the Government of Canada and the Voluntary Sector (VSI 2004) was released in 2001. It is based on five guiding principles that include the independence of government and the voluntary sector, the interdependence of some of their goals, and the need for commitment to dialogue, cooperation, and collaboration. Codes of good practice have been developed for policy dialogue and funding. The initiative is overseen by a joint steering committee of government and voluntary sector representatives, which reports annually. Government departments have been required to appoint a champion to promote and lead the use of the accord and codes within their organizations.

In South Australia, there have been significant indicators of a changing relationship between government and CSOs. These have included several instances of the development of formalized agreements or commitments to cooperative working arrangements between government and nongovernment organizations.

A “compact” between the south Australian government and the volunteer sector was signed in 2003 following its development by a working party of government and nonprofit representatives (Office for Volunteers 2003). In

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this instance, the volunteer sector was defined as those community agencies that engage volunteers as part of their service delivery, thus incorporating the majority of CSOs, as well as a much wider range of organizations (including sporting, environmental, and volunteer emergency services). The compact was developed through consultation with a wide range of community group representatives and volunteers, and had the stated aim of:

- advancing volunteering;
- redressing issues that impede volunteering;
- establishing communication protocols; and
- developing appropriate policies and procedures.

A volunteer ministerial advisory group was set up to monitor progress toward these aims. It reported back to the Minister in May 2004 (Volunteer Ministerial Advisory Group 2004) and identified the initiation of a local compact in one local government region, and plans for a state volunteer congress. This initiative appears to adopt aspects of the British Compact model in requiring progress reports; however, it does not provide an individual arbiter of disputes, so it relies on goodwill and ongoing commitment from government.

Discussions between the South Australian Council of Social Services (SACOSS) and the government led to the production of Common Ground, a partnership agreement between the state government and the community services sector, which was developed by the Human Services Peak Bodies Working Group. This group included senior executives from the funding departments and representatives of peak bodies in the health and community services sectors, and is jointly chaired by the CEOs of the two relevant funding departments and SACOSS. The agreement identified a set of shared principles that include valuing transparency and accountability and maximizing opportunities for collaboration and participation. It provided for an ongoing monitoring role for the partnership through a human services peaks forum. It built on the work of the Working Together (1999) group, but extended the scope beyond the earlier emphasis on contracts and tendering to include planning and procurement principles.

Parallel to the development of the agreement, the Community Services Funding and Planning Working Group (CSFPWG) was established. This consisted of SACOSS and public sector staff. It intended to explore simpler and “better” alternatives to the current funding arrangements, and to establish principles and guidelines for the ‘participation of the community sector in the planning of programs and priorities for service development (CSFPWG 2004). A standard form of service agreement had been developed in 2001 and

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implemented across four program areas as program funding expired, with the intention of extending this further through the department. This had required negotiation with individual program areas; consequently, implementation was somewhat piecemeal. The CSFPWG facilitated further consultation within the sector and reached consensus on a standard form of agreement to be used in the majority of programs within the two funding departments, the exception being in program areas identified as high risk, such as alternative care services.

CSFPWG proposed a planning and funding framework, which comprised a mixed model of provision that would allow for options of direct allocation, invited submissions, advertised submissions, and competitive tendering based on principles of partnership, best-value outcomes, and financial responsibility. This would mean a significant reduction in the time between the decision to allocate funds to a new initiative and the signing of a service agreement with a CSO (estimated as a minimum of 2 months), as well as a reduction in the work CSOs put into writing tenders. The framework would also allow for “prequalified provider” arrangements that would, it is claimed, enable a rigorous and accountable initial selection process to be combined with a capacity for responsiveness to new funding opportunities, and could provide more opportunities for smaller agencies to participate in tendering.

The group proposed a planning model that required each departmental funding branch to prepare triennial funding plans, which would provide an overview of:

- government and department policies;
- environmental context;
- division or branch strategies;
- budget context;
- funding context; and
- service agreement information.

The group proposed annual updates to incorporate new funding initiatives and any changes in the contextual aspects of the plan. The community sector, peak bodies, and consumer organizations were expected to be consulted before the development of the plan, and involved in reviews and evaluations of the plan. The group proposed that a program funding plan panel be established as a governance body for the framework with the role of reviewing and assessing the adequacy of program funding plans and updates. The responsibility of the working group was extended to the implementation of the framework in late 2004.

Further recognition of the role of nonprofit organizations was evidenced by the appointment of a community board to oversee a new state government initiative to develop social inclusion. This emphasized interagency cooperation between government departments, and between departments and the nongovernment organizations. The Premier appointed Monsignor David Cappo, former chairman of Centacare Australia, the national peak body of the Catholic social welfare agencies, to both the Social Inclusion Board and the Economic Development Board, both of which provide advice directly to government ministers.

The visible indicators of a changing relationship between government and CSOs—of formalized agreements or commitments to cooperative working arrangements between government and nongovernment organizations—were reflected in the views of the majority of the interviewees in the second round of interviews. Changes were identified both in the processes being used by government funders to introduce change and in the products of those changes.

In addition to the changes in the area of tendering and contractual relationships, changes were identified in the areas of policy engagement, engagement in service support and development, and in the general relationship. This was recognized by public sector and CSO interviewees alike and seen as a positive change. As one interviewee said: “There [are] still frustrations but that whole antipathy has gone out of the relationship with the state government.”

It was suggested that the public sector realized that the community sector, the community itself, and the public sector all had valuable knowledge, but recognized the power differentials and constraints on the public sector. While the approach was within a framework of joint problem solving, it acknowledged the different role and accountability of the public sector.

At a practical level, staff in public sector funding agencies were attempting to improve relationships through regular, informal meetings with different groupings of participants, including peak bodies and regional groups of agencies receiving particular program funding. Staff viewed these as a valuable way of sharing information and identifying emerging issues.

Several CSO interviewees commented on an increase in CSO representation on various committees, leading to a feeling of greater respect for the sector. This contrasted with the previously implied message that the sector's views did not count.

Much of the disquiet over the move to contractual arrangements raised in the earlier interviews appeared to have dissipated. This was partly because some of the earlier problems had been addressed through the move away from

the rigid separation of purchaser and provider, and improvements in contracting practices.

As in other partnerships, individual relationships between public servants and CSO staff were seen to be as important as the structural arrangements in working together effectively. It was evident from the interviews and documentation examined that there were clear gestures toward partnership by senior managers in the public sector. However, such gestures did not always translate into a changed relationship with project officers at an organizational level. This may reflect the reluctance of some individuals to move out of their offices and become involved with funded agencies, but it must be recognized that a move to a partnership relationship removes the clarity of the boundaries of responsibility and accountability. In a formal and distant purchaser-provider relationship, the role of the public sector project officer is more constrained, and responsibility and accountability are more easily directed upward through the traditional hierarchical system. Adopting the language of partnership, engaging the sector in joint planning, and returning to service development activities blurs this clarity. There appears to have been no attempt to redraw these boundaries in a systematic way at the level of program area project officers. Some welcomed the opportunity to undertake a more service development-oriented and support role, particularly with smaller organizations. However, the lack of clarity allowed those with no confidence or skills to work closely with the sector to maintain their distance.

Sustaining Partnership

The transition from submission to contracting models of funding can be represented as a move from a paradigm of “fund us to do good things” to one of “pay us to produce these outputs.” Changing to a partnership relationship introduces a paradigm of “let’s work together to achieve these outcomes.” This is a more difficult relationship to manage, particularly in the context of external scrutiny of public sector funding. If a partnership model is to be meaningful there would need to be ongoing dialogue between the players through the planning and evaluation stages. This can occur within a range of funding mechanisms but means shared accountability for planning and for the improvement of service delivery models.

Sustaining a partnership between government and CSOs requires both structural and relational changes. Formal agreements signify positive intent, but without a framework of reporting and monitoring are of little value and risk becoming meaningless symbols through lack of systematic implementation. Action needs to be taken to increase the awareness of such mechanisms both within government and the public sector and among CSOs. Structures and

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mechanisms for the resolution of problems or complaints would indicate a stronger commitment to the relationship.

Partnership between government and CSOs does not preclude contractual arrangements for the funding and delivery of services. It does, however, indicate the use of a relational framework for contracting rather than a transactional one (Kettner and Martin 1990). Such a framework assumes a high level of trust between players. Trust is built over time and easily lost; however, the formal moves toward collaboration and partnership provide an important starting point.

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Targeted Public Distribution System: Lessons from a Food-Deficit State In India

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Introduction

This paper examines the impact of the targeted public distribution system (TPDS) in the State of Kerala in India. The paper examines the strengths and weaknesses of TPDS and how the strategy has failed to achieve the objectives envisaged, thereby widening the disparities between rich and poor, and creating social disharmony. The targeting has led to a division of the society into those below the poverty line (BPL) and those above the poverty line (APL) with the introduction of dual ration cards. The experience underscores the fact that even the best-intentioned public administration strategies, when carried out the wrong way, can pave the way to greater inequality and thus more poverty.

Concept of Targeting

The targeting of welfare programs is the subject of worldwide interest, and there is ongoing debate for and against targeting among economists and advisers. The term “targeting” refers to identifying eligible or (needy) individuals and screening out the ineligible, according to defined eligibility criteria, for the purpose of transferring resources (Devereux 1999). The basic reasons for targeting in all welfare programs fall under three general headings (Gebrehiwot 2001):

- Humanitarian reasons—so that the really needy are assisted and the less needy do not benefit unfairly;
- Resource and efficiency reasons—so that scarce resources are used in such a way that they have the greatest impact on the problem to be addressed; and
- Development reasons—so that dependency and economic disincentive effects (at all levels, from households to the national level) are minimized.

For those whose primary concern is equity, targeting can channel maximum benefits to the most vulnerable groups, while for those concerned

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with saving money (governments, funding agencies), it is likely to be a considerably cheaper option than blanket distribution or general food subsidies.

The World Bank and the International Food Policy Research Institute have come out strongly in favor of targeted intervention to promote food security and mitigate the social costs of economic adjustment for the poor.

Targeting the Public Distribution System in India

The public distribution system (PDS) in India is the key element of the country's food security system, particularly for the poor. It is an instrument for ensuring the availability, at affordable prices, of certain essential food grains (mainly rice and wheat), as well as sugar and kerosene. Households are given a ration card that entitles them to buy fixed rations of these commodities. The Government, through the Food Corporation of India (FCI), procures and stocks food grains, which are released every month for distribution through the PDS network across the country. The responsibility for implementing, monitoring, and enforcing this legal provision rests with the state governments.

Earlier, the PDS was a general entitlement scheme for all consumers, with no targeting. But in 1997 the Government of India introduced targeted PDS. TPDS has divided the population into BPL and APL categories on the basis of the poverty line defined by the Planning Commission. Food grains are now allotted at two sets of prices—a highly subsidized price for the poor, and a near-open-market price for the rest. Targeting, it was hoped, could play a more meaningful role by translating the macro-level self-sufficiency in food grains achieved by the country into the micro level by ensuring the availability of food to poor households (Ministry of Food and Civil Supplies 1997).

Two more PDS schemes were introduced later. The Antyodaya Anna Yojana Scheme (AAY), launched in 2000, provides rice and wheat at very nominal prices to the poorest of the poor, while the Annapoorna Scheme introduced in 2001 provides free rice monthly to those above the age of 65 years who are not receiving any pension.

General Situation in Kerala

Kerala is a relatively small state (area 38,000 square kilometers, population 30 million), in the southwest corner of India. Its development experience has been what the *Human Development Report* (1996) of the United Nations Development Programme would call “a course of lopsided development,” with its remarkable human development achievements well comparable with those of developed countries and hard-to-match economic growth. On the other hand, food security in Kerala presents a totally different picture. Kerala is known as a “food deficit” state in India because of the wide gap between the

consumption and the production of food grains, especially rice, the staple diet of the population. The area and production of rice since the mid-1970s have been in steep decline owing to several factors like the sharp rise in wages and the price of fertilizers, scarcity of labor, and farmers' preference for more remunerative cash crops. Between 1970–1971 and 1999, the area planted to rice shrank from 875,000 hectares to 350,000 hectares. Kannan (2000), in his working paper "Food Security in a Regional Perspective: A View from Food-Deficit Kerala," mentions the extent of this deficit, which has increased over time. Kerala's deficit in rice was 55% in the mid-1970s but by 2000 it had increased to more than 75%. At present, barely 10% of the food grain requirement is met from the state (Government of Kerala Economic Review 2004). This alarming situation, coupled with unemployment, can greatly heighten the state's vulnerability in the matter of food security.

The expert committee (Government of Kerala 1999) that examined this issue concluded that Kerala could not become self-sufficient in food and hence emphasized the need to achieve food security instead. Food security in this context assumes great significance, as it refers to the ability to ensure access to food for the population. The PDS in Kerala is a means by which the government can provide food security.

Kerala is known to have one of the best-run and most effective PDS with near-universal coverage. According to the High Level Committee Report (Government of India 2003), in the mid-1990s, around 95% of households in Kerala were covered by the PDS and the monthly entitlement of grains satisfied the minimum cereal requirements recommended by the Indian Council of Medical Research. The purchase of rationed articles through the PDS was also quite high, compared with that in most other states.

However, a shift in the government policy and the targeting of PDS subsidy to BPL families since 1996–1997 has opened a Pandora's box. The serious implications, including flaws in targeting and the division of the entire community into APL and BPL classes, have made the system ineffective and prompted a general call for a revamp of the PDS.

Objectives and Methodology

This study sought to examine

- the extent to which consumers, particularly the vulnerable, depend on the PDS for food grains; and
- the effectiveness of targeting, and flaws in TPDS like the exclusion of the eligible poor.

The study was empirical and used both primary and secondary data extensively. It began with an exploratory study. Secondary data were reviewed, and focus group discussions were held with officials of implementing departments, namely, FCI and the Department of Food and Civil Supplies, and with private traders and program beneficiaries (those included in the BPL and APL lists). A total of 150 households were purposively selected and studied.

Results and Discussion

The findings of the study showed that TPDS has unilaterally increased the price of food grains and other essential commodities for the poor as well as the non-poor. Those who depend solely on the system have been most seriously affected. As a result, most of the people have opted to purchase in the open market. The major issues have been studied and are presented in detail below.

Decline in Offtake and Allotments

The offtake of rationed articles has come down considerably since the introduction of targeting. Even the official statistics show that the offtake of rice among those in the APL category is almost nil. A cursory observation in the field reveals that the consumers in the higher-income brackets do not buy their allotted quota, while the lower-income groups face many problems related to inadequate quantity and poor quality of food grains, inadequate and untimely allotment, etc., often caused deliberately by intermediaries.

The decline in offtake among the APL can be attributed to the higher price and the low quality of grains distributed through PDS compared with the grains available in the open market. Higher wages and greater purchasing power (fueled by remittances from family members working abroad) than in other states allow buyers in Kerala to go after better-quality products. Private dealers disparaging the quality of the grains (which has, in fact, improved) and complaining of their reduced margins, poor and unhygienic conditions in ration shops, poor quality of service, private shops sharing the same roof as the ration shops (often with a common owner), and the general perception among the higher-income groups that PDS is for the poor—all these factors have contributed to the move to the open market. The public balks at having to pay different prices for the same quality of rice.

On the other hand, in AAY and the Annapoorna Scheme and among the BPL, a detailed analysis revealed a 100% offtake. It was observed, however, that the BPL cardholders do not receive their entire allotment at the reduced price, although the stock registers showed that the allotments were fully taken

up by the shop owners. In many cases, the food grains were siphoned off to other consumers or traders at higher rates. Even as dealers complain of inadequate allotments, FCI contends that an average buffer stock for 80 days, at 35 kilograms (kg) per card, is maintained and there are no partial allotments. These contradictory statements show serious lapses in the distribution system.

A central government survey identified 25% of the population as BPL, according to the official poverty line defined by the Planning Commission in 1993–1994. The Kerala government's estimate (based on a survey) is 42%. Until 2001, the subsidy for the additional 17% came from the state treasury. Since the subsidy was discontinued, the 42% BPL population has had to content itself with the 25% central government allotment. In effect, the eligible and deserving poor are at least partially denied access to their entitlement.

Targeting and BPL Identification

The main flaw in the system is that non-eligibles are in the approved list of BPL families (targeted beneficiaries) whereas eligible beneficiaries have been left out. The criteria for inclusion in the BPL list are solely economic, and these are often willfully understated to secure inclusion. Some complain that persons with political patronage have found a place in the BPL list. In contrast, a large number of the very poor are in the APL category and are thus denied access to the subsidized food grains from PDS.

The BPL list, which was prepared in 1997, has not been periodically updated to weed out those who are no longer below the poverty line. The Civil Supplies Department and the Poverty Eradication Mission conducted a survey in 2001 to update the list, but the revised list has not yet been officially accepted, much less released. While family income is the sole criterion used by the Planning Committee in identifying and targeting the poor, noneconomic criteria evolved by Kudumbasree (the Poverty Eradication Mission of the government) can also be used. Women's groups may be called upon to help with the annual updating. Unless the process of identifying the poor is made transparent and foolproof, the TDPS will not serve its real purpose.

The introduction of the Antyodaya Scheme in 2002 (further culling out the poorest of the poor from the BPL list) amounted to further targeting within the existing list, thereby adding chaos and confusion. As Swaminathan (2003) rightly pointed out, "targeting can widen social divisions: segregating households on the basis of income can lead to division among the poor, social tensions and polarization. Such division can exacerbate existing forms of caste and gender oppression."

Entitlement to Food Grains

Under the earlier policy, ration scales were in fixed quantities per person or unit. Now, irrespective of size and need, each household (even if it is a joint family) is entitled to 35 kg per month. This has opened avenues for malpractices and corruption. During the field visit it was observed that the 35 kg exceeded the requirements of small BPL households, but was often insufficient in tribal areas, pockets along the coast, and other areas. The earlier system of fixing the quota on the basis of family size was more realistic. This problem assumes greater significance in Kerala, where the central government allotment for 25% of the population must be shared by 42% of the population.

Quality Issue

There is a general feeling that the quality is better than it was before 1997. An examination of food samples during a visit to godowns showed the food to be quite superior, but in some cases the grain in retail shops was not of the same quality. The local people who were interviewed were also of the view that the food grains released from the FCI godown often do not reach the target group in the same quality and quantity. There appears to be some leakage (malpractice) in the chain of distribution. But neither the Food and Civil Supplies Department nor the government seems to have a way to stop this.

Demand and supply are in seeming mismatch where cardholder preferences regarding the quality of rice are concerned. People in the urban areas prefer raw rice and wheat, while those in the rural areas look for boiled rice. But women in the households that were interviewed said that they had shifted to the open market mainly because the rationed items were not always available in the preferred quality when needed. The dealers themselves claim not to know for sure when the preferred quality will be available. The FCI states that it has sufficient stocks of both raw and boiled rice, and that these are distributed according to the approved request presented by fair-price shopkeepers. An assessment should be made and allotments based on regional preferences. The weekly indent form (submitted by dealers) may be suitably modified so that the requirements for raw or boiled rice and wheat, based on the cardholders' preferences, can be separately indicated. After the demand for raw and boiled rice in the district is assessed, a computerized inventory management and distribution system may be introduced to ensure fair and equitable allotment and distribution of rationed articles at the district and regional level. In the matter of quality, though the grains released from FCI pass its quality control test (which, among other things, limits moisture content and the proportion of broken rice), this is still no guarantee that the people of Kerala

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will find the grains to their satisfaction. Since quality is a major issue, the following strategy options, short as well as long term, are suggested:

- Augment domestic production, especially of rice.
- Allocate food subsidy in cash to the state, and give the states autonomy in implementation so that specific regional needs can be taken care of.
- Procure paddy from local farmers at the minimum support price, and provide for centralized processing and distribution through ration shops.

Monitoring by Civic/Local Bodies and Their Involvement

The keystone of the PDS is the fair-price shop and the kingpin is the retail dealer. The success of the system depends on how efficiently and effectively the shops are run. Hence, supervision is extremely important. Though various guidelines have been issued from time to time to restructure the system, many of these have either remained on paper or have not been implemented successfully. The central Government in 1999 issued guidelines and emphasized the need to form vigilance committees with the involvement of *panchayat raj* institutions at all levels to ensure greater public participation. The vigilance committees have yet to be formed and empowered to monitor the functioning of fair-price shops.

The field visits revealed that in areas where there is healthy participation by local bodies and nongovernmental organizations, the system has been extremely beneficial for the poor and the needy. The involvement of the local groups made the operations of the fair-price shops more transparent and accountable; effective monitoring of the PDS reduced leakages and corruption.

Cardholder Awareness

Kerala has 100% literacy. Yet in many cases the AAY cardholders are not aware of their entitlement or price. Because allotments come irregularly and are often inadequate, and cardholders are misinformed about the sufficiency of allotments, the ration dealers often dictate the price and the quantity dispensed. While admitting that they sold goods from the allotments of non-buyers, some dealers were quick to add that they also made goods available to the poor. The field survey, however, revealed that they did so at higher prices.

A model citizens' charter was prepared in 1997 by the Central Ministry, but it has not yet been adopted by the state. This charter stipulates entitlements, the procedure for the issue of ration cards, the public's right to know, and other essential information. It is high time that citizens' charters are published

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and circulated. The publication of the charter will help make the people more aware of their rights and the PDS staff and dealers more efficient, and thereby help weed out corruption.

Concluding Remarks

The sustainability of the PDS is a matter of concern. To quote the High Level Committee report: “[T]he introduction of targeting has not reduced the expenditure on the food subsidy while it has at the same time weakened the impact of price stabilization and weakened the overall system.” According to the present study, however, despite the inherent weaknesses of the PDS and growing customer dissatisfaction, the participation rate of the middle- and low-income groups in PDS is still more than 72%. The “real poor” who have been excluded from the BPL list still depend on the PDS every month for subsidized food grains. The PDS has also earned praise for its role in providing free rations during crises like the tsunami. Indeed, the system of subsidized food distribution to the needy is of paramount significance in the food-deficit state of Kerala.

With the difference between the BPL and market prices much larger now (more than Rs5 per kg) there is certainly a stronger incentive to divert supplies to the open market and make a quick profit. As Mooij (1996) observed in a study on Bihar, “[I]t was difficult for the PDS dealers to make profits without being corrupt.” The commission they get is quite low and the dealers seem to have shifted the burden of increased transportation, handling, and holding costs to the poor in the form of lower quality and improper billing. Such leakage, coupled with exclusions in targeting, implies that the subsidy does not always reach the poor in its entirety. The multiplicity of schemes in the system and the large number of PDS implementers, including - Food Corporation of India, government departments, private wholesale dealers, and retail dealers, have severely undermined the capacity of the system to serve the needs of the poor (Goetz and Jenkins 2002).

Reverting to a system of allocating grains at a uniform price with universal coverage may not be feasible at present as the government may be constrained by the fiscal squeeze. As experts like Madhura Swaminathan suggest, geographic targeting with a focus on slums, and on tribal and coastal areas with a high concentration of poor people, is a better option. Participatory community-based targeting with the help of Kudumbasree and women’s groups can well be tested in Kerala, as long as the program is apolitical. This can ensure that the PDS meets the entire food requirements of the poor and is not exploited by the traders and the elite.

Many of the pertinent guidelines issued by the central Government are not yet in effect. Those guidelines should be implemented immediately rather than having new ones drawn up. Vigilance committees should be formed at various levels, the citizens' charter published and disseminated, supervision strengthened at all levels, the targeted poor made more aware of their entitlements and the price of commodities, and the APL/BPL list revised by the government as a matter of priority, if the desired objectives of TPDS are to be achieved.

Kerala needs a more consistent set of policies. These would range from strategies that promote the growth of the agriculture sector to a more community-oriented PDS that involves all major actors in the distribution chain. The state government also needs to address new challenges on the human development front, including security for its growing population of the aged.

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Role of Public Administration in Facilitating Rural Telecommunications and ICT

Rekha Jain¹

Introduction

The availability of information is increasingly viewed as a vehicle for rural development and for the involvement of rural citizens in governance, thus creating a more harmonious society. Information and communication technology (ICT) can facilitate access to development-related and other information for rural and poor communities. Information kiosks can be catalysts of development by providing such access for governance (e-governance).

The rapidly falling costs and new developments in technology (for example, broadband networks and emerging wireless opportunities, especially Wi-Fi and WiMAX) and deregulation allow the cost-effective provision of rural connectivity for development and e-governance.

However, public (regulatory agency, local administration, etc.) and private agencies (service and content providers) must work together for the ICT projects to succeed. Public administration is critical in managing the regulatory framework, carrying out policy advocacy, coordinating with the rural citizens, and providing visibility to the government's efforts.

To assess the significance of key areas of influence and action for public administration in the provision of rural ICT access, we carried out four case studies in different states in India. The case studies were on the Community Information Centers project in Nagaland,² the n-Logue project in Karnataka and Tamil Nadu,³ the Grameen Sanchar Seva Organization (GRASSO) project in West Bengal,⁴ and the Akshaya project in Kerala.⁵ The projects cover substantial numbers of villages and use a variety of wireless technologies

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² www.meghalaya.nic.in/blocks/about.htm

³ www.n-logue.com

⁴ www.grasso.in

⁵ www.akshaya.net

(WLL-CDMA, VSAT, etc.). Appendix 1 shows the spread of the projects. These case studies gave us an opportunity to study the role of public administrators and local citizens, operating costs, training, vendor support, and appropriate technology. The studies were based on primary and secondary data, and extensive interactions with the people concerned. Details of the studies are available on request.⁶

We evaluated the projects and drew lessons for similar projects of funding agencies, governments, and private enterprises. The evaluation provided for specific roles for the various public agencies and policy guidelines for the government. The guidelines are intended as a road map for public administration agencies in achieving a more harmonious society.

Community Information Center (CIC) Project

Project Background

The North Eastern (NE) states, isolated from the mainstream and with hostile terrain and poor availability of power, pose a challenge to any development effort, especially those related to ICT. To reduce the isolation of these communities and mainstream them, a project of the Department of Information Technology (DIT), a central government department, provided at least two community information centers (CICs) per block in the NE states and Sikkim to address the education, health, information, entertainment, and other basic needs of citizens. The CICs were to serve as a platform for e-governance, e-learning, and other IT-enabled services in the states.

The CIC project is a joint effort of DIT, the National Informatics Center (NIC), and the NE state governments. As of July 2005, nearly 500 CICs had been set up and a decision had been made to extend the project to other parts of the country, beginning with Jammu and Kashmir because of the similarity of the terrain.

Technology and Configuration at the Kiosks

The CIC project uses very small aperture terminals (VSATs) to connect to the main servers that are a part of NIC's nationwide network linking the district headquarters across the states. The network architecture is shown in Appendix 2. Each CIC is housed in a relatively good-quality building and

⁶ These studies were done as part of a report to the World Bank and the Department of Telecom, India, titled Policy Recommendations on Accelerated Provision of Rural Telecom Services. The May 2005 report was written by Rekha Jain and G. Raghuram, professors at the Indian Institute of Management, Ahmedabad.

provided with a server machine, five client systems, a laser printer, a dot matrix printer, a modem, a local area network (LAN) hub, a television set, a Webcam, two uninterruptible power supply (UPS) units (1 kilovolt-ampere [kVA] and 2 kVA), and an air conditioner.

Management Structure

DIT funds the project and is responsible for overall monitoring and management. NIC⁷ is the implementing agency. Application software development and the training of CIC operators (CICOs) is part of NIC's responsibilities. The state governments select, prepare, and maintain the sites; recruit manpower; and identify and create content for the various services delivered through the CICs.

The project plan envisages manpower support from DIT and NIC for 5 years. NIC is also to provide technical and maintenance support during this period, and DIT and NIC is to continue to provide satellite connectivity after that time. The CICs are then to be handed over to the respective state governments, which must evolve a viable business model to make the CICs self-sustaining. The private sector can collaborate with the government for effective service delivery. However, the plan does not provide a specific road map.

Each CIC has two CICOs to manage the centers, provide services to the public, and give training to visitors in basic computer operations and software packages. They are paid a salary by NIC.

Business Model

According to top NIC officials, the CICs were not envisaged as commercial ventures. Their objective is to provide connectivity. But with the spread of such telecenters and the constraints on state government finance, there has been pressure on the state governments to make the CICs commercially viable.

The CICOs can charge a nominal fee from the local population for e-mail, Internet services, or training, to cover electricity, consumables, and other operating expenses.

⁷ The National Informatics Center is the provider of a national backbone and the implementing agency under the Department of Information Technology for central and state government IT projects, including e-governance projects.

Evaluation

The hilly terrain in the NE states added to the challenges of technology deployment, equipment vendor management, central and state department coordination, local staff training, and sustainability. Many CICs did well and served the purpose for which they were set up, but others did less well. An analysis of the problems faced by those other CICs would help us do better next time.

Recent CIC models have shown that CICOs must have an entrepreneurial mind set for the CICs to succeed. In the CICs that I visited, operators often viewed themselves not in a business development role but as typical government employees receiving a fixed salary regardless of the output. While a good number of other CICOs had taken the initiative to run the establishments as commercial projects, a business orientation is unlikely to develop unless CICOs build a greater stakeholding in the running of the CICs. In other similar initiatives (n-Logue, Akshaya) the operators made at least partial investments in their telecenters.

Since the availability of electricity was a major concern, the CIC project provided generators. Many of these became nonfunctional, and CICs stopped operating, because of difficulties in procuring diesel and repairing the generators locally. Also, some of the money that was spent on hardware, air conditioners (which guzzle electricity), and huge television sets could have been better invested in solar panels or micro hydro enterprises to ensure continuous power. Without such assurance, a CIC that relied solely on personal computers (PCs) for its operations soon became useless.

The hardware (PCs, antenna direction setting) also had to be sturdy, as it was difficult to get service personnel to remote locations. Since maintenance was done centrally from Delhi, a hardware malfunction could keep a CIC out of operation for at least 5 days—often longer—because of the difficult terrain and the service agreements worked out with the vendors. Spare parts were also centrally requisitioned. Moreover, there were no data at the state level for analyzing performance. By making the maintenance bids competitive, DIT hopes to reduce the costs of maintenance and make the CICs more sustainable.

Training local people and giving them adequate incentives would have helped the project. But until the CICs could provide accredited training, it would be difficult for them to get students for training. Moreover, most CICOs had been trained only to provide support for CIC users and were not equipped to offer formal training.

Since the CICs had only data services and limited voice-over-Internet protocol (VoIP) services (according to the regulations of the Telecom Regulatory Authority of India), they were of limited use to the general public.

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Public applications were few and not many CICs used them. Otherwise, one could well imagine a rural citizen visiting a CIC to make a phone call at first and then, over time, using other services and contributing to the revenue (Jain and Sastry 1997, 1999).

The limited functioning of the CICs also reflected the compartmentalized thinking in government departments. DIT and the Department of Telecom (DOT) should have worked together to see to it that the CICs offered both voice and data services.

Collaboration between DOT and DIT could have improved funds flow as well. The CICs could have received funding from the Universal Service Obligation Fund (USOF). In addition, since USOF funding required reports on operations, the working of the CICs would have been monitored. Of course, all this would need to be linked to the availability of electricity and better mechanisms for rectifying problems related to hardware and VSAT functioning.

The location of the CICs likewise affected their revenue potential. Some CICs were housed in office buildings that were not centrally located. CICs that were close to schools generated more revenue, the major customers being schoolchildren, for e-mail, online chats, and computer training. DOT had learned this lesson when it implemented its scheme of providing a phone in every village. Placing the phone in the house of the village head (*sarpanch*) had made it inaccessible to a large number of people. Hence, very little revenue was generated. DOT later switched to providing village phones in public places.

An informal review in one of the states suggested that nearly half of the CICs may have stopped operating. Without a proper monitoring system and reports, however, an accurate assessment was difficult.

Given the difficult economic situation in the NE states, the CICOs could have been provided loans at rates substantially below the market. For this, the central government needed to coordinate with state government. But despite the limitations of the CIC operations, the initiative was highly valued by the local people, who saw it as a sign of the government's interest in their well-being.

n-Logue project

Project Background

Developed by the TeNeT Group and the Indian Institute of Technology Madras (IITM) Chennai,⁸ n-Logue was established by Vishal Bharat Comnet,

⁸ www.tenet.res.in

a trust set up by several alumni of IITM Chennai and the IT industry. TeNeT is an academic community led by Dr. Ashok Jhunjhunwala that is dedicated to developing appropriate and cost-effective telecommunication technology solutions for developing countries. Its major contribution has been an indigenous wireless solution based on an internally developed standard called corDECT. The specific design choices in implementing corDECT have helped to reduce costs.

To provide a total cost-effective system solution, TeNeT has put up several companies such as Midas Communications,⁹ which markets corDECT and other wireless solutions, and Banyan Networks,¹⁰ which developed the RAS Internet switching technology.

n-Logue's mission is "to fulfill the need for Internet and voice services in every underserved small town and village in India." It believes that the potential demand for Internet services in these areas is huge and largely unfulfilled. So as not to dilute its focus, the company does not operate in any of the top 150 population centers in India.

Technology and Configuration at the Kiosks

The project uses corDECT, a proprietary wireless access system developed by the TeNeT Group, MIDAS Communications, and Analog Devices (USA). The system provides for the simultaneous transmission of voice and data (35/70 kilobits per second [kbps]). The corDECT air interface supports 10 km line-of-sight (LOS) connectivity and up to 25 km non-LOS connectivity using repeaters. Appendix 3 gives the architecture of the network.¹¹ The technology has been deployed in several other developing countries. Further research to improve connectivity speeds, lower costs, and simplify interfaces was going on at the time of the study.

Each kiosk costs about Rs53,500 (\$1,200) to set up and has the following equipment:

- A wall set to receive the wireless corDECT signal
- A branded PC with a 15-inch color monitor
- Computer peripherals, including speaker, microphone, CD-ROM drive, digital camera, inkjet printer, and sound card
- UPS with battery providing 4 hours of backup power for the PC

⁹ www.midascomm.com

¹⁰ www.banyannetworks.com

¹¹ Details of the CorDECT technology are available at www.n-logue.com/cordeckt.htm.

- All required cabling
- An application suite consisting of word-processing, browsing, and e-mail software, all in the local language as well as in English

Management Structure

To ensure an end-to-end solution to the connectivity issue, n-Logue had conceived a three-tiered business model. n-Logue, at the top level, provided the technical know-how through its linkage with the TeNeT Group, managed the regulatory aspects, provided the equipment, and managed the interconnections to the backbone. n-Logue also coordinated with the local institutions and experts (doctors, teachers, veterinary doctors) to provide value-added services to the covered villages, and facilitated the distribution of content, the creation of training materials, and the training of the local service provider (LSPs) (see below) and kiosk operators.

At the second level were the LSPs, who were local entrepreneurs at the district or subdistrict level. The LSPs identified the individual kiosk operators, provided the services, and collected the payments. At the bottom level were the individual operators of the kiosks, who provided the services to the villagers and collected the payments from them.

While n-Logue had the responsibility for identifying the LSP, which was usually an established local businessperson (say, a cable TV operator), the LSP that had to identify the village entrepreneurs who would set up the village kiosks under the “Chirag” brand name. n-Logue set up the access centers while the LSP collected payments and marketed the services offered by the kiosks to both government and private enterprises. n-Logue also provided technical assistance in setting up the access center and the village kiosks. This included field surveys to locate the Base Transceiver Station¹² (BTS), and technical training for both the LSP staff and the kiosk operators.

n-Logue had developed a variety of content (CDs for 10th- and 12th-class students that were specifically designed for rural students), providing medical and veterinary help through videoconferencing, a Microsoft Office-like package in Tamil, videoconferencing software that used high compression to enable transmission of high-quality video images over the existing bandwidth, etc. Potential future services included linking to existing computerized land records, wireless ATMs, and tele-medicine.

¹² The cellular network hierarchy consists of the handset, Base Station Controller (BSC), Base Transceiver Station (BTS), and the Master Switching Center (MSC). The BTS contains the equipment for transmitting and receiving of radio signals (transceivers), antennas, and equipment for encrypting and decrypting communications with the BSC and the MSC.

Partnerships

An integral part of the n-Logue model was the management of partnerships as follows:

- **Backbone and Internet service providers.** n-Logue formed partnerships with the existing private and government telecom service providers and the Internet bandwidth provider (Satyam Infoway) to give Internet access to the kiosk operator's clients.
- **Content providers.** n-Logue partnered with several initiatives at the TeNeT Group, local doctors, and veterinary and extension workers.
- **State governments** (Maharashtra) for the funding of the kiosks.
- **Hardware suppliers.** n-Logue procured hardware from Midas Communication (corDECT technology); Banyan Networks (RAS); HCL (PCs); Consul and Alacrity (UPS with battery); HP, Epson, and Wipro (printers); Cygnus (modems); Dax Networks (switches); Nortel and Cisco (routers); and Honda (generators).

Business Model

Each access center costs around Rs4.5 million,¹³ split between the LSP (around Rs1.2 million) and n-Logue. Each LSP covers 30–200 villages. The first Rs3 million of the access center cost goes to the setting up of the basic infrastructure, while the remaining Rs1.5 million is used for expansion. The LSP pays Rs200,000 for agency fees, Rs500,000 as refundable security deposit, and Rs500,000 for equipment. Revenue is shared 50:50 between the LSP and n-Logue.

The village operator invests Rs50,000 and pays the rent, electricity, etc. In extreme shortage of power, an additional investment of Rs10,000 for petrol-started, kerosene-run 400 volt-ampere (VA) generators may be required. Typically, a village operator pays Rs400–500 per month for rent, electricity, etc.. The operator will also have to pay the bank loan over the next 4–6 months, at Rs1,500 a month, and pay Rs2,500 monthly to n-Logue for Internet access from the seventh month onward. The revenue could amount to Rs2,000–3,000 monthly at the start, and go up depending on the operator's initiative and energy.

¹³ One US Dollar was approximately equal to Rs45 during this time.

The return on investment (ROI), for the LSP and n-Logue, depends on how quickly the LSP expands its operation. On the basis of recent data showing 125% growth in kiosks per quarter, ROI was estimated at 199% over a 5-year period and the return to the village operator at 299%, ensuring 50% revenue growth through data services (Paul 2004). The LSP profit potential under this scenario is given in the table.

Profit Potential of Local Service Providers

Item	Subscriber Growth Rate		
	200%	100%	50%
5-Year ROI with Voice Services	365%	279%	121%
NPV with Voice Services (\$)	97,225	74,273	32,166
NPV without Voice Services (\$)	53,177	36,315	6,109

NPV = net present value, ROI = return on investment.

Source: Paul (2004).

Evaluation

According to n-Logue management, 70% of the kiosks were doing well, 20% were performing adequately, and 10% were doing poorly. n-Logue had been able to roll out services in 38 blocks in seven states of India. The core team at IITM Chennai had to have a rural mind set.

The delivery system was designed so that each activity had a dedicated company (MIDAS, OOPS, n-Logue, etc.) for specific tasks and deliverables. Managing these diverse organizations was no easy task, as the companies had to be self-sufficient. Since these companies were focused on rural deployment, earning enough to cover costs and also be profitable was a challenge. While knowledge of urban service delivery models and markets was fairly readily available, managing and marketing services in rural areas was not that well understood. Additionally, as n-Logue expanded its operations, it had to address various technological and management challenges:

- The future evolution of corDECT might have to incorporate developments in packet-based Wi-Fi and WiMAX.
- Availability of power was a major issue. A 12-volt, 50-watt solar panel costs about Rs8,000–10,000, thus increasing the cost to the kiosk operator.
- n-Logue could not bid for USOF funding, as only service providers with a license for fixed-line, cellular, or unified access service were allowed to do so.

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- The provision of kiosks had to be integrated with existing developmental programs such as the Prime Minister's Gram Swarajya Yojana (Integrated Village Development Program) or with self-help groups.
- n-Logue's ability to form partnerships and maintain them was critical to its growth, as pointed out above. It had to be able to get volume discounts on hardware and continued access to developments in technology to enable effective low-cost operations in the villages. As n-Logue planned to expand rapidly, it had to exercise due diligence in selecting LSPs and monitoring the operators' performance.
- Despite collaborations with banks at the district level, local disbursements were often slow, since the banks may have lent earlier to the villagers and the loans may not have been repaid.
- Expanding operations could be a problem, since the n-Logue team had to identify the LSPs that were willing to invest Rs1–1.5 million up front. In many *talukas* or districts, this could cause delays, unless the success of the model was already widely known. n-Logue also had to help the LSPs package the services for the villages. While some of the services could be centrally provided, the n-Logue model depends heavily on localized services such as tie-ups with local doctors and other service providers. This could take time.
- As n-Logue was growing very fast, it would need to manage its internal growth. The ability to manage its costs, recruit the right people, manage vendor relationships, and retain a core group of professionals would be important for future growth.
- Many kiosk owners hired temporary operators on low wages. Hence, turnover was high, and it became even more difficult for n-Logue to provide training.
- The criteria for selecting village beneficiaries and LSPs were important. In some instances where the process was not adequately followed (Maharashtra), n-Logue had mixed results.

Grameen Sewa Sanchar Organization (GRASSO)

Project Background

Grameen Sewa Sanchar Organization (GRASSO) in West Bengal was an NGO whose aim was to form a self-sufficient rural India with self-employment schemes generating income and wealth for the rural population. GRASSO intended to integrate dispersed rural resources into an IT-enabled distribution network to benefit the rural economy. With a powerful rural

resources management system it would transform the rural entrepreneurs and bring them into a successful operational network. The ultimate aim was to connect the rural economies not only within India but to the vast markets of the globe. GRASSO also aimed to provide other value-added information and services to the villages. In the phase described below, GRASSO took over the management of the wireless local loop (WLL) (code division multiple access [CDMA]) network of Bharat Sanchar Nigam Ltd. (BSNL), India's top Internet service provider.

Management Structure

While reluctant at first to work with an NGO, BSNL, after checking GRASSO's credentials, realized that GRASSO was effectively managing the WLL installations. BSNL therefore planned to formalize the relationship through a memorandum of understanding.

To manage its operations, GRASSO had developed a centrally controlled information system (CCIS). A computerized database, which was analyzed on 78 parameters, was used in selecting the beneficiaries. Data were collected with the help of a questionnaire designed by a national marketing organization (ORG-MARG). Locations were likewise selected through a database, and one phone was provided for every 1,000 people.

A potential beneficiary could enroll with GRASSO after paying a registration fee of Rs500 and a form fee of Rs50. GRASSO also charged a one-time connection fee of Rs1,000 per connection. After evaluation, the beneficiary was given a handset to start offering public call office (PCO) services.

After the start of service, GRASSO collected the bills from BSNL and distributed them in the villages. Then it collected the payments from the PCO operator and paid BSNL. GRASSO also pushed for other services. For example, it worked with the top BSNL management at the state level for the approval of the annual maintenance contract (AMC) for village telephones.

Business Model

In the first phase, GRASSO took over the management of the WLL (CDMA) network of BSNL. The phones had been provided or were to be provided by BSNL in rural areas for PCO facilities to selected beneficiaries. The towers (BTS) and other infrastructure had been set up by BSNL. GRASSO was the "bulk franchisee" for the service. It took part in selecting the beneficiaries and facilitating operations (by creating a log of problems, analyzing them, and following up their resolution with BSNL). GRASSO was also involved in bill collection and payment to BSNL on behalf of the beneficiaries. As of December 2004, it was operating in eight districts.

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Since GRASSO's involvement in the project, revenues for BSNL from the selected areas have gone up significantly. The monthly revenue from the nearly 1,000 phones in the GRASSO project has been around Rs3–4 million, instead of the few thousand rupees generated earlier (Appendix 4). The PCO operator had to invest Rs13,380 for the WLL PCO sets and patch panel and had to spend Rs4,000 more for the security deposit and management fees, for a total of Rs17,380. Of this amount, Rs2,000 came from the individual contributions and the remaining Rs15,380 could be covered by a loan.

Appendix 4 shows the average revenue per phone. The earning potential varied from Rs200 to nearly Rs1,000 (at 20% share of revenue for the operator). While revenue of less than Rs500–800 may not be profitable for the operator, lower bill amounts usually indicate a later start of operations. In most cases, the bill amounts tended to go up as the operations went on. Usually operators also charged for incoming calls, and most villagers did not mind paying. This amount is not reflected in the table. So, in reality the amounts earned were higher than those shown here. The very high percentage of bills collected also indicates the operational efficiency of GRASSO.

Evaluation

The CDMA network, which was supported by the local government, had many technical problems. The engineers did not give effective support in the field. Relying on service engineers from Korea was expensive and caused disruptions and delays in services.

The BSNL billing process was lengthy, and delays in billing caused the amounts billed to accumulate. The villagers often found it difficult to pay the large amounts all at one time.

Funding for potential operators was not easily available at the branches. Despite various meetings with the state governments and the state and district banking committees, not a single case was financed by the banks in the first phase of the project.

The villages worked out innovative solutions for charging handsets, as many GRASSO locations had never been electrified.

Akshaya Project

*Project Background*¹⁴

The Akshaya project, under the Kerala government, was started at the request of the local self-governance (LSG) bodies in the villages, which were in turn responding to the need for alternative employment opportunities for the people in Mallapuram district. Among the districts in Kerala, Mallapuram had the largest number of people working abroad (mostly in Gulf countries) but ranked third or fourth in remittances, indicating that those who were working abroad were mostly employed in lower-value jobs. Moreover, a few years back there was pressure in the Gulf countries to award these lower-level jobs to their own citizens. The LSGs in Mallapuram therefore had to think of employment alternatives, and IT training emerged as a possibility.

Approached for help by the LSGs, the Kerala State IT Mission (KSITM) decided to design and implement an e-literacy program called Akshaya.¹⁵

Management Structure

KSITM provided the concept, and implemented and coordinated the project. Under the IT secretary, there was a mission coordinator, and an assistant mission coordinator. The Department of Science and Technology for Entrepreneurial Development of the central Government paid the salaries of the four project coordinators. The other staff costs were borne by KSITM.

The basic design elements of Akshaya were (i) the setting up of 4,500–6,000 Akshaya centers (ACs) across the state, with one AC for every two wards of the local body, so that there was an AC within 2 kilometers (km) of any house; (ii) connectivity to the telecommunication network; (iii) at least 15 hours of IT training for at least one member from each of the 0.65 million families in the district; and (iv) the management of each AC by an entrepreneur, who had to invest in a PC and connectivity. The investment would be recovered through a service charge on a number of services, such as computer training, collection of utility bills, and taxes.

Akshaya was planned as a hierarchical network, with three levels of connectivity at the district, subdistrict, and village levels. The connectivity to the backbone would be funded by the state government and the Department of IT, Kerala.

¹⁴ www.itu.int/osg/spu/wsis-themes/ict_stories/Informationkeralamissioncasestudy.html

¹⁵ *Akshaya* means indestructible and everlasting.

The KSITM team had to design the network itself, as the existing NIC network operated only up to the district level and was erratic. The public operator (BSNL) was unwilling to share costs, even though greater use of the proposed network would increase traffic in BSNL's own network.

Technology and Configuration at the Kiosks

Choice of Network Technology. The geographic characteristics of the state, including a rural-urban continuum, an uneven terrain, and dense vegetation, created challenges for the choice of wireless technology.

corDECT was not selected because of the expected bandwidth limitations and problems with non-LOS transmission. Non-LOS transmission was an important requirement in the specific terrain. VSAT was ruled out, as the coverage would depend on the satellite footprint and the cost was deemed too high. VOIP, which could be a killer application given the number of those working abroad, could have problems from the latency delays in a VSAT application. Other solutions were more expensive and did not perform adequately.

On the basis of several considerations, such as lower cost, non-LOS transmission, and scalability, KSITM selected Tulip IT, India, as the network solution provider. The provider proposed a Wi-LAN solution for the backbone and WipLL¹⁶ for the access network.

The backbone and the access network use two separate systems:

- **Backbone technology.** The backbone uses a proprietary wireless technology from Wi LAN, Canada. It operates in the 2.4 gigahertz (GHz) range, achieving data rates of 11 megabits per second (Mbps). A single hop range is in excess of 20 km. It is based on WiMAX, an implementation of the IEEE 802.16 standard. The LOS limitation was overcome through point-to-multipoint transmission. As the network grows, any node could be promoted to be a repeater. The network could be deployed one node at a time. Each unit is functionally complete to operate as a hub, repeater, or end node. Further, the bridge could be configured as a bridge or as a router.
- **Access network technology.** This was implemented with the use of the WipLL implementation of Air Span.¹⁷ The system could run in

¹⁶ WipLL is a point-to-multipoint wireless wide area networking system that uses Internet protocol (IP) technology, with an operating range in excess of 10 km line of sight (LOS) and several kilometers non-LOS. It carries voice, video, and data services on a single platform over the metropolitan area, and supports quality of service (QoS) and bandwidth on demand (BoD).

¹⁷ <http://www.airspan.com/home.html>

the 1.2 GHz, 2.4 GHz, or 3.5 GHz range. The underlying model assumed that a base station could support up to 127 subscribers. Each node has a bandwidth of 4 Mbps. Appendix 5 gives the details of the architecture.

The Network Operating Center (NOC) provides total control over content delivery in terms of connectivity, packet uploads and downloads, and sites visited. For example, many pornography sites have been blocked out. The NOC keeps a complete record of all sites visited by all the ACs. It operates with an 8-hour battery backup.

Kiosk Computer Configuration. Each AC has four to five computers and Internet connectivity. The initial specifications from KSITM were not mandatory. However, since the training programs specified by KSITM were graphics- and image- oriented, a higher configuration was required. To qualify to be a training center, the AC had to follow the given specifications.

Business Model

Each AC requires the entrepreneurs to invest Rp300,000–400,000 and to pay the recurring expenses (electricity and rent). The entrepreneurs also pay the network operator Rs1,000 monthly for spectrum and connectivity charges.

The backbone was provided on a build-operate-transfer model. The Department of IT, Kerala, gave Rs36 million and owns the network. The operator is free to provide connectivity to other entities. But government entities do not have to pay for the bandwidth.

For a 15-hour training module designed by KSITM and priced at Rs140, Rs80 is contributed by the *gram panchayat*, Rs20 by the block *panchayat*, Rs20 by the district *panchayat*, and Rs20 by the beneficiary. KSITM has contracted the training to a training agency.

Loans for entrepreneurs have been worked out with public financial institutions. At the highest level, both the state and district bankers committees supported this initiative, although branches were often reluctant to provide the loans, as these were to be without collateral and about 60% of the loan was to be repaid directly from the e-literacy training fee paid by each AC entrepreneur.

The Center for Development of Imaging Technology (C-DIT) provided several educational CDs such as the popular ones on Spoken English and Arabic, and a health facilities database.

KSITM and C-DIT provided 2-day training to the trainers for the e-literacy project, preceded by heavy campaigning. About 68% of the trainees

were women. The setting up of the AC was perhaps viewed by women as a positive opportunity to earn money without having to leave the house for long.

Evaluation

The availability of power continues to be a major issue, not only at the customer premises but also at the BTS. In some locations generators have been installed, but have to be started manually.

Several nodes are not connected because of the non-LOS constraint.

AC entrepreneurs are concerned about the status of the project after a government change.

KSITM does not have a clear role in developing the business plan for the ACs, especially those that seek to provide commercial activity over the network for organizations like ICICI and insurance companies.

The cost of interconnectivity to the public switched telephone network (PSTN) is perceived to be high.

Customers are usually charged a premium for paying the bills at ACs or for transacting business through ACs. This model is acceptable to the villagers, as they would otherwise have to travel someplace else and spend money and time to pay their bills. A more attractive model would be where both the service provider and the villagers benefit. The villager could pay a slightly lower bill, and the early payment would give the company enough premium to accept a lower payment.

Lower electricity tariffs could apply if the AC were treated as a small-scale industry instead of a commercial enterprise.

It was envisaged that government would provide some relevant content in the local language and facilitate the provision of the network for dissemination. For example, activities such as the computerization of *panchayat* records could be routed to the centers.

The backbone has not been used as envisaged because of technological problems. Since this is the first project to use the new technology, a tie-up with educational institutes like the Indian Institute of Technology, the National Institute of Technology, or the Rural Electrification Corporation could be useful. The important issue for governments is whether to adopt proprietary technology or open standards. This choice is made more complex in a fast-changing area of technology where standards are still evolving and private entities could influence the adoption of standards.

Central government agencies such as NIC and BSNL (in providing co-location facilities) do not appear to have acted together in this initiative. This points to the need for greater coordination across the state and central bodies.

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Lessons Learned from the Projects

The more commercially viable projects were either those where the civil society/private entrepreneur (GRASSO, n-Logue) took the initiative or where the public administration sought such partnerships (Akshaya). In contrast, the CICs had no formal mechanism for such partnerships and did not do well. Although commercial viability was not a stated goal of the CIC project, even in operational terms this project was not doing well.

Given the requirements of services in rural areas (high costs, poorer target groups, lack of technical knowledge), the involvement of public agencies is important, as rural private enterprise by itself may not have enough resources to manage the rollout of telecenters and their connectivity. On the other hand, public administration by itself may not have the necessary incentives to make the project commercially viable. Further, excluding the private sector could reduce the innovation and context-specific knowledge that could drive telecenter use.

Successful telecenter deployment requires the formalization of processes, systems, and knowledge, as well as coordination with financial institutions and regulatory agencies. Such skills and resources may not be easily available in the countryside. Civil society or intermediating organizations could help bring together rural private enterprise and the public administration. While intermediaries generally introduce more transaction costs, in this case, the complexity of the underlying processes (technology, understanding of regulations, financial support) and the inadequacy of resources at the rural private enterprises (knowledge, interface with incumbents) could cause the benefits of ICT to be locked in and unavailable. Additional costs would be a small price to pay for unlocking those benefits.

We identify below the various dimensions of telecenter provision and evaluate the role of the private enterprise, public administration, and civil society along those dimensions.

Service Content

The case studies showed access to be more critical than content. While content is currently inadequate, and therefore kiosk operators use training, e-mail, and Web browsing to generate revenues, some private banks and insurance companies have started to explore the infrastructure for rural service delivery. The case studies highlighted the fact that the private operator had significant initiative and wherewithal to manage content. Civil society played an important part in identifying, generating, and managing content, as it had knowledge of actual requirements and could coordinate with the government agencies that might have relevant content. It may also have the expertise to identify sources of content.

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The government/public administration plays a critical part not only in facilitating the provision of this basic infrastructure but also in the computerization and reengineering of its processes, and the delivery of citizen-oriented services.

People perceive training to be useful if it comes with certification. Training content therefore needs to be formalized. Such linkages could be established at the state level, for example. Public administration can play a critical part in accreditation.

Infrastructure

The availability of power and good-quality and reliable connections are bottlenecks where public administration can and should act as facilitator.

The availability of power is a major concern in all projects. Therefore, alternative power sources must be explored. Subsidies or grants for using alternative power sources also need to be part of the projects. The Ministry of Non-Conventional Energy Sources must be involved in the design and development of such projects.

The new initiatives should be integrated with the existing state infrastructure such as statewide area networks (Jain and Raghuram 2002¹⁸).

On the above two aspects, the role of public administration is more critical than that of private enterprise. Civil society acts as coordinator.

Management

The following are areas where public administration has a major role:

- Easy interconnectivity terms, model contracts, monitoring of operational parameters, and lessening of bureaucratic control.
- Coordination between departments, for example, between central government agencies such as NIC and BSNL, as noted above.

Public administration and civil society need to work together on the following:

- Design of effective awareness campaigns. n-Logue, Akshaya, and GRASSO have used this tool effectively to spread awareness about their projects.

¹⁸ <http://www.mit.gov.in/policyguidelinesforSWAN.pdf>

- Assessment of the technology to be used. The technology must be low-cost and off-the-shelf, provide for data connectivity, and have low power and low maintenance requirements. It should also be based on open standards to allow for future growth.
- Location of the projects within the community vis-à-vis the location of other commercial and social enterprises and accessibility to different socioeconomic groups. These factors are important to the success of the projects.
- Definition of criteria for the selection of entrepreneurs to run such projects. The selection process should be transparent. Those chosen should have the entrepreneurial mind set and the ability to market the services.
- Planning for the rollout of kiosks. The interfacing public administration agency would be the state or district and local authorities.
- Design of an operational management information system (MIS) for higher levels of management to help manage the kiosks more effectively, as many kiosk operators may not be able to keep track of performance.

Finance

Public administrators have an important role in financing, as identified below, while civil society has a supporting role in identifying beneficiaries and developing systems for operators that could help them manage their resources.

- Easy access to capital to build the stakeholding of the village operator is necessary. Banks and financial and credit agencies could provide funding.
- The availability of USOF funds would facilitate the rollout of such projects.
- The possibility of integrating the provision of kiosks with existing developmental programs such as the Prime Minister's Gram Swarajya Yojana or with self-help groups should be looked into.

Conclusion

While the role of public administration in the spread of rural telecommunications, specifically in the deployment of telecenters, is significant, its effectiveness can be leveraged through the inclusion of the private sector and civil society in rural telecommunication policy and plans. Civil society has a critical role in managing the coordination between the public and private sectors.

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The deployment of infrastructure does not merely require the cost-effective use of technology and careful choice of robust and interoperable standards—where public administration has a critical role. It also hinges on the design and implementation of appropriate institutional infrastructure (mechanisms for identifying beneficiaries, availability of MIS, provision of vendor support, etc.), where civil society can effectively support the rural enterprises.

Central, state, and local agencies also need to coordinate for successful deployment. There is a need to learn across different projects, possibly through a “knowledge center” that encompasses the lessons learned and provides consultancy and advisory support on the basis of the implementation experience gained on different projects.

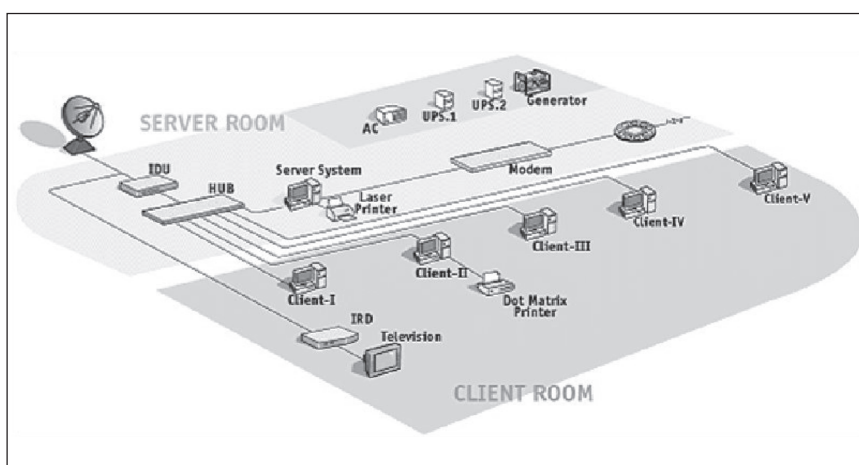
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Appendix 1: Spread of the Projects

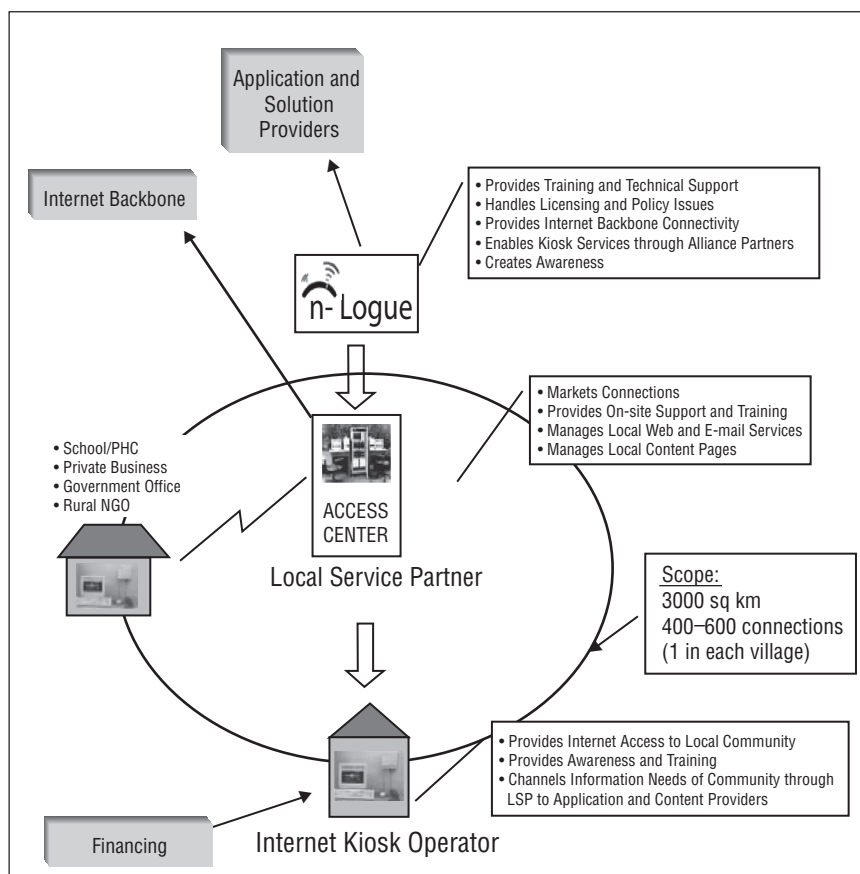
Project	Coverage		
	Villages	Districts	States
CIC	457	81	8
n-Logue	Nearly 2,000	44	7
GRASSO	883	11	1
Akshaya	552	1	1
Total	3,892	137	17

Appendix 2: Community Information Centers Network



AC = Air Conditioner; IDU = interface data unit; IRD = interactive radio decoder; UPS = uninterrupted power supply.
Source: NIC documents.

Appendix 3: n-Logue Network



LSP = local service partner; PHC = public health center; NGO = nongovernment organization
 Source: www.n-Logue.com.

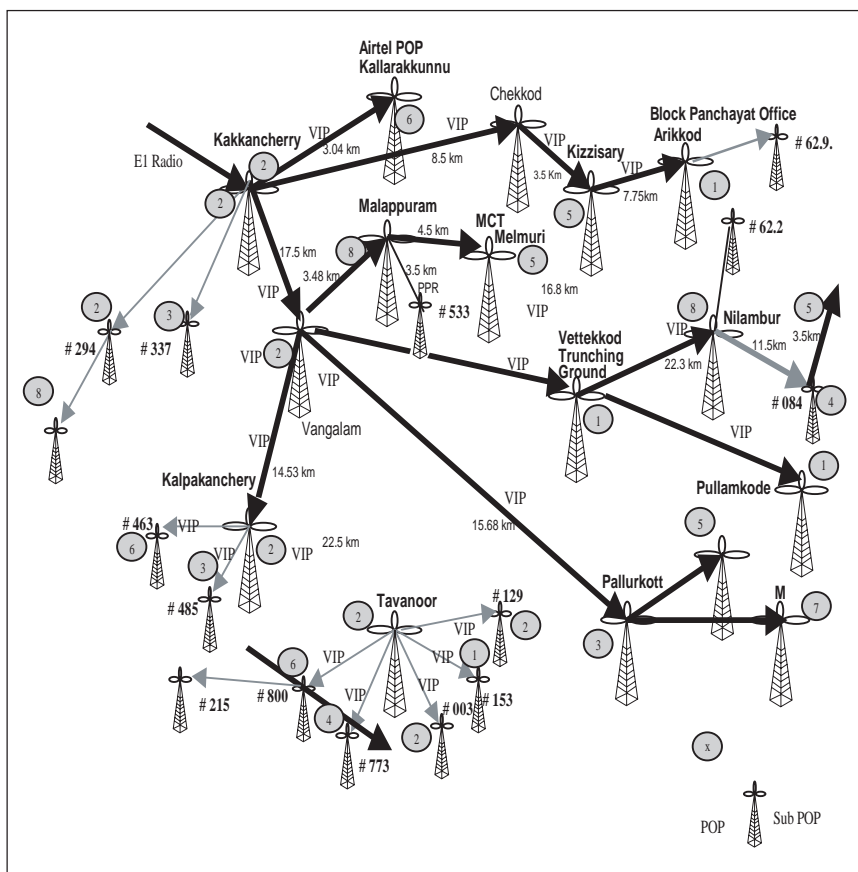
Appendix 4: Billing Summary, April 2004

District	No. of Telephones	Total Bill Amount (Rs)	Collection		GRASSO Commission (Rs)	Revenue Per Phone (Rs)
			Amount Collected	% of Bill Amount (Rs)		
Burdwan	120	156,033	156,033	100	3,643	1,300
Malda	87	74,338	73,154	98	2,156	841
Jalpaiguri	116	271,378	215,129	79	6,156	1,855
Nadia	30	216,654	161,400	74	1,535	5,380
Murshidabad	116	187,389	163,097	87	5,476	1,406
Bankura	19	30,787	30,079	98	770	1,583
24 Parganas (south)	112	212,869	200,606	94	6,115	1,791
24 Parganas (north)	142	211,757	200,687	95	6,266	1,413
Howrah	47	33,719	30,721	91	978	654
Hoogly	64	124,133	102,872	83	3,547	1,607
Coochbihar	30	95,800	95,800	100	2,397	3,193
Total	883	1,614,857	1,429,578	Average 91	39,039	1,619

GRASSO = Grameen Sewa Sanchar Organization

Source: GRASSO internal documents.

Appendix 5: The Backbone Network



VIP = Proprietary technology from Wi-LAN used in the Akshaya network

Source: Tulip Systems Limited.

Power, Public Administration, and Poverty: An Inquiry into the Rural Employment Program in India

Biswatosh Saha and Ram Kumar Kakani¹

Introduction

The state, as the political sovereign, has a responsibility to ensure the prosperity of its subjects. This prosperity is derived from the pursuit of private actions, driven by private motives. Differences in individual skills and beliefs are the bedrock of such private initiative and profits. Such differences, on the other hand, increase the possibility that social harmony will be lost. The continuance of a state structure, over the long run, therefore depends on the twin objectives of preserving harmony and providing the individual with adequate space to pursue private initiative. Public administration, as the arm of the state, is subject to this dichotomy as well. In countries such as India, widespread poverty, particularly in rural areas, is a threat to both the above objectives of public administration. Attempts by the federal government (central government) to tackle the issue by financing poverty alleviation programs and implementing them through the public administration systems have not borne enough encouraging results. This paper attempts to search for reasons for such failures and in the process tentatively move toward a framework that provides a better understanding and a guide for action.

We argue specifically in this paper that this failure to deal with poverty is an outcome of a wedge between conceptual and actionable knowledge, a wedge that is perpetuated by the power structure. Conceptual knowledge is abstract, and it inspires imagination. Knowledge claims flowing from abstract concepts generated in elite discourse around conceptual knowledge lead to norms and rules that drive governance in the system; they lead to action. However, for the powerless governed, lacking strategic space, knowledge claims are often generated only in action, since autonomous discourse in abstract knowledge is often lacking. Yet, because the authors of such knowledge claims generated in action are so powerless, the claims are not celebrated. They are not elevated, and might even wither away. Such actionable knowledge claims of the powerless are therefore like discourse that is not voiced or cannot be voiced, and often manifested in

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macabre forms of subversion of norms and rules of the system, which give rise to a sense of failure of governance among those with power as well. Power thus brings actionable knowledge to the fore, but in two different forms. For the power holder, it takes the form of a deviation from norms and rules in the actionable domain through subversion by the powerless, revealing a gap in knowledge between the conceptual and the actionable domain that is reluctantly (often tacitly) tolerated. For the powerless, on the other hand, actionable knowledge is living—negotiating on the deviation is an existential requirement.

Central to our schema is the argument that knowledge is generated and acted on within a context. These contexts are local and different. They are often spatial (e.g., rural-urban). Different strategic actors in different contexts, dwelling in what sociologists would call different lifeworlds, would have different incentives to act, and often different beliefs and skills. Yet, driven by the strategist's desire to act (and govern), a conceptual knowledge claim associated with power needs to take cognizance of a multiplicity of contexts, since governance is often desired across overarching structures that span multiple contexts. The strategist with the associated knowledge claim must then seek to understand the other over whom governance is sought, since the other is important to strategy. The strategist must peek into other contexts. While action and knowledge in the actionable domain are tied more firmly to the local context, conceptual knowledge seeks to break out to embrace other contexts. This is a major source of tension.

The project of understanding the other, which is so important, is, however, analytically most problematic. This understanding often flows from abstract theories and concepts developed in science (as in economics or development planning) by communities of experts, which then produce a conceptual knowledge claim and an actionable agenda. From the perspective of actionable knowledge, this understanding also evolves through conflicts and through negotiations that actors undertake in the course of an action. Multiple contexts, different lifeworlds, and strategic actors dialogue at the interface of contexts generated in practice. There is conflict and negotiation, and often the creation of new shared contexts and meanings. In the process, preconceived abstract concepts are redefined and reformulated, and conceptual knowledge claims are redefined as well. There is therefore a journey back and forth between conceptual (abstract) knowledge and the concrete actionable agenda.

But this process is not smooth, nor does it necessarily occur. A basic proposition of this paper is that this process is mediated by structures of power. The multiple actors in multiple contexts most often have asymmetrical access to power: some are at the center and others at the periphery of a centralized

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bureaucracy, or some are inside and others outside a formal power structure. In most cases it is useful to visualize multiple actors as located in different tiers of a hierarchy of power. This difference in power has important connotations, for instance, in the meaning of “other” to those who wield power and to those over whom power is wielded. Power alters the motivation to know the other. Power, moreover, is not an undifferentiated mass; it has many shades, many domains. Different actors also differ with respect to the domain over which they exercise power, and this difference often shapes the negotiations and exchanges that occur at the interface of contexts. The “folk elite” at the periphery of a power structure, for instance, may have the power to negotiate a local deal but not the power to influence a scientific discourse (often in abstract terms) at the center of the power structure. The different contexts are therefore laden differentially with power. State and its administration are not homogeneous, and differences between the tiers of administration are important. This difference often has a geographic or a spatial dimension as well, just as poverty has a spatial dimension in the form of difference in intensity, say, between urban and rural poverty. Public administration therefore has connotations of spatial competition.

Knowledge and power thus remain enmeshed. A counterclaim of knowledge must not only deconstruct the dominant knowledge claim, but must also reclaim and reconfigure power. It is a strategic act. Reinterpretation of knowledge and reconfiguration of power proceed simultaneously, and this reclaiming is often important in creating the strategic space required to validate the local (local skills, for instance). This also implies that a counterclaim to knowledge, which is counter-systemic, may fail at reinterpretation because it fails to reconfigure power. The counter-discourse may fail to take root, to find a voice. The counter-discourse may also wither away. This is often associated with de-skilling and the withering of local skills. The dominant conceptual knowledge claim remains unchallenged in the discourse space. It may then continue to retain salience even though it fails to deliver, to govern. Apologists would then claim a failure in the implementation of a well-formulated strategy. Such claims are widespread when discussing bureaucratic failures in private corporations as well as state bureaucratic structures. We argue that there is no such thing as an implementation failure. The slip lies actually in a knowledge claim that fails to perceive the other adequately because of its inability to engage in a dialogue with the counter-discourse. A counterclaim to knowledge, authored by the other, fails to negotiate with the dominant claim in order to revise it. The other, however, most often retains a stealthy freedom to subvert (which is deemed illegitimate within the dominant knowledge claim) the strategist’s desires. We have a failure of governance. For the powerless governed,

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this stealthy freedom organized around a murky world of subversion is, however, the root of existence and strategizing.

This paper is our interpretational journey through the state bureaucracy that administers the rural employment generation scheme (through public works) sponsored by the central Government in India (as consultants evaluating the implementation of the project in selected areas in the province of Bihar in February–March 2004²). We do not provide a data-rich, objective account. As we will explain later, the process of information generation and processing is itself enmeshed in power conflicts. There are significant “noises” in the data, not often referred to in studies, where data, slightly removed from the murky local context of their generation, become “scientific” and inviolable. We reject much of structured data. We provide instead anecdotes, snippets of conversation, pieces of dialogue, and some pieces of evidence (often mined from structured data sets, but interpreted accordingly) that we came across. Our aim is to build up the discourse surrounding the scheme, between officials in different layers of the bureaucracy and those outside the bureaucratic power structure—the poor, landless peasants around whom the scheme is designed. And we interpret the conflicting discourse surrounding the rules of the scheme and its numerous breaches in implementation. We interpret power, the limits to power, and folk life’s recalcitrant refusal to fully submit.

The following section gives a brief overview of poverty alleviation programs in India. In the process we also look into the structure of the multitiered state administrative apparatus and the debates around the location of power within different layers of state administration. The section after that gives details of the scheme (including rules or norms, on which we concentrate) and the roles of different agencies involved in implementation. We also take a peek into the folk world—the local government (bureaucrats), the local elite (most often the elected representatives in local government bodies), and the local poor in rural areas we visited to observe the scheme as it was being implemented. We confront multiple world-views, multiple lifeworlds. And finally we make conclusions.

Poverty Alleviation Programs in India

Development planners in India have grappled with the problem of rural poverty for a long time. In the 1970s, direct poverty alleviation programs providing employment and consumption support for the lowest rungs of rural society began to be designed and sponsored by the central Government. These programs were largely an outcome of increasing rural unrest and the realization

² The areas we visited are shown in the table in Appendix 1.

that large-scale industrialization was unlikely to have positive employment and income effects for the larger part of the rural population in the foreseeable future. Hence, direct programs of support to the rural poor were deemed important by the development elite. Rural public works programs are one form of such support programs. Their rationale, within the elite development discourse, lies in the seasonal nature of demand for agricultural labor and the resultant lack of employment and income generation opportunities during the lean agricultural season—a problem aggravated by the paucity of alternative employment options locally (for instance in rural industry). The problem is acute for the lowest rungs of rural society, who depend on daily (or weekly) subsistence wages (as agricultural labor) and have no access to other income-generating assets. Rural public works programs during the lean season would both improve rural infrastructure and generate wage employment, thus providing income and consumption support.

But how would such programs be designed and how would they be financed and governed? We must digress briefly and consider the structure of the state bureaucratic apparatus in India and the historical debates surrounding the architecture and distribution of power between the multiple tiers. At the time of independence, India had an inherited colonial administrative setup. While the national and provincial governments were legitimized through a democratic process of electoral contests (through universal adult suffrage), the local governments (in the rural areas in particular) were not democratized. The autonomy of local governments was thwarted, and it was only in the early 1990s that an amendment to the Constitution (the 73rd amendment) mandated the creation of the third tier of democratic government in India, the local *panchayat* system in rural areas. The *panchayati raj* institutions envisaged in the amendment consisted of local government bodies in the districts (*zilla parishad*), blocks (*block samiti*), and villages (*gram panchayat*).³ In the wake of this legislative move, *panchayat* elections were held in Bihar in 2001, for the first time in nearly 30 years. Local government in rural India has continued to be viewed as an arm or agency of superior (higher) tiers of government and has lacked autonomy and powers. Local government bodies lack financial resources⁴ (Rajaraman 2003, Government of India 2000),

³ There were 2,32,278 *gram panchayats*, 6022 *block samitis*, and 535 *zilla parishads* in India in March 2003. Each *gram panchayat* had a population of around 3,000, with wide variation between provinces (Government of India 2003).

⁴ Own resources raised by *panchayats* along with land revenue (which is levied by provincial governments but is transferred to *panchayats*) were just around 10% of the total resource flow from the central Government in the Sampoorna Grameen Rozgar Yojana (SGRY) scheme alone, attesting to the strangling fiscal dependence of local bodies on higher tiers of government.

taxation rights, and the power to decide on the utilization (and pricing) of local resources.

While this centralized structure of the state apparatus was, in a sense, natural for the colonial administration, with its driving desire to control from a distance, the fact that the developmental regime, after independence, inherited the same structure and retained the colonial legacy is somewhat strange. This decision was not arrived at without debate and contest, however. At least two other alternatives and discourses in the country, even within the elite national leadership across the ideological spectrum, contested the proposal to set up a unitary state structure. One was Gandhi's proposal for strong local self-government (*gram swaraj*) and his radical idea of power flowing from the bottom—the village governments federating into provincial and national governments. The other was the draft of the Constitution for free India that M. N. Roy espoused, which envisaged the creation of networks of local people's committees in villages, towns, and cities to discharge the local functions of government and to exercise control over the local bureaucracy. Within the Gandhian vision, power over local resources in villages would have remained within the local government and the community. Higher tiers of state structure and civil society and large-scale industry organized around the federated power structures would then have negotiated for access to rural resources. It is through this process of dialogue that the village would have interacted with the city, and the city with the village, and in the process each would have known the "other." Control and power over local resources would have enabled the local (rural) community and government to nurture a local discourse and create the required strategic space to valorize local skills and resources. Several local and regional discourses and a national discourse would have populated a competitive discourse space. Imagination inspired by local discourse would have found in local political power a vehicle for action to shape local development trajectories. The local (rural), provincial, and national tiers of state and civil society organized around it would have retained their own salience, but their appropriate roles would have been discovered through continuing dialogue (and negotiations). Public administration in such a framework would be part of a process of spatial competition as well.

The centralization discourse, however, won the debate (politically) around the time that India attained independence, and the Constitution and structure of the state were designed accordingly. What is ironic is that the centralization discourse found support from even radical political constituencies. B. R. Ambedkar, who represented the *dalits* (lower-caste people who are socially and economically marginalized), for instance, argued against the empowerment of village *panchayats*, for he feared that the landed gentry of the upper castes

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would invariably dominate the *dalits* and local government institutions would be used to perpetuate the exploitation of lower-caste people and the poor (see Bandyopadhyay, S. K. Ghosh, and B. Ghosh 2003). The modern state and its local representatives, the local administration, thus became powerful in the name of protecting the interests of the lowest sections of rural society from exploitation by the local elite. A centralized modern state structure was created where the local bodies were mere implementation agencies of rural development programs of national or provincial governments. This centralized structure of the state apparatus meant that rural development schemes would also have that bias, in the distribution of rights to decision making between the various tiers of the government. More importantly, perhaps, the possibility of cultivating a multiplicity of local discourses was short-circuited. For instance, studies on rural development that could generate local discourse (on development) would mostly be carried out or intermediated (and financed) by central agencies. Local discourse, to be voiced (and legitimized), would then have to be elevated through an intermediary at a higher level.⁵ This would, however, reduce power around the local discourse and stifle it. The local (or rural) and the national, therefore, began to constitute two different contexts laden differentially with power. Power over the local (resources) was usurped by the national. Local (rural) development began to be defined and directed within a discourse of the development elite and actions of the developmental administration (bureaucracy).

Sampoorna Grameen Rozgar Yojana

Our inquiry and interpretation is organized around the rural employment generation scheme, Sampoorna Grameen Rozgar Yojana (SGRY).⁶ Funded and administered by the Ministry of Rural Development, it was the major source of financial flows from the central Government to local government bodies for rural development activities.⁷ The scheme was launched in August 2001 with the ambitious target of generating 1 billion person-days of employment in rural areas of the country and was in operation till 2004.

⁵ Our assignment, for instance, came from the central Government, though the geographic ambit of the study was a small part of a province (our institute is located in a neighboring province). The terms of inquiry that defined the broad parameters of the study were set by the central agency. A question that came to us was why such studies and projects are not organized by local governments (say, panchayats) to give voice to and build up a local discourse.

⁶ The rural employment scheme was launched under a new name in 2004, following a change in the political party in power in the central Government. The structure, however, remains largely unchanged.

⁷ According to revised budgetary estimates for the ministry in 2002–2003, out of a total allocation of Rs183.76 billion, almost Rs90 billion was set aside for SGRY (Government of India 2003).

More than half of the allocation was in the form of food grains (5 million metric tons of grains—rice and wheat—worth Rs50 billion) to be supplied from the stocks of the Food Corporation of India, the parastatal agency responsible for the procurement and distribution of food grains through the public distribution system. SGRY was implemented by the three-tier *panchayat* bodies with resources they shared between them. Yet, after 2 years of operation of the scheme, there were a few disturbing observations. Allocated resources, particularly grains, were not utilized fully. This was one of our main points of inquiry. As a senior bureaucrat in the Ministry of Rural Development put it:

There are many problems in the implementation of the scheme, particularly with the local governments. They are inept. They are not able to utilize the resources provided. The Ministry is very prompt in releasing funds, if the reports from the implementing agencies are in order.

But why were reports not in order, we wondered.

The Management Control System

We first look into the broad contours of management control systems used for monitoring at different levels of the scheme. The chart in Appendix 2 captures the different agencies involved—the flow of funds and the generation and flow of information. “Hard” information, or firm figures, is differentiated from “soft” information, which is more in the nature of estimates often arrived at by rule of thumb.

The Ministry of Rural Development was at the apex of the control system and was the principal source of funds for the program. Funds and food grains were allocated every year to each district on the basis of identified parameters of backwardness of the district like population below the official poverty income level and population of marginalized castes and tribes. The release of funds, however, depended on the submission of reports (and, hence, data) to the ministry and past utilization of the allocated resources. Funds were released directly to the District Rural Development Agency (DRDA), which disbursed them to the implementing *panchayati raj* bodies on the basis of project plans.

Central Government Guidelines: Labor Intensity

The flow of funds from the central Government to local *panchayat* bodies was accompanied by a set of conditions that the implementing agencies had to comply with. Although there were several such guidelines, we discuss only one of them. It is around this guideline (norm) and the deviation from it that we organize our attempt at interpretation. The scheme was envisaged primarily

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as a wage employment generation program that would also create durable rural infrastructure and public assets. Given the very nature of the scheme, therefore, it tried to reach the lowest rungs of rural society, where the demand for wage employment is high. Hence, the guidelines emphasized labor-intensive works. Although no indicative or normative wage-to-material ratio was specified for works in the scheme, the implicit wage-to-material ratio was quite high, given the allocation pattern of funds and food grains in the program.

When the scheme was started, the annual fund allocation for the scheme was around Rs50 billion, while the food grain allocation was around 5 million metric tons. At least 5 kg of grains was to be provided per person-day, and the rest of the minimum wage (Rs58 per day in Bihar) was to be paid in cash. An additional stipulation was that 25% of the minimum wage had to be paid in cash. Given the ratio of cash and food grain allocation and other stipulations (along with the valuation norms adopted in Bihar, i.e., Rs5.67 per kg for rice), the implicit wage-nonwage ratio for works in the scheme came to around 3:1 for equal utilization of both the funds and food grain components of the allocation.⁸

This implicit ratio, moreover, was binding in the sense that non-adherence had costs for the local government bodies implementing the scheme. If the utilization of the allotted food grain is low, as would be a natural outcome of taking up works with a higher nonwage or material component, a lower allotment of food grains would be made the next year and there would be a pro-rata reduction in the fund allocation.⁹ The fund (cash) allocation was fungible (it could be used for the cash component of wages or spent on materials), while the allocation of grains could be used only to pay for wages, unless (illegal) diversion was allowed (i.e., selling the allocated grain in the open market and using the cash realized to procure materials). Since the local government bodies were almost totally dependent on the funds flow from the

⁸ Suppose Bihar were to receive Rs10X million in funds and X/1,000 million metric tons of food grains (fund and food grains being divided among states on the same pro-rata basis), with the value of the grains being around Rs6X million. At the beneficiary level, if rice were valued at Rs5.67 (plus 4% sales tax and 1% market tax in some districts), this would mean that around half of the wage compensation would be in the form of grains, so that, along with Rs6X million worth of grain, an equal amount of funds would be required to pay the cash wage. So, Rs12X million out of the Rs16X million (of the total fund and grain allocation) would be the wage component, giving a wage-material ratio of 3:1.

⁹ The central allocation in the scheme was released in two installments each year. The second installment was released if 60% of available funds that year (including unused funds from the previous year and the current year's first installment) was used. In addition, 75% of the first installment of food grain allocation had to be taken up and 60% of the grain taken up (along with the balance) had to be distributed. Otherwise, the allocation of grains was reduced and, along with that, the fund allocation was reduced proportionately as well.

central Government to carry out local development activities (as was their mandate), the guideline created incentives forcing local implementing agencies to follow the implicit wage-nonwage ratio while selecting works in the scheme. In this sense, the guideline for labor-intensive works was an important control measure as well. It was a norm, a rule, in the action domain of those responsible for planning and executing the scheme in the ministry.

Deviation and Its Interpretation

However, our analysis of projects taken up in the four districts we visited showed that the labor intensity (wage-nonwage ratio) of projects taken up under the scheme should have been far lower than the implicit norms. We analyzed in detail projects taken up in the scheme in all four districts from the consolidated list available at the DRDA office. Here, we present information on Bhojpur district only, since the patterns were quite similar across the four districts.¹⁰ Broadly speaking, most projects taken up in the scheme involved around 10–15% of project expense as wage payment. Thus, from an analysis of the project list, it appears that the wage-nonwage ratio should have been far lower than the implicit ratio envisaged in the scheme. The norm or rule for taking up labor-intensive projects under the scheme was thus violated in implementation. The norm failed in action. The deviation now needs to be interpreted.

Low food grain utilization is understandable, for grains are not fungible (unlike cash) and had to be used to pay wages alone. While the local implementing and monitoring agencies, i.e., the elected local bodies and the

¹⁰ Around 500 projects were implemented through the *block samithi* and around 100 projects through the *zilla parishad* between 2001 and 2003. The projects included (roughly in order of their importance in terms of number of projects taken up) the construction of rural link roads (mud roads with brick soling), school buildings and community halls (usually the addition of a room or two in existing structures), concrete local drainage systems, concrete culverts and pools, concrete sheds (*chabutra*), pucca houses (*awas*), and mud roads (*kuccha*), as well as the cleaning and deepening of ponds or other water storage structures. Except for the last two types of projects, these projects were primarily material- or capital-intensive. Most of the projects were, moreover, small (in terms of cost) and involved only temporary employment generation for short periods (maybe a month).

The independent estimates of engineers showed that the labor (wage) component of these projects could not have been more than 10–15% (given the construction technology that was normally adopted). In most cases it should have been even lower. The construction of *kuccha* roads and the cleaning and deepening of water storage structures are more labor-intensive projects (50–70% of cost would be on wages). However, the share of these types of projects was very small. Out of 500 schemes at the *block samithi* level, we could locate only 35 *kuccha* road construction projects (those that did not have the phrase “brick-soling” in the project title), and around 20 pond-cleaning or pond-deepening projects. These projects, moreover, cost less. The average project cost estimate of the 35 *katcha* road projects was around Rs35,000, while the average estimate of all projects put together was roughly around Rs120,000. It would be safe to say that the expenditure on labor-intensive projects was even less than 5% of the total approved expenditure in projects at the *block samithi* level. The calculations for *zilla parishad* projects were similar.

bureaucrats in the districts and blocks, could be reprimanded for not adhering to the norms (and non-adherence could also be interpreted as a failure to discharge their duties), in our opinion this deviation was a reflection of deeper conflicts that need to be understood. Interestingly, guidelines for the scheme also indicated that the selection of works should be participatory and projects that satisfied felt needs of the local community should be taken up by local bodies. The local community, however, is not homogeneous in economic, social, or political power. While labor-intensive works create more employment options (per rupee of total expenditure) for the lowest strata, particularly landless laborers, the rural elite may be more interested in taking up more material- or capital-intensive development works that make roads passable, or create other public assets that can be leveraged. What is a felt need of the rural community then and how does it find expression?

This deviation from the norms needs to be interpreted. We inquired deeper into the records (documentation; referred to locally as the measurement book, or MB) of a few sample works (or projects). Most projects showed a fairly high wage-material ratio, consistent with the implicit wage ratio (that we discussed earlier), and a large roster of laborers who were employed temporarily in projects taken up under the scheme. The authenticity of the documentation process and the data generated therein was therefore suspect. We discuss this issue in greater detail when we look more closely into the local monitoring arrangements—the relation between local bureaucrats, elected representatives of local bodies, and the rural poor.

We posed this problem of the material-intensive nature of most projects (the local debate was couched in terms of *kuccha* and *pucca* works) to the laborers whom we met (and who had worked in the projects), the local elite (the elected representatives), and the local bureaucrats (the regulators). These responses were typical:

We plan projects that have a wage-material ratio of around 2:1, so that a lot of employment is generated. We want the scheme to allocate more funds and less grains. We require more funds to carry out development (*pucca*) works. (*Elected representative* - gram pradhan)

We want more employment opportunities. More projects will help us. We want more roads to be built in the village. They increase connectivity, help all of us. (*Wage laborer*)

Pucca works are much better since they create durable assets that the community as a whole benefits from. Though *kuccha* works generate more employment in the short run, they are also prone to greater leakages (and

misappropriation of funds) and are far more difficult to monitor. (*Local bureaucrat*)

We interpret the responses as evidence of agreement across classes (at the local level) on the need for material-intensive works, such as all-weather roads within the rural milieu.¹¹ The reason for such preference, however, varies: the bureaucrat wants easier monitoring ability,¹² the wage laborer wants more employment, and the elected representatives want more development. Although more labor-intensive works would benefit wage laborers much more, neither *panchayat* members nor even wage laborers expressed the need for more labor-intensive works. This is not to say, however, that no scope for such projects exists. The possibility of such projects has simply not yet been discovered or articulated in the local discourse.

The responses of different groups also reveal their place in the overall power structure. The elected representative, as the person responsible for implementing the project (and adhering to norms), has to demonstrate that norms are being followed and documents are maintained, and that is important because well-maintained documents and timely reports bring in fresh resources (the next year's allocation). The demand for more funds, rather than grains, is a cautious demand for more material-intensive works, while giving the impression (or a signal) that norms are being followed. The local discourse arguing for more material-intensive projects fails to contest the norm or the knowledge claim that drove the formulation of the norm. This local discourse lacks legitimacy at the national level. A *gram pradhan* (head of a *gram panchayat*) we met, however, was much more forthright. He said:

All elected representatives have to deviate from the norms of the scheme, because otherwise you cannot carry out any development work. So, breaking the rule is commonplace, but local villagers know who is honest and breaks rules to carry out work in a proper way and who is dishonest and breaks it to derive private benefits.

¹¹ In Bhatwara *gram panchayat* of Korha block in Katihar district, the construction of brick-soled 10-foot-wide roads in the village connecting fields inside the village with the highway made the village more accessible. Banana is a major plantation crop in the village, and it is also exported outside the state, and the road links helped villagers ease supply constraints, since trucks could enter the village directly. The demand for these roads, moreover, was a long-standing issue and the villagers had pleaded with the Members of the Legislative Assembly/Members of Parliament (MLA/MP) (the elected representative to the provincial and federal legislature) of the region for money for the project for a long time (without much effect).

¹² For example, *kuccha* works easily get washed away during heavy rains and floods, which are commonplace in Bihar.

The context matters: local and national are separate. The credibility and honesty of village leaders, built up over long periods of interaction within a small community, were not easily observable to us as outsiders (visiting researchers). The documents or the records, however, were far more intelligible or understandable to us (and the bureaucrats at the national level)—but do these provide relevant information for judging?¹³ Documented information looks at all deviation from norms in the same light. The honest and the dishonest, so easily distinguishable within the information-rich local context, appear quite similar to a distant observer (like a bureaucrat at the national level) using the documented information. In a way, it fails to reveal the strategic intent of the actors—the rural leaders in this case. Context has a spatial, geographic sense. The local and the national, therefore, differ.

The point to be made, however, is that projects were selected through the *gram panchayat* or other elected representative local bodies and were in that sense an expression of revealed felt needs of the heterogeneous rural community, but those revealed felt needs, in many cases, might be weighed more toward the interests of more powerful sections of rural society. Although the guideline specified that “felt need” works should be taken up, the stringent condition regarding the required labor intensity of the works actually gave short shrift to the expression of community needs. Deviation from the norms therefore became the norm in action within the local context. Was this legitimate? Within the structure of the scheme, clearly it was not. However, within the local context the answer does not come so easily. The rural areas we visited lacked all-weather passable roads and many other civic amenities (or public assets) that are common within an urban milieu and are often a symbol of development so that a lack of those amenities is perceived as backwardness. The rural elite therefore strives to overcome this lack of development—and to develop—for the rural elite is also most closely linked (among rural classes) with the urban milieu and also probably aspires most for urban-centered upward mobility. The local, probably, no longer has an autonomous discourse on development. The symbols of development that are imagined are borrowed from the urban-centered discourse, and those images are powerful, as they assert themselves through their absence in the local (rural) milieu. Dreams (within the local) are framed in icons and motifs borrowed from the national.

¹³ In Rampur Urf Rahimpur *gram panchayat* in Parwatta block of Khagaria district the construction of a *chabutra* was one of the works in our sample. Although the muster roll for the work showed several person-days of employment generation, the *panchayat pramukh* (who was widely known to be a very honest and active person) was quite forthright in telling us that only five persons were involved in the construction. All of them were semiskilled workers—masons from outside the village. According to him, the *gram sevak* maintained the muster rolls; these were not his concern.

In the discourse space, the separation between “local” and “national” blurs. The discourse space, in other words, lacks contesting claimants.

Monitoring Systems and Agencies

We now shift to the actionable domain again, where deviation from the (rules of the) scheme was commonplace. It is important, therefore, to understand the monitoring systems and agencies involved in the implementation of SGRY—to find how they interfaced with each other, how they engaged in conflicts, how norms were subverted, and how the conceptual and actionable knowledge domains were reconciled. In our schema, this is most important, for it is the site of action, of implementation, and of the perceived failure in implementation and governance. It provides the window for looking into the “folk world” of the local in action.

As Appendix 2 shows, there were two stages in the monitoring process: a pre-project (approval) stage and a post-project stage of ensuring compliance with documentation requirements, which affected the flow of resources in later periods. Two sets of agencies were involved in the implementation: the elected local bodies and the district and block administration. The roles of the two sets of agencies were quite different within the implementation mechanism of the scheme. While the elected bodies were responsible for selecting the works to be undertaken and for implementing the projects, the administration gave technical as well as administrative (pre-project) approval, including approval of project cost estimates. The administration was also responsible for post-implementation monitoring, i.e., the documentation of proper records (the muster rolls of laborers and the measurement book) and post-project inspection to ensure that the project had been carried out satisfactorily.

The local administration, along with the elected representatives of local government bodies, in a sense, represents the local elite—located between the national (or higher tiers of the state apparatus) and the rural commoner, including the wage laborer around whom the scheme was conceived. It is through this local elite that the rural commoner often connects with the national. The local elite plays the important role of information intermediary.

The lifeworlds of the two segments of the local elite are different, however. The local political class acquired power and position through a local electoral contest, and the cultivation of a local following among the rural commoner would be an important part of its strategic world. It therefore has to look inward to the local. However, it would also aspire to upward mobility within the political party—moving to positions of provincial and national leadership and other such important organizational roles. And this would normally set

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up complex dynamics and multiple strategic possibilities. While the local political leaders would try to leverage their local support base to achieve upward mobility within their own organizations, they would also try to draw support and resources into the local community, to the extent that this ability to bring resources determines the outcome of local political contests and their continued survival in positions of power. This ability to mobilize the local population (in an electoral context) and link it to larger (national or regional) political processes (and parties) gives the local political class its power, albeit only as an agent mobilizer, to negotiate with higher tiers of political leadership or the bureaucracy in the actionable domain.

The position of the local administration is slightly different. Local administrators belong to either national or provincial cadres of the state bureaucratic apparatus. Broadly speaking, their role is to act as agents of the higher tiers of government in the local government, to ensure, in a way, that resources (provided by the higher tiers of government for local development) are used and schemes implemented according to the norms (and rules). The career path of the administrators is up the administrative hierarchy to provincial or national administrative roles, for the local (rural) administrative positions are at the lowest rungs of the bureaucratic hierarchy. For the purpose of this paper, two observations stand out. First, the elected political class is structurally more linked to the rural commoner, for cultivating a following within the local community is strategically important to the continued survival of this class. Its members are locked into the rural milieu more strongly and would therefore have a greater incentive to articulate the local community interest even if that means negotiating a deviation from the norms (or rules) set by the higher-tier bureaucracy. This places the rural commoner in a strange position. The rural commoner might, in fact, share the lifeworld and context of the local political class (often the local oppressors) and the administrative world of rules, norms, and schemes would be far from its lifeworld. An incident we witnessed brings this out quite eloquently.

A rural commoner came to meet a block development officer (BDO) while we were in the latter's office, to get his signature (of attestation) on an application. We reproduce the dialogue below.

Rural commoner: *Saab* (Sir), can I get your signature on my photo?

BDO: Has the *gram pradhan* (head of the village panchayat) signed it?

Rural commoner: He said that your signature would be enough.

BDO: Whose photo is this? Go and get the *pradhan's* signature on the reverse side of the photo.

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The BDO gave a cursory glance at the application form and the photo and threw it away, castigating the rural commoner for his foolishness. We managed to take a peek at the photograph. Clearly it was that person's photo, but it had been taken some years (maybe 5 years) back so that he looked just a bit different. That was an instance of power revealed. The *gram pradhan* is much closer, perhaps, to the world of the rural commoner. Probably, the *pradhan* will also tell him a few things, give him some advice. He will probably also use his services for this favor (if this is indeed a favor). But the point is that the rural commoner can at least get into an alliance with the *pradhan*, uneven though the terms of that alliance may be.

The administration, on the other hand, is a sort of guardian of the norms and yet it has to strike alliances with the local community, often local community leaders, to act, enmeshed as it is within the local political economy. In the course of our interaction with elected representatives and administrative officials, it was clear that the relation between the two arms of the local government machinery has not been too smooth.¹⁴ This conflict is important to us since it defines the nature of local alliances and negotiations that accompany the murky process of implementation of SGRY. To some of the details of that process we now turn.

The primary source of data (documentation) about projects in the scheme was the MB. It contained details of all approvals related to the projects (including the technical approval provided by the engineering staff in the local administration), and an account of expenses on materials purchased as well as on wages paid to laborers. A muster roll of laborers who worked in the project was also maintained along with the MB. While material expenses were paid through the bank, providing traceability to the transactions, those who worked were paid their daily or weekly wages in cash, usually at the work site. The authenticity of wage payment transactions was far more difficult to verify since they did not leave a trace. The random sample of (around 50) measurement books that we studied in detail had well-documented records. Wages made up more than 50% of the total project cost on average. This was, as we argued earlier, an overestimate, since most of the projects were material-intensive. We felt that the wage component of the project was inflated

¹⁴ The last *panchayat* elections in Bihar were held in the late 1970s, after which the same elected representatives continued to hold office. After the 73rd amendment and the drive to strengthen local governments in the early 1990s, the old *panchayat* bodies were dismantled in the mid-1990s. Elections, however, were held only in 2001. In the interval, full powers were shifted to the administrative wing. As a *gram pradhan* put it, "that period was the golden period for many local-level administrative officials in Bihar." After the *panchayat* elections, therefore, the elected bodies had to reclaim their powers. In Khagaria district, for instance, the *zilla parishad* members claimed that they had no access to records pertaining to *zilla parishad* works till August 2002.

and, since wage payments were in cash (with the associated problem of verifiability), the data might not have been too difficult to falsify.¹⁵ What is of concern, however, is the fact that the employment generation figures available at the provincial and national level, which were aggregated from local data, are gross overestimates.¹⁶ Yet these data, published in government publications, are often used by researchers, oblivious to issues of their authenticity.

But how is this data fudging allowed? The need to tamper with data arises partly from the diverging interests of the implementers (the local political class), whose revealed felt needs are biased toward material-intensive projects, while the norms of the project as determined by the central Government are different. The local elite, therefore, must seek and negotiate a deviation from the rules, paving the way for a local exchange between the administration (the local guardian of the rules) and the local political class. Extralegal rents are generated, leading to leakage of resources. Project costs are inflated¹⁷ and these extra expenses are probably represented in documents as inflated expenses on wages as well. In areas we visited, anecdotal stories of (extralegal) commissions extracted by personnel in local administration for approving projects were widespread. The commoner around the administrative offices often provided those anecdotes.¹⁸ The commissions (or “cuts,” as they were called) are standardized. The organization of the local exchange and the informal rules that organize the local exchange around deviation (from norms) are therefore very important for action and implementation of the projects. It is only when the informal rules are under contest that conflicts break out. Our feeling was that well-governed areas had a stable pattern of these local exchanges that made the process of implementation effective. Several respondents shared this feeling. The forging of successful local alliances therefore constitutes the cornerstone of implementation and action.

¹⁵ We tried cross-checking with random samples of laborers listed in the muster rolls, but that did not prove too effective. To reach the village commoner, we often had to rely on the support of the local leaders. In many cases we were told that a particular person had gone out to work and we had no way to verify the claim. The roving sociologist’s methods are not quite adequate.

¹⁶ In one district DRDA office, staff responsible for sending annual reports to the central Government were using the rule of thumb (derived from the norms of the scheme) to arrive at the figure of employment generated at the district level. The lower bodies, *blocks* and *panchayats*, do not send in data on employment generated in that district.

¹⁷ In spite of detailed monitoring, including technical and administrative approval of cost estimates for each project, there was general agreement that cost inflation is fairly widespread. In a brick-soled mud road construction project undertaken by Korha *block samithi* (in Katihar district) in Binodpur *panchayat* in 2001–2002 (scheme no. 4), a cost estimate of Rupees 5,51,400 was approved for the construction of a 3,000-foot-long and 8-foot-wide road. According to independent estimates, the cost per 100 feet of brick-soled road would be around Rs11,000–12,000. This implies that the approved project cost was inflated by more than 50%.

¹⁸ In East Champaran district, *zilla parishad* members claimed that the district engineer was available only one day a week and his signature was therefore very difficult and costly to obtain.

Interpreting Multiple Contexts; Conflicts and Their Resolution

We reproduce snippets of our conversation with the district magistrates in the course of our interviews.

Poverty alleviation programs like SGRY have degenerated into a patronage dispensation mechanism for the political class. The primacy of generation of wage employment, which is the spirit of the scheme, has never been internalized by the local bodies....

The central Government fixes too many rules, wants too many monitoring and conformance reports. The district administration hardly has any powers to act in an entrepreneurial way....

Schemes like SGRY have a lot of problems. Nowadays these people do not even inform me about what is happening.

These snippets represent various faces of the local administration: a sense of disgust at the local political elites' hijacking of the scheme for their own strategic benefits, thwarting the intent of the central Government in extending benefits to the rural commoner; a sense of being constrained by too many centralized rules to act locally; and a sense of loss of control and a failure of governance that must exist since the informal local (illegal) exchanges that form the concrete basis of action undermine the administrative heritage. The conflicting faces exist simultaneously. Yet, is it not legitimate for the local political elite to cultivate their support base within the community using patronage dispensation as a tool, so as to succeed in the local electoral contests? Why does this strategic imperative have to take the form of a failure of governance? Can't the strategic imperative of the local political elite be tapped for governance? Imaginative strategy making is precisely about tapping this difference for governance. The differing strategic imperatives may not necessarily be a path to anarchy.

As we moved through the process of design and implementation of the scheme, we encountered multiple lifeworlds and contexts that generated different knowledge claims. We alluded to differences in contexts at multiple levels. The national and the local are spatially separated contexts laden differentially with power, and this separation leads to differences in incentives to act in the domain of action. Within the local context, the local administrator (bureaucrat), the political elite, and the rural commoner are placed differentially, especially with regard to how they are linked (or not linked) to higher tiers of the bureaucratic or political setup. Another level of contextual difference is thus defined. The actors in the multiple local contexts, however,

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share the locale in space and time, with the rural commoner being tied most tightly and the bureaucrat most weakly to the local. These contextual differences between actors lead to different incentives and differences in how they perceive the scheme under discussion and how they act.

Implementation (or action) requires, however, an alliance between different local actors. The local political elite utilizes resources obtained through the scheme to realize local development objectives framed in an urban-centered discourse (with development images and icons that are borrowed from the urban milieu), while at the same time cultivating a local following through patronage dispensation that can be leveraged both in local electoral contests as well as in negotiation with higher tiers of the political establishment. And the rural poor—the commoner—also participates, for this alliance, which provides favored access to wage employment during periods of crisis (the non-cultivating season), is extremely essential for survival.¹⁹ For the local administration, documentation is the most important aspect, as it ensures a continued resource flow. It also ensures that the role of the local administration as guardian of the norms is fulfilled—at least when it comes to documented records, which are visible and make sense to those far removed from the place where those documents were generated. Each actor therefore understands the other, and it is through this understanding that the alliance can be forged and action can proceed. Multiple contexts, therefore, negotiate at the interface. The task of understanding the other, which is often a cornerstone of strategizing, is accomplished in the domain of action. The alliance, however, is forged on a deviation from the norm set by the central bureaucracy. The knowledge generated in the actionable domain and the reaching out to other contexts that occurs in the process have a somewhat tragic dimension. This knowledge claim, based on a deviation (and often on illegal deals) can hardly be celebrated, for it is macabre: it is a knowledge claim that is not, and probably cannot, be voiced. While we have looked into actors in the local context so far, the question as to why the national tolerates or how it reconciles this deviation remains. So we turn next to the national.

The central Government looks at poverty as a problem to be tackled, partly through wage employment. The elite development discourse recognizes a need to provide consumption support to the lowest rungs of rural society. This recognition is often couched in terms of a right to food or employment. And a neoclassic choice of technique argument would clearly be looking at creating labor-intensive assets in the rural milieu, since that would use the

¹⁹ The total budgeted amount for SGRY amounted to around Rs0.2 million per *gram panchayat* per year and an equal amount of grain. Given reasonable estimates of leakages (30%) and a wage component of 20% (at a daily wage of Rs60), employment generation would be around 500–1,000 person-days a year in a *gram panchayat* with average population of around 3,000.

most abundant factor of production. The conceptual knowledge claim therefore propounds the relevance of the types of schemes we are discussing. In the actionable domain it leads to the norms. However, the design of such a scheme must first enter the budgetary allocation process for the central Government. Concerns in the actionable domain are raised in this allocation decision, where the scheme has to compete with other uses of financial (budgetary) resources. The cost of generating employment becomes an important parameter of decision making. A labor-intensive works program not only benefits wage laborers more, it also reduces the financial cost (for the central Government) of providing a unit (rupee) of wage income in rural areas. Substantial wage employment opportunities can then be created at a realistic cost to the central Government.²⁰ The implementation and monitoring of the scheme then focus on the utilization of funds and resources and on proper documentation. The norms flowing from the conceptual domain therefore find expression in satisfying the pragmatic pressures created in the budgetary allocation process. The actionable domain, within what we are calling the “national context,” finds the conceptual claim pragmatic. The actionable domain has other concerns as well. The local and the national are linked in the political sphere. We argued that the local political elite is often the agent mobilizer. It is this power that enables the local political elite to negotiate around deviations at the local level. The scheme thus acts as a patronage dispensation mechanism, not only at the local level but also probably at the interface of the national and the local. It serves the important purpose of political mobilization in electoral contests. Within the actionable domain, therefore, the local and the national do interact across contexts. Yet there is a certain sense of tragedy.

The knowledge generated in the actionable domain through negotiation at the interface of contexts is rich and valuable. It is on such knowledge that the system functions and action occurs. Yet this knowledge also bears the tragedy of the macabre. It fails to revise the conceptual knowledge claims. It also fails to find expression in a discourse that inspires—a discourse where alliances can be struck on celebration, instead of deviation. This, we argue, is because of lack of power of the local in two different senses of the term. The local, as we argued, lacks power over the material domain—importantly over several local resources—and must perforce depend on a stream of grants. The local also lacks an autonomous discourse that could have lent a voice to local concerns. The local dreams in borrowed motifs and images. The local elite

²⁰ Several studies have tried to compare different programs on the basis of the cost of generation of employment. Such exercises are quite common now in view of the proposed legislation to guarantee work to every household in rural areas that is now under debate.

therefore aspires to similar development symbols, and this aspiration leads to capital-intensive projects but does not find expression in the elite discourse of development science at the national level. It is this failure to nurture a local discourse, to counter and contest the national discourse (or even the universal discourse, as in development science) that is a more important aspect of the lack of local power. Power has many shades, and in important ways the local lacks power. Even the power of the local political elite has a certain sense of futility. It is the power of a mere agent mobilizer, a power that can hardly lead to imaginative flights of conceptualization or strategizing.

The context therefore matters. In the domain of action, actors within conflicting contexts negotiate, quite effectively, to arrive at a common ground for action, even though they are all enmeshed in their local contexts. Negotiation occurs at the interface of contexts. The other is discovered. The negotiation is subversive yet that is what leads to action. In this macabre subversion, we interpret an existential assertion of the disempowered other world of folk life. It is the moment of freedom. Yet it cannot lead to a flight of fancy. It has to contort, distort, and convolute within itself. Such is the tragedy. The national elite discourse, however, continues. It does not have a contestant (from the local) in the discourse space—universalism continues to be celebrated. The norm and its deviation exist simultaneously. But the norm is not redefined and renegotiated. The other can be blamed for the deviation and the norm can be rationalized. The dominant knowledge claim can then reconcile to an implementation and governance failure and engage in a fruitless search for better administrative processes.

Conclusion

This paper was an interpretational journey through the implementation of the wage employment generation program (SGRY) designed and sponsored by the central Government in India. The scheme was designed to provide wage employment support to the lowest strata of rural society during the lean agricultural season, when demand for wage labor from other normal (agriculture-linked) rural economic activities is at its lowest, by taking up a program of rural public asset and infrastructure construction. The design of the program, in terms of norms and rules that governed implementation, flowed out of a knowledge claim—a perception about the rural reality shared by those who designed the program at the level of the central Government. The paper took up a few such norms as defined within the structure of the scheme and looked into how they were interpreted and often breached at the level of implementation—on the field of action by agencies responsible for implementation.

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It is common to explain such phenomenon as cases of implementation failure, to be tackled by tightening systems. But we argued that there is no such thing as an implementation failure. Central to this argument is the claim that context and the lifeworld of actors and agencies placed at different tiers of the system differ. The planners in the Ministry of Rural Development, the local administration in the blocks and districts, the local political class that makes up the elected representatives of *panchayat* bodies implementing the projects, and the wage laborer (or the rural commoner)—these agents dwell in different worlds. Their strategic imperatives differ. The multiple contexts and the agents implicated therein must therefore negotiate, particularly at the interface of contexts. In the actionable domain this negotiation occurs, but the negotiation is organized around deviation from the norms. The norm fails to hold in implementation, in the “folk world.”

Yet the norm and its deviation continue to exist in simultaneity. The knowledge claim of this other can exist only as a stealthy subversion. This subversion is an expression of a lack of harmony. The knowledge claim derived from the folk world of action fails to negotiate with and redefine the dominant conceptual claim because the folk world lacks the power to negotiate and engage in strategic acts. This lack of power has two senses: a lack of power over the material domain and, more importantly, an inability to create and nurture an autonomous local discourse that can engage in a contest in the discourse space. This leads to a de-skilling or devalorization of local skills and surrounding institutions. What would a redefined knowledge claim, say, an alternative structure of such interventions as SGRY, look like then? Though several possibilities can be imagined, we did not indulge in such imaginings in this paper. We did not pose a counter-knowledge claim. We merely confronted the multiple contexts (and the lifeworld woven around them) in an effort to seek out the process of implementation of a conceptual knowledge claim and how it encounters the actionable domain. A redefinition of the dominant knowledge claim, which is a more creative, imaginative project, will have to await an author—the political strategic actor who has to reconfigure power. It is out of that process of conflict, a reassertion of power of the folk world and recreation of a strategic space, that the knowledge claim will be redefined and new possibilities of action imagined. In that creative flight of fancy, the local discourse that will lend voice must be nurtured. The distant academic scholar can then undertake another interpretational journey, but one that will deal with variety (and maybe spatial competition) in the discourse space. Public administration and power of higher tiers of bureaucracy, in managing the interfaces of contexts, will then have to assume a different role, a role closer to that of a catalyst—a Gandhian catalyst perhaps.

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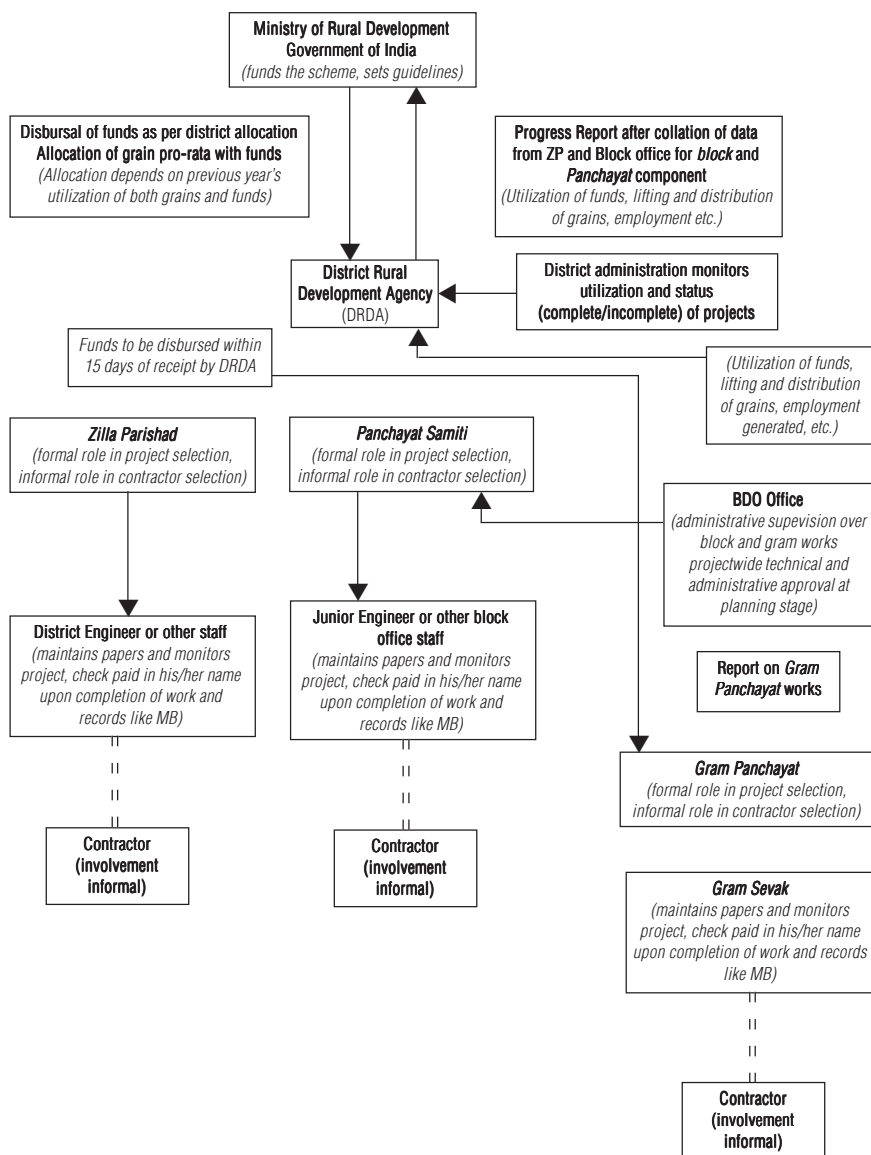
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Appendix 1: *Blocks and Panchayats* Selected for the Study

Item	District			
	Bhojpur	East Champaran	Khagaria	Katihar
Total number of <i>blocks</i>	14	27	7	16
<i>Blocks</i> selected	Jagdishpur, Charpokhri	Turkaulia, Areraj	Parwatta, Beldaur	Korha, Mansahi
Number of <i>panchayats</i> in selected blocks	20 in Jagdishpur and 11 in Charpokhri	16 in Turkaulia and 14 in Areraj	22 in Parwatta and 16 in Beldaur	23 in Korha and 7 in Mansahi
<i>Panchayats</i> selected	Chakwa and Kanwra in Jagdishpur; Siyadih and Mukundpur in Charpokhri	Jaisinghpur (East) and Turkaulia (West) in Turkaulia; Raria and Babnauli in Areraj	Rampur urf Rahimpur and Gobindpur in Parwatta; Belagaon and Bobil in Beldaur	Korha and Bhatwara in Korha; Phulhara and Mohanpur in Mansahi

Appendix 2: Agencies Involved in SGRY and their Relations



Combating Poverty and Exclusion in Nepal

Tek Nath Dhakal¹

Introduction

Poverty, hunger, and exclusion are universal concerns. The Copenhagen Social Summit (United Nations 1995, page 2), the International Development Targets (IDTs), and the Millennium Declaration of 2000 of the United Nations (UNDP 2003)² all affirm the global commitment to seek solutions to these problems through local initiatives and global partnerships.

Poverty and hunger among women, the oppressed, and the minorities are common in developing countries like Nepal. Poverty and exclusion are particularly prevalent in the rural areas of Nepal, where almost 85% of the population lives. Patriarchal structures, deep-rooted social values, and low income generation are major contributory factors. The 1990 Constitution upholds the people's right against discrimination based on caste, creed, sex, or religion, and the Government has introduced various programs to lift people out of poverty and exclusion (Law Book Management Committee (1991). But the results have not been very encouraging. Development has largely left behind ethnic communities, *dalits* (occupational caste groups), and women, who have low participation in governance as well.

This study looks into the status of poverty and exclusion in Nepal, and administrative capacity to address such problems. It relies mostly on desk research and a review of the literature on poverty and exclusion, and on the effect of antidiscrimination policies and administrative reforms initiated by the Government. Thirty key informants were also interviewed about the issue.

Causes and Trends of Poverty and Exclusion in Nepal

Poverty has different faces. Some defined indicators are low property ownership, lack of gainful employment, social discrimination, deprivation, and exploitation (Central-Level Program Implementation Committee 1999, pages 15–17). A major indicator is the low growth in gross development product (GDP) per capita over the last three decades (Table 1).

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² These eight Millennium Development Goals (MDGs) were set in 2000: eradicate poverty and hunger; promote gender equality and empower women; achieve universal primary education; reduce child mortality; improve maternal health; combat HIV/AIDs, malaria, and other diseases; ensure environmental sustainability; and develop a global partnership for development.

Table 1: Socioeconomic Growth Rates (%)

Indicator	1971–1980	1981–1990	1991–2001
Real GDP growth	2.1	4.9	5.2
Agriculture/GDP	0.5	4.6	2.2
Nonagriculture/GDP	7.0	5.2	7.8
Population	2.6	2.3	2.3
Per capita income	-0.5	2.6	2.9
Agricultural growth	-2.1	2.3	-0.1

GDP = gross domestic product

Source: MoF (1997) in Nepal South Asia Centre (1998), CBS (2003).

Employment is a serious problem in Nepal. Only 47% of the total economically active labor force is fully employed. Around 71% of the labor force employed in agriculture farming is underemployed. The demand for Nepali labor in the Middle East and other Asian countries over the last few decades has helped to some extent, but the rate of retention of the laborers, who are generally short of skills, has not been good. Violence has also displaced more than a million. Besides, although around 80% of the people depend on agriculture, farmed land is just 18% of the total arable land, and those who work the land own only a small portion (Table 2).

Table 2: Size Distribution of Agricultural Land Owned by Households, by Region (%)

Region	Size of land			Total
	<0.5 ha	0.5–2.0 ha	>2.0 ha	
Mountains	41.6	44.3	14.1	100
Hills	45.8	47.6	6.6	100
Terai	33.2	47.1	19.7	100
Nepal	40.1	47.0	12.8	100

ha = hectare

Source: Central Bureau of Statistics (CBS 1997); Nepal South Asia Centre (1998), page 118.

Social inequality has contributed to economic underdevelopment (Bista 1990). In addition, the unequal relations in Nepalese society in terms of opportunities lead to both social and economic discrimination (Seddon 1995). There are also long-standing ethnic tensions, communal rivalries, and other forms of social stress. The violence associated with the Maoist insurgency over the last 10 years has reached an alarming scale. Many analysts trace the insurgency to social and economic issues despite the political facade (Panday 1999, pages 11–12).

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Incidence of Poverty

In Nepal, the incidence of poverty is reflected in the dismal state of the economy, the uneven distribution of productive resources, and high unemployment and underemployment. Most of the people are still poor, illiterate, and in poor health, natural resources are deteriorating, and social ills persist. Even with the continued efforts of government, civil society organizations, and international agencies, poverty in Nepal continues to be high. The poverty rate increased from 36% to 49% between 1977 and 1992.

But by the end of FY2003/04 around 31% of the people were living below the poverty line, compared with 42% in FY1995/96, according to the Nepal Living Standards Survey (NLSS). During that period, the population living below the poverty line declined by 8 percentage points (from 43% to 35%) in the rural areas and by 12 percentage points (from 22% to 10%) in the urban areas (CBS 2004).

This drop could be explained by at least three factors (CBS 2004):

- GDP grew at an average rate of 3.4% (2.5% per capita) during the first to second NLSS survey period—positive indication.
- Agriculture, the backbone of the rural economy, grew by 3.9% per year compared with the FY1995/96 period.
- The proportion of households receiving remittances increased from 23% in FY1995/96 to 32% in FY2003/04.

However, poverty is still more severe in the rural areas than in the urban areas, and varies significantly between regions (CBS 2004) (Table 3).

The factors contributing to rural poverty are:

- Highly skewed, urban-centric, and inequitable pattern of economic growth and development. While the rapid growth in manufacturing, trade, and services primarily benefited urban areas, rural incomes improved little over the past two decades, as agricultural growth barely exceeded rural population growth.
- Low access of the rural poor to basic social and economic services and infrastructure (education, health, drinking water, roads), which in turn limits their opportunities for income generation and human development.
- Social exclusion of certain caste and ethnic groups, women, and those living in remote areas (from resources, income and employment opportunities, and human development), for a variety of reasons (such

Table 3: Poverty Status, by Area

Area	Poverty Rate (%)		Distribution of Poor (%)		Distribution of Population (%)	
	FY 1995/96	FY 2003/04	FY 1995/96	FY 2003/04	FY 1995/96	FY 2003/04
Nepal	41.8	30.8	100.0	100.0	100.0	100.0
Urban	21.6	9.6	3.6	4.7	6.9	15.0
Rural	43.3	34.6	96.4	95.3	93.1	85.0
Area of Survey						
Urban Area of Kathmandu Valley	4.3	3.3	0.3	0.6	2.6	5.4
Other Urban Areas	31.6	13.0	3.3	4.1	4.4	9.7
Rural Western Mountain/Hill	55.0	37.4	32.7	23.6	24.8	19.4
Rural Eastern Mountain/Hill	36.1	42.9	19.4	29.4	22.4	21.1
Rural Western Terai	46.1	38.1	18.4	18.9	16.7	15.3
Rural Eastern Terai	37.2	24.9	25.9	23.5	29.1	29.1
Development Region						
Eastern	38.9	29.3	21.0	23.4	22.5	24.7
Central	32.5	27.1	26.9	32.2	34.6	36.6
Western	38.6	27.1	18.7	16.7	20.3	18.9
Midwestern	59.9	44.8	18.5	17.7	12.9	12.2
Far-Western	63.9	41.0	14.8	9.9	9.7	7.5
Geographic Region						
Mountain	57.0	32.6	10.7	7.5	7.9	7.1
Hills	40.7	34.5	41.9	47.1	43.0	42.1
Terai	40.3	27.6	47.4	45.4	49.2	50.8

Note: The rural western hilly region includes the western, midwestern, and far-western Himalayan and hilly regions. The rural western Terai region includes the western, midwestern, and far-western Terai regions. The rural eastern hilly region includes the central and eastern Himalayan and hilly regions. The rural eastern Terai region includes the central and eastern Terai regions.

Source: CBS (2004).

as lack of voice, political representation, and empowerment, and remoteness of area).

- Poor governance, including a weak civil administration, misuse of resources, and lack of accountability.

It was also evident that some castes and the women fall far behind the national average (Table 4). The *dalits* have just 1.2 average years of schooling and a Human Development Index (HDI) of 0.239, compared with the national average of 2.3 years of schooling and HDI of 0.325.

Table 4: Human Development Index, by Caste and Ethnicity, 1996

Caste/Ethnic Group	Average Life Expectancy (years)	Adult Literacy Rate (%)	Average Years of Schooling	Per Capita Relative Income (NRs)	HDI
Nepal	55.0	36.7	2.3	7,673	0.325
Gurung, Magar, Sherpa, Rai, Limbu	53.0	35.2	2.0	6,607	0.99
Rajbansi, Yadav, Tharu, Ahir	58.4	27.5	1.7	6,911	0.313
Occupational caste group	50.3	23.8	1.2	4,940	0.239

Source: National Planning Commission (NPC 2002), page 19.

Lack of access to resources and opportunities inhibits the development of some castes and the women. Compared with men, women are greatly deprived and discriminated against in every aspect of life, despite their active role in agricultural production (Table 5).

Table 5: Status of Males and Females Compared

Item	Male	Female
Population (%)	49.96	50.03
Average age (years)	61.80	62.20
Literacy rate (above 15 years) (%)	62.20	34.60
Participation in Council of Ministers (%)	94.45	5.55
Membership in House of Representatives (%)	86.67	13.33
Participation in civil service (%)	91.45	8.55
Judges (%)	97.96	5.04
Teachers (%)	74.00	26.00
Participation in communication sector (%)	88.00	12.00
Participation in foreign employment (%)	89.15	10.85
Land ownership (%)	89.16	10.83
House ownership (%)	94.49	5.51
Contribution to agriculture production (%)	39.50	60.50

Source: CBS (2002).

Combating Poverty and Exclusion in Nepal

Nepal's Seventh Plan (1985–1990) was the first national plan to take a long-term view of poverty alleviation. Subsequently, poverty alleviation became a major objective of the Eighth Plan (1992–1997)³ and the only goal of the Ninth Plan (1997–2002), which set long-term targets with various poverty-related indicators for the first time in the country's history. Poverty alleviation is also the sole objective of the Tenth Plan (2002–2007) (NPC 1986, 1993, 1998, 2003). The Poverty Reduction Strategy Paper (PRSP) prepared by the Government in April 2003, based on the Tenth Plan (2002–2007), contains these strategies for mitigating disparities and reducing the poverty rate from 38% to 30% by the end of the Tenth Plan period (FY2006/07):

- Achieving high, broad-based, and sustainable economic growth. While promoting faster growth in traditional nonagricultural sectors (such as manufacturing, trade, and services), the Tenth Plan seeks to accelerate agricultural growth to increase incomes, employment, and food security in the rural areas.
- Improving the quality and availability of social and economic services and infrastructure (primary education, health care, drinking water and sanitation, roads, and electricity) for rural communities.
- Ensuring the social and economic inclusion of the poor and marginalized groups by designing and implementing programs under the first two strategies to serve their needs and by carrying out targeted programs for them.
- Vigorously pursuing good governance to improve service delivery, efficiency, accountability, and transparency.

The key to reducing poverty, according to the PRSP, is the effective implementation of programs and delivery of outputs and services. For this purpose, it has adopted these crosscutting approaches:

- Limiting the Government's role and prioritizing public interventions;
- Accelerating decentralization by transferring to local bodies the responsibilities and resources for implementing key programs;
- Involving the local communities in the management of village development activities; and

³ Because of political change in 1990, FY 1990/91 and FY 1991/92 became plan holidays, i.e., there was no plan during these years.

- Harnessing the private sector, nongovernment organizations (NGOs), international nongovernment organizations (INGOs), and community-based organizations (CBOs) for income-generating activities, service delivery, and community mobilization.

To create an enabling environment for poverty reduction, the PRSP emphasizes the importance of maintaining macroeconomic stability and implementing structural reforms in key areas. A detailed monitoring and evaluation system is also included, to ensure effective implementation.

Delivery of Basic Services

The Constitution of Nepal guarantees equality and nondiscrimination to all citizens. These rights are the touchstone of public service delivery.

The Agricultural Reform Commission (ARC 2048 B.S [1991]) made service delivery—specifically the simplification of administrative procedures and the improvement of service quality and effectiveness—the core area of administrative reform. The periodic plans also emphasize service efficiency as a basic indicator of good governance. Legal instruments have been set up for this purpose: Administrative Procedures (Regulation) Act, 2013; Administrative Work Completion Rules, 2026; Rules related to Duties, Responsibilities and Authority of Administrative Officials, 2042; and Directives for Effective Service Delivery, February 2000. Although the Government has not explicitly defined “basic services,” its annual budget lists health, education, drinking water, and local development services under the social sector. Such basic services must be made more accessible to the people to reduce poverty.

Health. The health sector is of critical importance in reducing human poverty, improving the quality of life in rural areas, and sustaining marginalized groups and communities. Health indicators have improved over the past decade, but the health system does not yet adequately meet the needs of the rural population, especially the most vulnerable groups and those living in remote areas. The key sectoral objectives are: extending essential health-care services to all, especially the rural poor; expanding maternal and child health and family planning services, particularly for the rural population; and ensuring effective control of communicable diseases (such as malaria, tuberculosis, and HIV/AIDS). Positive changes in the health indicators (Table 6) show that basic health services now have a wider reach.

Yet health services are poor overall. They are over-centralized and therefore unresponsive to local needs, there are not enough trained staff at various levels to meet programmed needs, the Government does not have the capacity to regulate the growing activities in the private sector and ensure their quality,

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emergency obstetric care is inadequate, and malnutrition among children is high (48%) by the end of second NLSS survey (CBS 2004).

Education. Education in Nepal has developed significantly since 1971, when the New Education Plan was introduced (Table 7). This plan proved to be quite expensive and unmanageable. However, the Government is committed to the long-term goal of universal education. The Education for All Plan of Action (2003) sets the target of universal education by 2015. The Tenth Plan, under the theme Education for All, seeks to widen access to primary, secondary, and vocational/technical and higher education and to improve the quality of education. An expanded literacy program for deprived groups, women, and disadvantaged children is also planned. Decentralization of primary school management to local committees, expansion of teacher-training programs, improvement of curriculums and teaching materials (through adequate funding and private sector involvement), and strengthening of school monitoring and supervision are part of the strategy.

Table 6: Trends in Health Indicators

Health Indicator	1981	1991	2001
Maternal mortality rate/100,000 deliveries	850.0	539.0	415.0
Crude death rate/1,000 population	17.1	13.3	10.0
Infant mortality rate/1,000 live births	117.0	97.0	64.4
Total fertility rate (15–49 years)	5.6	5.1	4.1
Male/Female ratio	105.0	99.5	99.8
Life expectancy at birth (years)			
Male	50.9	55.0	60.1
Female	48.1	53.5	60.7
Mean age of marriage (years)			
Male	20.7	21.4	22.9
Female	17.2	18.1	19.5

Source: CBS (2001a).

Table 7: Literacy Trends (6 years and above), by Gender

Year	% of Total Population	% of Male Population	% of Female Population	Male-Female Literacy Ratio
1952–1954	5.3	9.5	0.7	13.57
1961	8.9	16.3	1.8	9.05
1971	13.9	23.6	3.9	6.05
1981	23.3	34.0	12.0	2.83
1991	39.6	54.5	25.0	2.18
2001	54.1	65.5	42.8	1.53

Source: Ministry of Population and Environment (2004).

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Literacy has improved gradually over the last 50 years, as shown in Table 7. Educational attainment has also increased (Table 8).

The education program is particularly noteworthy for decentralizing delivery to communities and local bodies to improve school management, quality of education, accountability, and transparency, with good early results. A number of issues still need to be addressed, however. The Education for All program and the Technical Education and Vocational Training (TEVT) program must be significantly expanded to meet the needs of new entrants into the workforce, poor and excluded groups, the growing ranks of migrant labor, and those displaced by the ongoing conflict.

Table 8: Educational Attainment of Literate Persons (6 years and above)
(%)

Educational Attainment	1971	1981	1991	2001
Literate but no schooling	4.42	5.50	8.98	4.73
Primary education	5.97	11.33	16.15	22.65
Secondary education	3.10	4.80	8.88	16.54
SLC/Intermediate	0.34	1.23	2.88	7.65
Graduate/Postgraduate	0.24	0.39	0.64	1.84
Not stated	—	—	1.80	0.68
Total	13.89	23.25	39.33	54.09

SLC = School Leaving Certificate

Source: CBS, (1995), page 390; CBS (2001b), pages 144–145.

Drinking Water and Sanitation. Sustained efforts by the Government in recent years have led to an increase in the proportion of the population with access to potable water, from 37% in 1990 to 72% in 2002. However, only 27% of the population is covered by sanitation facilities (UNDP 2001). Rural coverage is somewhat less: 70.9% for drinking water and 20% for sanitation. Moreover, effective coverage is even lower. Ten percent of the systems are in need of major rehabilitation, and 50%, major repairs. The Tenth Plan looks forward to increasing sustainable access to safe drinking water and basic sanitation by the rural population (including deprived communities), while also meeting urban needs. The nationwide coverage of drinking water facilities is expected to rise to 85% by the end of the Tenth Plan period (FY2006/07).

Broad-Based Economic Growth

Economic growth must be broad-based to alleviate poverty. Broad-based economic growth in the Nepalese context has two components: accelerating agricultural growth (mainstreaming the poor, marginalized communities, and women, and ensuring food security); and promoting private sector–led nonagricultural growth.

Accelerating Agricultural Growth. More than 85% of the population lives in the rural areas. More than 80% is dependent on agriculture. Poverty alleviation is therefore directly related to growth in agriculture. The Agricultural Perspective Plan (APP) of 1995, which is endorsed in the Tenth Plan, has the main objective of diversifying and commercializing agriculture by accelerating cereal production in the Terai, and promoting horticulture, high-value crops, and livestock production through pocket agriculture in the hills and mountains. Agricultural productivity is to be increased through modern inputs, technology, and irrigation, and the supporting infrastructure—roads, electricity, and marketing network—is to be strengthened. Also part of the strategy is greater private sector involvement in the delivery of inputs, services, research, and marketing, and increased participation of communities, farmer groups, and cooperatives in the management of infrastructure and assets.

Promoting Nonagricultural Growth. Nonagricultural growth comprises the following economic development measures: streamlining the role of government and opening up more areas for private investment, reforming public enterprises, facilitating private sector development, implementing trade policy (World Trade Organization) reforms, and reforming the financial sector.

Good Governance

Public administration must become more enterprising, service-oriented, productive, efficient, cost-effective, transparent, and accountable. At present, it is plagued by inefficient service delivery, ineffectual governance, ineffective program monitoring and evaluation, and the constant shuffling of project chiefs and development program managers.

The state, the private sector, and civil society have collaborated to improve governance. During the Ninth Plan period (1997–2002) various administrative reforms were introduced (NPC 1998, pages 596–597), particularly in the following: structure of administrative reform, master planning, governance laws and procedures, employee morale and motivation, management auditing, hierarchy of functions and authority, civil service network, government examination system and curriculum, and human rights. The Tenth Plan (2002–2007) also gives high priority to governance improvements, particularly in leadership and governing capacity, and in the quantity and quality of service;

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efficiency; cost-effectiveness; integrity and responsibility; monitoring and evaluation of development efforts; human rights; and judicial institutions.

Moreover, the Governance Reform Program (GRP) has been under way since 2001, with support from the Government and the Asian Development Bank. The intent is to improve internal capacity for good governance, strengthen the civil service, curb corruption, introduce competition and motivation in the bureaucracy, and improve performance appraisal. The following institutions have been created to meet these objectives: Administrative Reform Commission Monitoring Committee, under the Prime Minister; Administrative Reform Committee, under the Minister for General Administration; Governance Reform Coordination Unit (a permanent body) in the Ministry of General Administration; Efficiency Unit in the Ministry of Finance to support the GRP; and Change Management Unit in the Ministries of Education and Sports, Agriculture and Cooperatives, Health and Population, Land Reform and Management, and Local Development.

To implement the GRP effectively, the Government has adopted the Governance Reform Program Implementation Policy, 2061 B.S. (2004). This policy advocates merit-based recruitment and promotion in the civil service; timely recruitment of staff; management of complaints and conduct of public hearings; gender and social inclusion; adequate salary and benefits; rightsizing and professionalization of the bureaucracy; and performance incentives, to be pilot-tested at the Ministries of Education and Sports, Agriculture and Cooperatives, and Health and Population (MoGA n.d.).

The Civil Service Act 2062 B.S. (2005), which replaced the Civil Service Act 2049 B.S. (1992), has introduced two major changes. It emphasizes training rather than the academic degrees of civil servants and particularly senior administrators. It also backs affirmative action in recruitment and encourages the hiring of women and members of socially deprived communities. While the impact of these changes has yet to be felt, those who are seriously underrepresented in government are greatly heartened.

The Poverty and Exclusion Issue

Plans and programs for dealing with poverty and exclusion in Nepal have both positive and negative aspects. On the positive side, the poverty rate decreased by 11 percentage points following the plans and programs of the 1990s, from 42% in FY1995/96 to 31% in FY2003/04. Some development institutions also increased significantly in number and scope of operations. NGOs had astonishing growth: from 220 in 1990, their numbers swelled to 25,000 by the end of 2002. INGO participation also intensified. INGO

funding for development increased from NRs508 million (\$10.16 million) in 1990 to NRs1,192.7 million (\$18.93 million)⁴ in 2000 (Dhakal 2002).

Legislative acts and regulations empowering village and district development committees, municipalities, and other local institutions, including the Local Self-Governance Act of 1999, have been passed. These legal improvements have broadened the scope of people's participation through CBOs, NGOs, and INGOs, and given local representatives more authority, thus bringing more of the poor and the excluded masses into development.

The Government has also committed to implement the APP, a 20-year plan for 1995–2015. The APP includes agricultural programs in support of poverty alleviation, such as the development of cooperative societies, agricultural and rural credit, loans for poverty alleviation, the development of women farmers, and small farmer development. This plan also aims to increase agricultural growth, increase factor productivity, commercialize and diversify agricultural production, and alleviate poverty and achieve significant improvement in the standard of living through accelerated growth and expanded employment opportunities over the short and long term (Agricultural Projects Services Centre 1995, pages 3–4).

The protection and use of forest resources by forest users' groups, activated under community forest and other rural development projects, has helped to alleviate poverty by meeting the demand for energy sources. Micro and small hydro, biogas, and other alternative energy development programs have also been helpful in this regard. Other poverty alleviation programs involve physical infrastructure development, increased access of the poor to productive resources, education and training, social extension and population programs, employment generation, food security, and programs for the community.

On the other hand, while there have been improvements in educational attainment—higher literacy and school enrollment, better health service delivery at the grassroots level—there are major gaps in services. A basic problem is faulty allocation of resources. For example, the education budget for FY1999/2000, including regular and development expenditure, was only 13.2% of the total budget, and the health budget was only 5.6% (MoF 2000). Those interviewed for this study agreed that priority should be given to allocating enough funds for social sector programs. To do this the Government could adopt more decentralized, participatory approaches to development, make prudent economies, reduce unit costs, and charge users for the benefits they receive. Otherwise, program implementation cannot be adequate or effective.

⁴ At NRs50 to \$1 in 1990, and NRs63 to \$1 in 1996.

Some poverty alleviation projects with promising features were rather small in size and coverage, and their replication elsewhere in Nepal seems doubtful. Whether and how far the poor and excluded population actually benefits is undetermined.

The lack of accountability, transparency, rule of law, and political and administrative commitment stands in the way of effective implementation. The fruits of development do not reach the poor because of rampant corruption and mismanagement. Therefore, even channeling foreign aid through government and NGOs has come under question. It is difficult to understand where the aid goes and what it achieves, although such support is believed essential for improving the livelihood of the poor (Panday 1999, page 11).

Poverty alleviation efforts to date have not been broad, effective, or focused on the poor and the excluded masses, and the poor are not active participants. The programs cover only a very small number of the poor, compared with the total. Because of failure to identify the real poor, areas with high poverty are not reached. There is also a lack of information at the local level about programs run by government and NGOs. Besides, such programs are extremely dispersed at the field level, and effective monitoring is therefore difficult. As a consequence, output is very low, compared with the investment.

Bringing the people into the mainstream of development, through economic, institutional, political, and administrative and institutional decentralization is also important in mobilizing human and other resources for development (Gurugharana 1996, pages 31–46). Participation has broadened somewhat since the 1990s, but the dearth of democratic values and the overconcentration of resources at the center are problems. Infrastructure and procedural constraints, including the lack of information about market opportunities, limit participation. Only capable and informed people have room to develop.

There are other negative factors as well. Political instability, lack of political consensus, and, most importantly, the violence over the last decade have held back efforts to alleviate poverty and mainstream the excluded masses in development. The recent drop in the Garib Sanga Bishweshwar Karyakram (Bishweshwar with the Poor Program) and Mahila Jagriti Aaya Arjan Karyakram (Women Awareness and Income Generating Program) shows how unsustainable the poverty programs are. These special programs were designed to improve the poverty condition of the poor people and empower the socially and economically backward women through awareness and income-generating activities. These programs were introduced in the late 1990s when the Nepali Congress party was in government. When the King took power on 1 February 2005, these programs were dropped because of political bias.

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Poverty and exclusion cannot be reduced without creating employment opportunities, but opportunities are constrained by the ongoing violence and government instability. Nonagricultural activities have been heavily concentrated in the urban areas, and linkages between economic sectors have been difficult to establish. Human development and human empowerment indicators in Nepal are very low. Improving them is a great challenge.

Conclusion

Nepal has struggled to solve the problem of poverty and exclusion. Development plans and various measures have been adopted in the effort to deal with this problem. However, intermingled with the socioeconomic issues are political, cultural, and administrative problems, which make change difficult. The confusion, mistrust, and conflict among the King, parliamentary parties, and the Maoist rebels, and particularly the dual government—the *old satta* (official government) in the townships, district headquarters, and the capital, and the *naya satta* (unofficial rule of the Maoist rebels) in the countryside—have severely affected governance.

The Government has brought the Maoist rebels into the peace process. But all the three parties to the conflict—the parliamentary parties, the King, and the Maoist rebels—are unyielding. The King insists on his style of administration and role in the Constitution. As commander of the military forces, he has the authority to use these forces. The major parliamentary political parties⁵ are in the streets demanding the restoration of the House of Representatives, which was dissolved in June 2002. The seven-party *andolan* (movement) they called is under way. The Maoist rebels living in the jungle have been fighting for an autocratic government. They support neither fresh elections nor the reestablishment of the House of Representatives. How these parties can be brought to a consensus has confounded those who seek to make peace.

For all its creditable intentions, the Government lacks the commitment and the necessary coordination with organizations outside government to make its targeted programs work. Education is the foundation for improving human quality, alleviating poverty, and solving the problem of exclusion. Meanwhile, however, teachers and schoolchildren in Maoist-controlled areas are being abducted and school premises are being used as training grounds by the Maoists.

⁵ Major political parties that favor a parliamentary democratic system are the Nepali Congress Party, Nepal Sadbhavana Party (Anandidevi), Nepal Labour and Peasant Party, United Left Front, Nepali Congress (Democratic) United Marxist-Leninist (UML), and the Communist Party of Nepal, Marxist-Leninist (CPN/ML).

Administrative capacity is indeed important in mobilizing socioeconomic resources for the poor and the excluded masses. But it may not be enough if the political and social problems are not solved.

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The Quality of Public Sector Management and Economic Inequality

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Introduction

Inequality, poverty, and social strife are not new to humankind. From the beginning of recorded history, every society has had these problems. What is equally true is that members of various human groups have tried to do something about them to blunt their sting and turn ill into good. The scales in which human societies place themselves, and in which they desire balance among their members, keep tipping one way or the other as equality turns toward inequality and back.

Any effort at social harmony requires understanding the reasons for these swings of the equality-inequality balance. It is very important to appreciate that human inequality and inequity are not the result of some natural process. Rather, the roots of these negative phenomena lie in decisions and actions taken by individual members and collective institutions of society in general, and by governments and influential persons in particular, which affect the distribution of resources and the treatment of groups in positions of advantage or disadvantage.

Time and time again, numerous economic, political, and social factors have disrupted the pursuit of egalitarian ideals. Distributional policies of government (and of other power groups) have a major role in determining distributional outcomes. Governments influence the distribution of resources not only through fiscal decisions but also through the quality of public sector management, which plays a more significant role than just spending or collecting revenues.

Throughout history, inequality has been regarded as unfair and counterproductive. More often than not, social upheavals, revolutions, and changes in government have been attributed to inequality. Apart from the common aversion to it, inequality has a strong negative impact on economic growth through various channels. High inequality pushes the poor to vote for

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redistributive rather than growth-enhancing policies. Where voters cannot influence public policy, in the absence of democratic dispensation, and mercantile classes relentlessly pursue growth-enhancing policies, the result is ever-increasing economic and social disparity, which continues despite a progressively larger pie, as the relative distribution either remains unaltered or favors the rich even more (Alesina and Rodrik 1994, Persson and Tabellini 1994).

High inequality prevents the poor from investing in education (human capital development) and, as a result, from pursuing most opportunities for gainful employment and profitable business. A poor family that cannot invest in education and skill development only produces more poor (Galor and Zeira 1993, Benabou 1996). The rich, too, may not invest in human capital so as to keep the poor majority politically inactive and forestall their ability to exert pressure for better distribution policies (Bourguignon and Verdier 2000). The consequence of these actions is a situation where the state is captured by the rich and powerful. In this scenario, public administrators tend to serve the objectives of elitist interest groups and their own objectives rather than pursuing the general welfare (Keefer and Knack 2002). Thus, inequality neither comes about nor disappears on its own. The vicious cycle of poverty and inequality is the direct result of state capture.

Once a society is divided on the basis of income and consumption levels, its political stability is eroded and people start becoming dissatisfied with their economic status. In such a situation, a consensus between groups with higher incomes and those with lower incomes becomes increasingly difficult to achieve. Political instability hinders and diminishes foreign and domestic investment as the risk of change in policy increases. In turn, low investment results in fewer income opportunities, especially for the lower-income groups;³ consequently, the developmental potential is undermined. Societies with highly unequal distribution manifest certain unproductive—if not disruptive—norms of behavior as social mistrust increases and government credibility decreases. This results in a higher cost of doing business, which then hampers the frequency of economic exchange. Because of these far-reaching consequences, inequality becomes a greater concern for the public sector.

With the decision and actions of the public sector intricately linked with the levels of equality and inequality, the quality of public sector institutions is vital for any social improvement or political and economic development.

³ “High inequality reduces the pool of people with access to the resources—such as land or education—needed to unleash their full productive potential. Thus a country deprives itself of the contributions the poor could make to its economic and social development” (World Bank 2005).

Although this role of the public sector has been prevalent for centuries, the debate on the efficiency and legitimacy of the public sector and its involvement in business and nonbusiness activities has replaced discussion on the impact of the quality of public sector management on the economic and social system. In the 1990s,⁴ a number of studies evaluating the impact of public institutions on the economy—especially on development outcomes—emerged. Study after study demonstrated that the institutional settings determine the rules of the game and therefore have an impact on the effectiveness and frequency of exchange and production. Furthermore, an efficient and effective institutional structure is the backbone of a sustainable social and economic structure.

Some institutions⁵ have a much greater role in determining a certain outcome than others. For example, the police and the courts have significant roles in protecting life and property and resolving disputes. Rodrik (2003) classifies institutions into five main categories: (i) market-creating institutions associated with property rights; (ii) market-regulating institutions creating social and governance boundaries; (iii) market-stabilizing institutions providing macroeconomic stability; (iv) institutions for social insurance; and (v) market-legitimizing institutions for conflict management. This classification covers all the routes through which an institutional structure can influence the economic and social fabric.

With public sector institutions⁶ monitoring or regulating most of these institutions and their functions, any weakness in the institutional structure of the public sector will necessarily result in economic and social distortion. Fragile public sector management in transitional and developing countries has demonstrated that the deterioration or unavailability of appropriate institutions hinders the ability of these societies to develop socially and economically. The theoretical and empirical literature supports these propositions.

⁴ The discussion and evaluation of this impact is not specific to the 1990s, but this decade is significant because of its special attention to institutional weaknesses and their results.

⁵ A generally accepted definition of institutions is the one given by North (1981, pages 201–202): “a set of rules, compliance procedures, and moral and ethical behavioural norms designed to constrain the behaviour of individuals in the interests of maximizing the wealth or utility of principals.” Glaeser et al. (2004) and Glaeser and Claudia (2004) stressed their role as “constraints” on the executive power and their persistence in time—“durability”—in order to exert a powerful constraint.

⁶ Property rights are explained and protected by government institutions that have the constitutional right to define property rights and the necessary powers to enforce these rights. However, there are situations in which a community or other organized groups compete for or complement these functions, becoming quasi-governmental institutions in the process. Most regulatory institutions are established and supported by the state, and the state therefore has a direct bearing on the working of regulatory institutions. Thus, we see that in spite of the theoretical independence of the monetary and fiscal structures, these two institutions are controlled by the state. Similarly, the state also provides social security and balances individual rights through dispute resolution mechanisms, i.e., the courts.

This study raises the fundamental question, Can the quality of public sector management affect economic inequality? While intuitive arguments have demonstrated and continue to support this assertion, this study finds the answer to this question through a systematic methodology. Thus, the contribution of this study is twofold: (i) it provides insights into the relationship between governance and inequality; and (ii) it analyzes data for empirical evidence.

To achieve these two objectives and assess the impact of public sector management, this paper identifies four dimensions of public sector management quality: government effectiveness, regulatory burden, rule of law, and control of corruption.

The first dimension covers the effectiveness of the government system and measures how competent public officials can accomplish its functions. It also embraces the answer to the question, What is the quality of service delivery in a country?

The second dimension deals with the use of power by public officials, especially how this aspect affects the functioning of the free market. *Regulatory burden* measures the incidence of “market-unfriendly” policies such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development. Taken together, *government effectiveness* and *regulatory burden* measure the ability of the public sector to formulate and implement sound policies.

The third dimension covers the “quality of contract enforcement,” the effectiveness of the police and the courts, and the “likelihood of crime and violence.” Finally, *control of corruption* deals with the overall quality of public sector management. This indicator measures the extent to which powers of public office are exercised for private gain.

The paper is structured as follows. The next section reviews the literature to gather theoretical and empirical insights into the relationship between governance and equality. The rest of the paper deals with the empirical strategy, issues related to the data, the study results and interpretation, and conclusions.

Review of the Literature

Many theories, based on both economic and noneconomic factors, have been proposed to explain the process (of reducing inequality and improving the quality of governance) and to identify and differentiate between the factors that can directly or indirectly result in economic inequality. This review, however, focuses on the noneconomic explanations of economic inequality and, more specifically, builds an argument on the basis of the institutional

theme⁷ to find answers to the questions, Is there a relationship between the quality of public sector management and economic inequality? If so, what are the channels through which an improved quality public sector management affects economic inequality? The answers to these questions require a basic understanding of the relationship between economic activity and public sector management.

The importance of the role of state and the state functionaries dates back to Plato, or even earlier, as Plato states in *The Republic*.⁸

but when the guardians of the laws and of the government are only seeming and not real guardians, then see how they turn the State upside down; and on the other hand they alone have the power of giving order and happiness to the State. We mean our guardians to be true saviours and not the destroyers of the State....

While the boundaries between policy makers and implementers were not as well defined in Plato's time, even today it is widely recognized that the "guardians of the law and of the government" (including both political representatives who formulate policies and public functionaries who implement these policies) have a direct impact on the functioning of the state. Furthermore, through their grip on the functions of the state, they affect the functioning of economic life. Economic history is replete with both support and opposition for the involvement of the state in economic affairs. In the period before the industrial revolution, the emphasis on the state's role as regulator and controller was a philosophical "absolute minimum." Contrary to popular belief, Adam Smith wrote in favor of a state role in economic activity: in part three of *Wealth of Nations* he states: "the other works and institutions of this kind [public institutions and public works] are chiefly those for facilitating the commerce of the society and those for the instruction [education] of people."

The industrial revolution brought the efficiency of the public sector management into sharp focus as the demand for infrastructure rose sharply

⁷ The three common themes regarding the involvement of public administrative systems in economic development are: institutional, neoclassic, and pluralist and Marxist-derived. The institutional view maintains the position that market development is contingent on the establishment of institutional structure, which provides a neutral regulatory environment for the operation of free markets. Proponents of the neoclassic view hold that markets take care of everything and deregulation is necessary to ensure economic development. The pluralist and Marxist-derived position asserts that markets and market-related institutions are a product of social and political interests and conflicts. Interaction between these interests and conflicts shapes the course of development.

⁸ Available at: <http://classics.mit.edu/Plato/republic.html>; accessed on 28 Nov, 2005.

while red tape (largely inherited from the monarchical regimes, which were distant from the people at large) hampered the pace of industrial activity. The post-Depression popularity of Keynesian thoughts and post-Second World War reconstruction efforts demonstrated that an efficient public sector was necessary for initiating and maintaining a high pace of economic activity. As the issue became one of peripheral interest to economists, political scientists took the lead in producing case studies. In 1970s and 1980s, a reversal was seen with the rise of neoclassic political, and rational-choice analyses, which revived the Smithian perspective⁹ (Krueger 1974, Colclough and Manor 1991).

This perspective essentially limits the involvement of the state in investment activities but has little to do with the functioning and management of the public sector. The factoring of public sector efficiency and its subsequent impact on the development and implementation of policy having been disregarded—to the point of almost total exclusion from economic analyses (especially in development accounting)—has resulted in the failure of many development efforts.¹⁰

The rise of the new industrial states, especially the East Asian “tiger” countries, provides evidence that a fast rate of industrial development is possible once public sector functionaries pave the way through infrastructure development and systemic facilitation. The importance of an efficient public sector has been realized and further underscored after the emergence of transition economies and their varied development experiences.

In fact, the transition experience fueled a debate in which success stories began depicting paradoxical results. On the one hand, the state was shown to be a benevolent leader of the development process—an “omniscient social-welfare maximizer”—while, on the other hand, it was also seen as a major obstacle to development as public administrators act in behalf of politicians and other interest groups. This debate targets an altogether different question: What is the impact of public policy on economic development?

The former position is supported by five arguments:¹¹

- Market failure resulting from externalities, missing markets, extensive public goods, and information asymmetries;

⁹ Adam Smith's views correspond to the standard *laissez-faire* position, where government intervention in economic affairs is recognized as welfare-decreasing; however, government is allowed to provide critical public goods to society, e.g., defense.

¹⁰ The most obvious example is the structural adjustment program, which created more distortions rather than removing impediments to higher growth and broad-based welfare; critics even blame the rampant poverty in the 1990s on the structural adjustment programs.

¹¹ For more details, see Stern (1989 and 1991).

- Redistribution concerns originating from poverty and prevalent inequality in societies;
- Provision of facilities such as education, health, law and order, dispute resolution mechanisms, and housing;
- Paternalism: (subsidies to the private sector for maintaining a social security system); and
- Management of intergenerational concerns, e.g., acting to protect the rights of future generations, as in environmental conservation and sustainable development.

These arguments strengthened when a new institutional approach was seen in the World Bank's (1991) *World Development Report*, under which institutional restructuring, public service reforms, and establishment of regulatory frameworks to ensure competition, as well as legal and property rights, were added to its market-friendly agenda for government. However, in 1997 the *World Development Report* was dedicated to "The State in a Changing World." This realization was reinforced when Richard Barro pressed his path-breaking cross-country analysis of economic growth.

While growth literature has taken another turn from exogenous growth to endogenous growth, this theoretical redirection reinforces the institutional political economy and leads to the conclusion that "institutional factors have a fundamental effect on rate of growth" (Rauch and Evans 2000).¹² The implications of "endogenous growth theory" are deeper than technological shocks and learning effects, as these look straight into the heart of the problem by proposing a growth perspective in which the impact of a variety of noneconomic variables, especially state operations, was given more weight. In one of the most significant contributions to this field, Barro (1991) studied the negative impact of government consumption on growth rates.

Even though Barro's approach provides an understanding of the issue, the proxy that he used does not capture the quality of public sector management; rather it covers the fiscal management ability of the government. It was the revisionist studies of the Republic of Korea, Singapore, and Taipei, China that brought currency to the concept of a "developmental state" (Rauch and Evans 2000). Among others, Knack and Keefer (1995) found that country ratings by the International Country Risk Guide and Business and Environmental Risk Intelligence were significant predictors of variations in gross development product (GDP) per capita in the data. Mauro (1995),

¹² For more details, see Lucas (1988), and Romer (1986, 1990, and 1994).

using ratings on “corruption” and “red tape” from Business International, found that variations in these ratings across the countries provided a statistically significant explanation for variations in the rate of investment (which is the single most significant factor determining the rate of economic growth). The use of corruption and red-tape ratings was a step in the right direction, as both these variables capture the quality of public sector management.

While all these studies estimate the impact of state functioning on economic growth, the debate has not covered the impact of public policies and the quality of public sector management on distributional outcomes. This is surprising, given the fact that a strong reason for state regulatory and enabling initiatives is to reduce poverty levels and the ever-increasing distributional gap between various groups of society.

From the very fact that the public sector has a redistribution and poverty alleviation responsibility, we are obliged to conclude that the quality of public sector management has a consequential impact on economic inequality. Another argument that supports this conclusion is the rule-making and regulatory function of the public sector; it is widely appreciated that the quality of the rules of the game in market-based economies directly affects economic performance (Hall and Jones 1999, Rodrik 1999 and 2003). Indeed, public sector institutions are the more influential factor in development and distributional outcomes when compared with geography and openness of trade (Rodrik, Subramanian, and Trebbi 2004).

Public sector institutions have the responsibility of ensuring equality of opportunity through equal access to services like health, education, and legal services. After protection of life and liberty, the sanctity of property rights is the most fundamental to any opportunity for business and employment. Only when state institutions are able to provide protection for the property rights of all individuals without discrimination will it be possible for all members of the society to invest their funds and make efforts for a profitable business or gainful employment. However, if the property rights of some groups are protected over and above similar rights of other groups (i.e., the rich and powerful get their way when they are in unlawful possession of the property of the poor and powerless), the state institutions begin to strengthen economic inequality, howsoever defended (an unintended or unconscious outcome) and howsoever perceived. Groups with more protection have protected assets and are therefore able to invest with greater security. As a result, their share in the national income increases and the share of unprotected groups decreases. Closely related to public sector institutions mandated to enforce property rights are institutions of contract enforcement.

Since the public sector enjoys a monopoly over state power, it is only the public sector that can enforce legal contracts when one or more parties to the contract fail to meet their obligations. In the absence of a secure legal environment, where state authority is unwilling or unable to enforce the contract, a premium has to be paid for gaining protection from the illegal demands of both state and nonstate actors that increases the cost of doing business; as a result, fewer parties are willing to enter into contracts.¹³ People will not invest “if property rights are not well defined and enforced, or if they [the parties involved in the contracts] believe that the contracts they write will not be honored or that courts of law will not be fair” (World Bank 2006). State institutions that cannot enforce contractual obligations in general—and especially those contracts that relate to economic development—need more safeguards and guarantees of independence from political powers, any costs of which will be more than covered by the higher investments in a better business climate.

The public sector not only enforces property and contract rights but also provides infrastructure, regulatory, judicial, and facilitative services to business and society through efficient and honest public functionaries in the police and judiciary, as well as social services (education, health, etc.). Societies that have established efficient public sector institutions that guarantee equality of opportunity have enjoyed sustainable prosperity and long-term well-being. As the World Bank (2006) concludes:

To take an extreme example, institutions were severely inequitable in slave societies, such as Haiti or Barbados in the eighteenth century. Even though property rights in land and people were well defined and even well enforced (although subject to potential slave rebellions), most people had no property rights and were thus subject to expropriation by others, particularly their masters. For 95 percent of society, there were no incentives to engage in socially desirable activities. A similar, although somewhat less extreme, example of inequitable institutions is South Africa under apartheid. Institutions there were good for the whites but left 80 percent of the population without incentives or opportunities to engage in economically productive activities (page 107).

¹³ Corporate finance is a difficult mode of financing in societies where either property rights institutions are inefficient or the contract enforcement agencies (courts) are unable to efficiently accomplish their functions; for more details, see La Porta et al. (1998).

While protection of property rights is by no means sufficient to ensure the total absence of inequality, it is nonetheless needed to curb economic inequality. The quality of public sector management and accessibility of public services to all social groups (equitable distribution) is a precondition for controlling poverty and inequality. The de facto status of public sector management is more relevant in evaluating its impact on distributional outcomes.

Accordingly, this study employs four separate hypotheses covering the four dimensions of government effectiveness, regulation quality, rule of law, and control of corruption.

Government Effectiveness and Economic Inequality

The first channel through which the quality of public sector management affects distributional outcomes is the “overall effectiveness” of the government. This “overall effectiveness” includes the competence of public functionaries and the quality of services they deliver. The efficiency and quality of services delivered by the public functionaries are crucial in determining the level of equality or inequality. If the services are provided only to the rich and powerful or if the general quality of the services (for the common people) is poor and the public sector is not efficient in getting things done, this would naturally result in better income opportunities for the powerful, who then become even more resourceful; in such a case, the income disparity increases. If the public services are provided evenly and the quality of the services is good, income distribution improves and, consequently, marginalized groups have greater chances of coming out of the poverty trap.

In addition, the extent to which the public sector is free from political pressure and the extent to which policies remain internally consistent and predictable will also determine the ability of the public sector to deliver public goods and services to all the sectors of the population. On the contrary, if elite capture of the state prevails and the public sector serves the political and economic elite, the public sector shall not be able to deliver public goods and services to all the sectors of the population. Thus, the overall effectiveness of the public sector in formulating and implementing effective policies and delivering public goods is dependent on a complete accounting of “inputs” into the public sector. Access to social services, especially education and health, is the main determinant of life expectancy and employability. Any further improvement in policy formulation aimed at an egalitarian distribution system must also include the provision of a just taxation system and an efficient judicial system.

Hypothesis 1 (H1): As the quality of public services decreases and bureaucracy becomes inefficient, some groups (with lower income) have less access to public services while other groups (with higher income) proportionally enjoy more public services; in the long run, distribution is skewed toward the rich and powerful.

Regulation Quality, Income Inequality, and Social Harmony

Regulation quality is the most influential instrument with respect to increases or decreases in income inequality. In fact, it is by developing a set of regulations that the public sector establishes the rules of the game. If the rules and regulations are unnecessary (overregulation) or favor a certain group of individuals, then the absence of quality of opportunity with regard to entry into a business creates two groups: one that can play in the given set of regulations, and another that cannot. This division then determines the benefits that the given sets of individuals may derive from the economic activity. Thus, if government policies are not market-friendly and employ techniques like price controls or over- and under-regulation, there is a high possibility that inequality will increase (Kaufmann, Kraay, and Mastruzzi 2005).

The most common example of policies antagonistic to the market is the creation of a monopoly by the government or the distribution of permits to regulate market distribution. The resourceful who are able to get permits at the cost of excluding others succeed in gaining benefits from the monopoly. This exclusion shifts the balance of distribution of income and investment toward the powerful, and the result is economic inequality.

Hypothesis 2 (H2): When government intervenes through market-unfriendly policies, low-income groups have less chance of doing business or entering into gainful employment; consequently, inequality increases.

Rule of Law, and Economic Inequality

The quality of contract enforcement is a significant determinant of investment. Economies in which the rule of law is adequate have higher availability of finance and see greater amounts of external finance pouring in; thus, investment grows rapidly (La Porta et al. 1998). The quality of contract enforcement incorporates not only efficiency of the enforcement system, i.e., the courts, but also effectiveness of the police as well as the “likelihood of crime and violence.”

Researchers have pointed out that Anglo-Saxon “common law” supposedly delivers better protection of property rights and a more limited and efficient state than the French “civil law” legal systems (La Porta et al. 1998, 1999). In a panel study Barro (1996) finds a consistently positive and significant effect of property rights on growth. Even though his study does

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not cover the distribution of gains from economic growth, it is obvious that individuals and groups having greater access to investment and other economic opportunities necessarily obtain the greater share of gains from growth. Dollar and Kraay (2000) explore this dimension and conclude that better rule of law raises real per capita income, as people spend less on private protection strategies. Knack and Keefer (1995) prove that security of contract and property rights significantly affect opportunities for investment. This obliges us to conclude that the rule of law indirectly affects the generation and distribution of income.

If the rule of law is weak then there emerge two groups: one that can enforce its contracts, stand against crime and violence, and invent private mechanisms for security, and another that is unable to match the strength of the first group because of political powerlessness. This results in the poor suffering from an inequality of opportunity for services, gainful employment, and business investment. On the other hand, the politically influential and economically prosperous face no competition and enjoy ample opportunities. This disparity gets further reinforced when the politically influential are able to have public policy redesigned so as to obtain finance and other resources and have public resources allocated to safeguard their interests at the cost of the interests of powerless groups. This gives momentum to economic inequality, and the vicious cycle of inequality keeps repeating and reinforcing itself.

***Hypothesis 3 (H3):** In the absence of rule of law, low-income groups either pay a higher cost for dispute resolution or lose a major share of their investment and resources; consequently, in the long run, economic disparity increases because of the higher cost of obtaining protection (for property and contracts) and doing business.*

Control of Corruption, and Economic Inequality

Corruption in the public sector is of two types: apparent and hidden. The first—petty corruption—mostly comprises “small” monetary benefits obtained by public functionaries to fill gaps in income or to meet routine aspirations; this, while appearing high in any general perception of social ills, is not as dangerous as the second, or hidden, variety. It is this obscured corruption that is systemic and “grand”; this corruption paralyzes the state’s operations and plays a vital part in the elite capture of the state, wherein the policy formulation process is modified to benefit certain interest groups. The presence of corruption is often a “manifestation of a lack of respect by both the corrupter (typically a private citizen or firm) and the corrupted (typically a paid public functionary or an elected office holder) for the rules which

govern their interactions, and hence represents a failure of governance” (Kaufmann, Kraay, and Mastruzzi 2005).

Corruption is the backbone of all disparities, as the resourceful are able to pay the highest bribes or bring to bear the strongest influence through their political and economic standing; as a result, the distribution and delivery of public services and the enforcement of regulations through the courts and police are compromised. As an example we can consider a situation in which public expenditures are diverted toward a certain region, group, or class because the public functionary or elected office holder either has been successfully bribed or has some other personal objectives to pursue. Whatever the reason behind this diversion, the result is conflict, social strife, and continued deprivation of other areas, regions, or classes, which must suffer the consequences of the exclusion for a long time. In fact, in the case of “grand corruption” all public administrative structures become rent seeking and the power of the public office is exercised almost totally to secure private gains.

The welfare and distributional impact of endemic corruption in the public sector has long been a matter of lively debate among economists. The question, Does corruption have a beneficial or detrimental impact upon economy and public welfare? has been analyzed mainly in two models: the classical model and the principal-agent model.

Public Corruption in the Classical Model. Corruption in the public sector has been considered an efficiency-enhancing mechanism by some economists such as Bayley (1966), Huntington (1968), Leff (1964), Morgan (1964), and Nye (1967). They argue that corruption overcomes cumbersome regulations, excessive bureaucracy, or regulatory obstacles and therefore corrects the slow pace of public administration. The efficiency argument does not take into consideration the distributional or welfare consequences of the corrupting process. Merely expediting bureaucratic process or overcoming regulatory hurdles is not an end in itself; the real questions are: Who pays the bribe? and What does he or she get as a result? The efficiency-enhancing conclusion is based on the assumption that after paying the bribe the corruptor completes the project according to the conditions of the contract. However, this assumption is far from reality, as the corruptor tries to escape as many conditions as he or she can and the result is low-quality projects and even worse policies than those in place before the corruption process.

Through low project quality or ineffective public policy, it is ultimately the taxpayers who lose their contribution to the state and forfeit the benefits of the social contract. The poor pay a greater price, as they are deprived of public services and cannot get equal protection from law-enforcing authorities. Myrdal

(1968) and Rose-Ackerman (1978) oppose this view on the premise that once public sector officials are bribed to speed up the process, they put in place more administrative hurdles to maximize their return; this is similar to the mechanism by which monopolists hike the price by creating artificial scarcity.

The distributional impact of corruption goes deeper, because it benefits only the two parties that are directly involved in the corruption transaction process—the corruptor and the corrupted. On the other hand, the corrupt transaction generates externalities, and, thus, the cost is paid by the whole society, more specifically the poor and marginalized. While only a case-by-case, transaction-by-transaction cost-benefit analysis can reveal the spillover impact of corruption by public officials, the endemic nature of corruption obliges us to conclude that poor institutional settings encourage corruption, which, in turn, provides the motivation for illegal decisions, wrong implementation of policies, and simple opportunism. Thus, biased decision making at the operation level and “state capture” at the policy level certainly make the distribution worse.

Public Corruption in the Principal-Agent Approach. Rose-Ackerman (1978), Jain (1998), and Klitgaard (1988) apply the principal-agent (PA) approach to understand the impact of public sector corruption. In the PA model the principal (government) creates rules and assigns tasks to the agent (public functionary) so that he or she can provide services to the client (an ordinary citizen). The agent, however, has informational advantages over the principal and thus has the propensity to behave dishonestly (Besley and McLaren 1993).

The principal can make corruption endogenous to the model and take various actions to control the agent’s behavior. But these actions may be ineffective (as they have often been shown to be) and involve costs of detection, punishment,¹⁴ and reform (downsizing), and thus the principal may face the risk of market failure (Acemoglu and Verdier 2000). For example, it may not be possible for the principal to write contracts contingent on the agent’s quality or contracts that specify the agent’s level of effort (Furubotn and Richter 1998). Even paying the agent “information rent” (in the form of a residual claim on the operation) is not a powerful incentive (Furubotn and Richter 1998), which is not to say that such a process will suffer from computational difficulties (Moe 1984). Similarly, appointing an auditor may also be fruitless, as there is scope for collusion between the auditor and the agent.

¹⁴ For more details, see Klitgaard (1988), Kofman and Lawaree (1996), Laffont and Tirole (1993), Olsen and Torsvik (1998), and Strausz (1995).

No matter what actions a principal takes, the burden of all actions falls on welfare and distribution. For example, in tax payment, some clients may collude with the agent and evade tax by bribing; as a result, other clients are likely to pay more tax, which now implicitly becomes the price of honesty (Hart 1970). Moreover, problems of the agency relationship result in inappropriate investment in public sector projects and ineffective policies (Frisch 1999 and Klitgaard 1988). Whatever the case—whether the principal (government) is able to control the behavior of its agents at a high cost or whether agents extract money from the clients (the public)—the cost is diverted toward the poor¹⁵ and the distribution of income favors the powerful groups in the society.

***Hypothesis 4 (H4):** When corruption is endemic in the public sector, the rich get the greater share of income, evade taxes, and enjoy higher levels of public services, and, as a result, disparity increases.*

Empirical Strategy

The discussion so far illustrates the widening distribution gap resulting from decreasing efficiency in the quality of public sector management. Testing this hypothesis longitudinally gives a better picture as changes in the quality of public administration over time are better able to explain the variation in income distribution (if any), and tracing the trajectory enables researchers to identify significant factors. However, since little data are available—especially data on the quality of public sector management—for analyzing the phenomenon in a time dimension, the study uses cross-sectional data.¹⁶ Thus, the study tests the hypothesis: Can variations across countries in one dimension of the quality of public sector management explain variations in economic inequality across countries?

The study uses three techniques to test the hypotheses. First, the data are divided into five main groups¹⁷ on the basis of gross national product (GNP) per capita: low income (GNP per capita of \$765 or less in 1995), lower-middle

¹⁵ Many studies have shown that corruption functions as an indirect tax and is regressive in nature—the poor pay more as a share of income than the rich. In addition, in a corrupt environment indirect taxes are more depended upon than direct taxes (progressive in nature) and a higher share of indirect taxes shifts the burden toward the lower-income groups. For more details, see Wei and Kaufmann (1999).

¹⁶ Indeed, the cross-section data change the way a hypothesis under test is worded and tested. If one uses time-series data, the hypothesis will be worded thus: “variation in variable X over time explains variation in variable Y over time.” However, when cross-section data are used, the same hypothesis becomes: “variation in variable X across sectors (countries, individuals, firms, etc.) can explain variation in variable Y across sectors (countries, individuals, firms, etc.).”

¹⁷ This classification is based on the World Bank’s classification of countries; for more details, see: <http://www.worldbank.org/depweb/english/beyond/global/classification.html>.

income (\$766 to \$3,035), upper-middle income (\$3,036 to \$9,385), high-income Organization for Economic Cooperation and Development (OECD) countries (\$9,386 or more), and high-income non-OECD countries (\$9,386 or more). Thereafter, means across the groups are compared to test whether countries with high income inequality have low values for the quality of public sector management indicators.

Then correlation (Pierson) test is applied to the data to measure the degree of correlation. The two-tail test is employed to test the statistical significance of the correlation coefficients. This technique essentially analyzes whether two variables are moving in the same direction (direct relationship) or in the opposite direction (inverse relationship). The test also identifies the degree of association; the value of the coefficient ranges from -1 to +1, where +1 shows perfect positive correlation, -1 indicates perfect negative correlation, and a value tending toward +1 or -1 shows strength of relationship.

Finally, univariate regressions are calculated and a scattergram is plotted to test the causality, as the presence of correlation necessarily implies causality.

Data and Summary Statistics

The study uses three measures of inequality: Gini index for income or consumption, Gini index for land distribution, and Gini index for the distribution of number of years of education.¹⁸ The Gini index measures the extent to which the distribution of assets in a given percentage of the population within an economy deviates from a perfectly equal distribution.¹⁹ A Gini index of zero represents perfect equality, while an index of one implies perfect inequality. “Zero” and “one” are theoretical possibilities, but in reality the value lies between the two numbers.

The first measure of inequality (Gini index for income or consumption) measures how much the distribution of income or consumption within an economy deviates from a perfectly equal distribution.²⁰ To measure the distribution of land in a country, the Gini index of land distribution is used; it captures the extent to which land distribution within an economy deviates from a perfectly equal distribution. The third distribution variable covers the distribution of the number of years of education across the population. A value of GI education closer to one shows that the distribution of the years of

¹⁸ Data on inequality are from the World Development Report 2006.

¹⁹ The Gini coefficient is measured as:
$$Gini = \frac{1}{2n^2 \bar{y}} \sum_{i=1}^n \sum_{j=1}^n |y_i - y_j|$$

²⁰ For example, perfectly equal distribution of income means that one fourth of the income is distributed to one fourth of the population, and so on.

education is skewed to a certain group of population, while a value closer to zero implies the years of education are distributed equally.²¹

The quality of public sector management is measured from four points of view.²² *Government effectiveness* measures the competence of the bureaucracy and the quality of public service delivery; *regulatory burden* covers the incidence of market-unfriendly policies; *rule of law* includes the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence; and *control of corruption* measures the exercise of public power for private gain, including both petty and grand corruption and state capture. All the four indices are based on data collected through many surveys among country experts, exporters, and companies doing business in countries. The indices have a value of -2.5 to +2.5, where -2.5 shows the lowest level of quality of public sector management and +2.5 shows the highest level of quality, and figures in between show a tendency toward a certain quality.

Table 1 shows the summary (mean, standard deviation, maximum and minimum values of the indices) statistics of the data.

Table 1: Summary Statistics

Indicator	Mean	Std. Deviation	Minimum	Maximum	N
Gini Coefficient	0.3881	0.1037	0.24	0.70	125
Land Gini	0.6050	0.1653	0.18	0.93	58
Education Gini	0.3526	0.2189	0.10	0.90	101
Government Effectiveness	7.484E-02	0.9914	-1.90	2.25	126
Regulation Quality	7.381E-02	0.9598	-2.22	2.02	126
Rule of Law	-4.1587E-02	1.0002	-1.66	1.98	126
Control of Corruption	1.008E-02	1.0363	-1.49	2.53	126

Results and Interpretation

Table 2 shows mean values of data (based on GNP per capita) divided into five categories based on level of income. The second column shows that OECD and non-OECD countries possess low Gini coefficients compared with other groups. Columns 6, 7, 8, and 9 (four dimensions of the quality of

²¹ For more details and interpretation, see Technical Notes in *World Development Report 2006*.

²² The quality of public sector management is evidently difficult to capture because of the complexity of the phenomenon and its inter-linkages and interdependencies with political and cultural factors. However, the indices developed by the World Bank researchers cover many dimensions of public sector quality, as their use is increasing in the empirical research. For more details on methodology use and related issues to indicators, see: <http://info.worldbank.org/governance/kkz2004/q&a.htm>.

public sector management) show that in the same group of countries, some members possess high quality of public sector management. This trend intuitively supports the four hypotheses that countries with efficient public sector institutions are able to keep economic inequality at a lower level. This tendency is present in all the data. This is a crude measure²³ of evidence in favor of or against the hypotheses; however, the data depict a pattern that supports the hypotheses.

Table 2: Mean Values Based on Income

Income Group	Gini Coefficient	Land Gini	Education Gini	Government Effectiveness	Regulation Quality	Rule of Law	Control of Corruption
High Middle	0.4272 (18)	0.7838 (8)	0.2743 (14)	0.3050 (18)	0.2450 (18)	0.1461 (18)	0.1189 (18)
Low	0.3924 (46)	0.4919 (16)	0.5016 (38)	-0.4879 (47)	-0.4562 (47)	-0.5870 (47)	-0.5362 (47)
Low Middle	0.3937 (35)	0.6647 (15)	0.3207 (28)	-0.1131 (35)	-1.6286E-02 (35)	-0.2437 (35)	-0.2309 (35)
Non-OECD	0.3150 (4)	0.6200 (1)	0.1800 (3)	1.2500 (4)	1.2550 (4)	1.0800 (4)	1.1775 (4)
OECD	0.3514 (22)	0.5756 (18)	0.1772 (18)	1.1741 (22)	0.9945 (22)	1.0877 (22)	1.2591 (22)
All Income Groups	N = 125	N = 58	N = 101	N = 126	N = 126	N = 126	N = 126

Notes: N= number of observations; figures in parentheses are the number of countries for which data is available.

To further analyze the relationship systematically, correlation coefficients are calculated. Table 3 shows correlation coefficients and the level of significance. The correlation coefficients between the Gini index and quality-of-governance variables show a negative relationship and all the coefficients are highly statistically significant (at the 0.01 level). This negative relationship explains that once the quality of public sector management improves, the distribution of income or consumption inequality starts disappearing.

As is the case with the land Gini and four public sector management variables, the correlation coefficients have a negative sign (i.e., they show an inverse relationship) but are statistically insignificant. Column 4 shows a negative and statistically significant relationship—the number of years of education are distributed more equally once the public sector is managed

²³ We call it a crude measure not only because the results are not consistent but also because of the non-robust methodology behind it. However, the purpose is just to capture similarities, if any, in the data, which are evident from the data.

Table 3: Pearson's Bivariate Correlation Coefficient Statistics

Income Group	Gini Coefficient	Land Gini	Education Gini	Government Effectiveness	Regulation Quality	Rule of Law
Gini Coefficient	1.000** 0.00 (125)					
Land Gini	0.056 0.680 (57)	1.000** 0.00 (58)				
Education Gini	0.258* 0.010 (100)	-0.319* 0.024 (50)	1.000** 0.00 (101)			
Government Effectiveness	-0.371** 0.000 (125)	-0.079 0.557 (58)	-0.270** 0.006 (101)	1.000** 0.00 (126)		
Regulation Quality	-0.267** 0.003 (125)	-0.025 0.855 (58)	-0.203* 0.042 (101)	0.912** 0.000 (126)	1.000** 0.00 (126)	
Rule of Law	-0.345** 0.000 (125)	-0.084 0.532 (58)	-0.255** 0.010 (101)	0.973** 0.000 (126)	0.928** 0.000 (126)	1.000** 0.00 (126)
Control of Corruption	-0.318** 0.000 (125)	-0.034 0.799 (58)	-0.237* 0.017 (101)	0.969** 0.000 (126)	0.899** 0.000 (126)	0.972** 0.000 (126)

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Note: Figures in parentheses are number of observations under the specific group.

more efficiently and public services are provided efficiently by the public sector. This supports the theoretical conclusion that the public sector plays an important role in determining distributional outcomes through the distribution of public services. Public policy processes that determine the distribution of public services (education, health, law and order, courts, etc.) are important, as they determine the future earning capacity of the people and thus also determine the distribution of income.

As a whole, the two methods employed provide evidence of a meaningful relationship between the variables under consideration. Finally, linear regression analysis is employed, one by one, to test the hypotheses (formulated in the review of the literature) for all the economic inequality variables.

Figure 1 shows a scatter plot of the income or consumption Gini index with four dimensions of the quality of public sector institutions. The upper left corner shows that the Gini index has a negative relationship with government effectiveness (coefficient of government effectiveness is -0.04 and R^2 is 0.14). The relationship is statistically significant, as most of the observations lie around the regression line; the relationship is economically meaningful, as the higher the effectiveness of the government, the lower is the income or consumption inequality. Thus, the regression results are unable to reject H1. When the Gini index is regressed against regulation quality, the

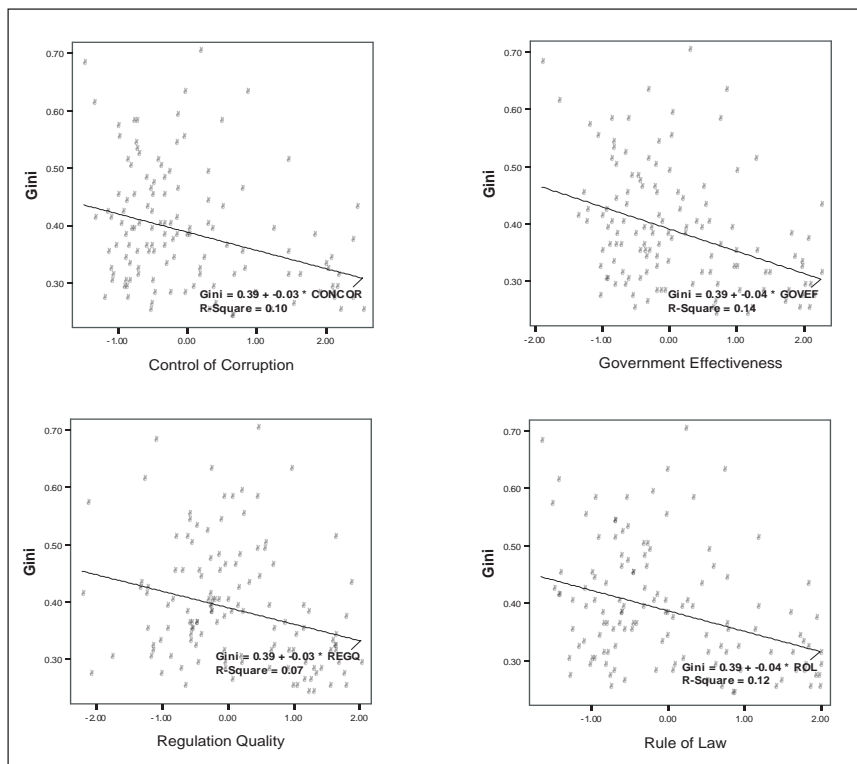
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same relationship is observed in the data. While the relationship is significant (coefficient is -0.03, R^2 is 0.07), the relationship is not strong, as depicted by the low R^2 value.

The results show that *rule of law* significantly affects the distribution of income or consumption (coefficient is -0.04 and R^2 is 0.12). The relationship is meaningful, as it is shown that the stronger the rule of law, the better able the people are to establish a business and live safe lives, and all groups to benefit equally from public services. Thus, the study is unable to reject H3.

Figure 1 also shows that there is a visible pattern between control of corruption and inequality (coefficient is -0.04 and R^2 is 0.10); also seen is the fact that control of corruption in the public sector can improve the distribution of income or consumption. This provides support for H4, proving that in the presence of corrupt public functionaries, the powerless and poor groups have to suffer more than the powerful and richer groups, and that, consequently, inequality increases.

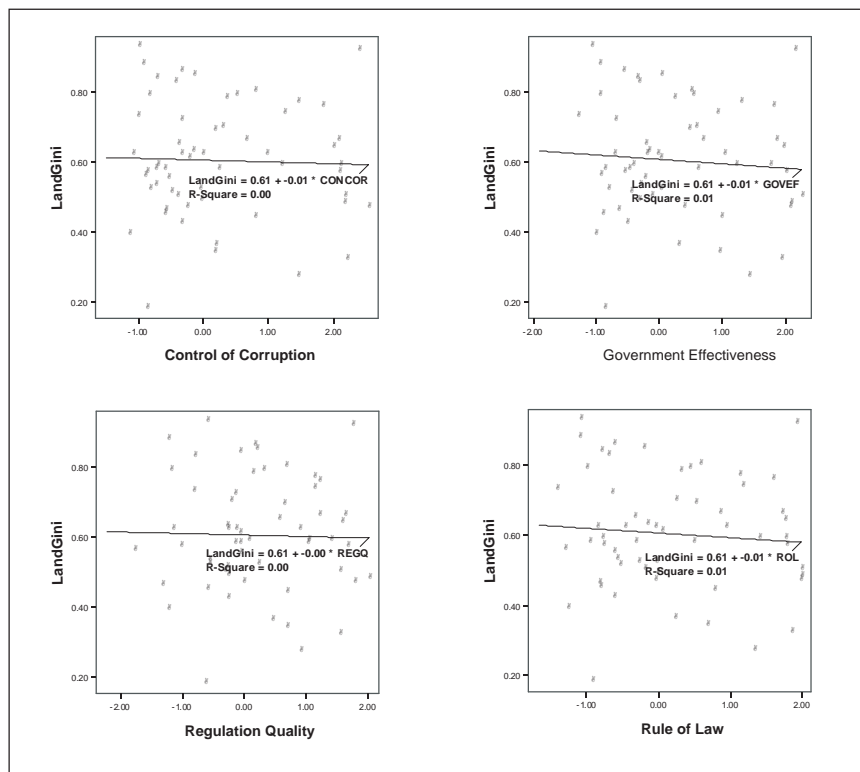
Figure 1: Income Inequality and Quality of Public Sector Management



When all the four management quality variables are regressed on the distribution of land, the result is depicted in Figure 2: here it is seen that the quality of public sector institutions has a negligible relationship with the distribution of land. The result is not difficult to interpret, as the distribution of land is the outcome of a long-term process and land title does not change very often because of the current conditions in the public sector.²⁴

Since economic inequality is the outcome of inequality of opportunity, and no higher inequality of opportunity is observed than in the distribution of the years of schooling, this is the single most important determinant of service provision²⁵ and future success in life and economic activity. An analysis

Figure 2: Inequality in the Distribution of Land and Quality of Public Sector Management



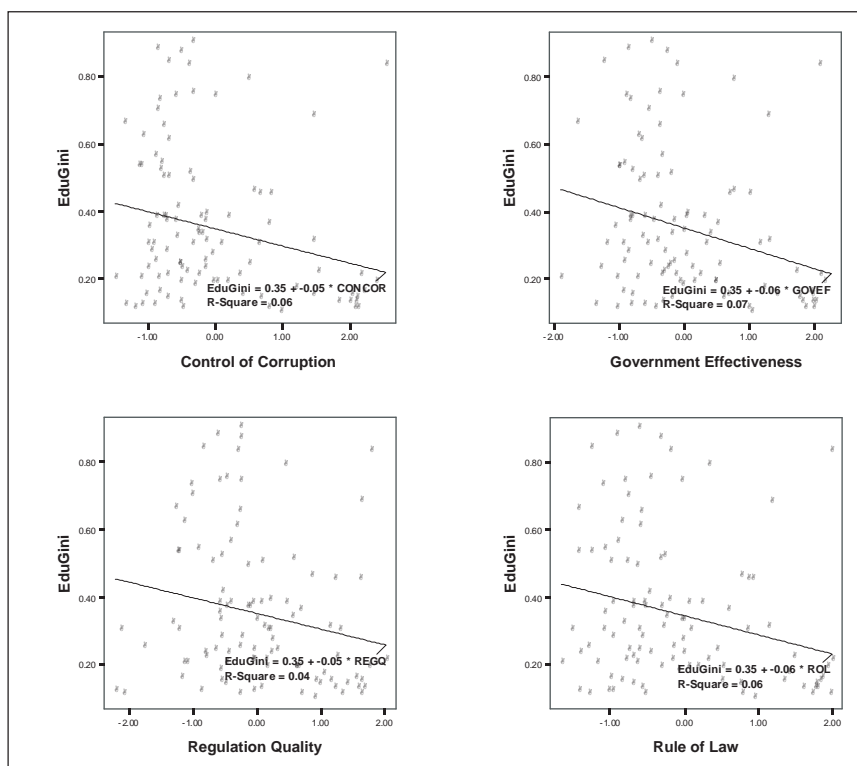
²⁴ One reason for this inconclusive result is the unavailability of data for many countries—data are available for only 58 countries (and most of the observations are from low-income, lower-middle-income, and OECD countries).

²⁵ The other important variable is health care, because this facility makes a major difference in future achievement, life expectancy, and the ability to have a healthy life—all of which are closely related to income and consumption patterns.

of the relationship between the years of schooling and quality of public sector management is essential. There is another important reason for this analysis: in most countries, basic education is the responsibility of the public sector and the quality of the public sector is directly depicted in the management of the education service. Figure 3 shows the relationship between the distribution of the number of years of schooling and the four dimensions of public sector management quality.

The upper left corner shows that there is a significant relationship between the two variables: coefficient is -0.06 and R^2 is 0.07. The coefficient has a high value and the results support H1. An interpretation of the results shows that as government effectiveness increases, years of education are distributed more evenly among the population. The upper right corner shows the same results for regulation quality and education Gini, and therefore the study is unable to reject H2. The regression line in the two lower figures shows that H3 and H4 cannot be rejected on the basis of the evidence provided. In spite

Figure 3: Inequality of Access to Education and Quality of Public Sector Management



of the fact that the results are not totally unambiguous, it is concluded that on the basis of the data available and the methodology adopted, there appears to be a significant relationship between the quality of public sector management and economic inequality.

Conclusion

The impact of the state's involvement in economic activity has long been a matter of heated debate, with convincing arguments on both sides. However, growing concerns in the area of market failure, such as externalities management, distributional concerns, and provision of social services, have increasingly received the attention of policy makers. Among the areas where the market has failed to provide a remedy is the distribution of economic assets and income. While it is widely supported that the government is responsible for controlling (and alleviating) poverty, as well as the growing inequality between and among socioeconomic groups, the issues covered under the broad question, How does the quality of public sector management affect economic inequality?, have not been addressed.

This study argues that the quality of public sector management itself determines the distributional outcomes. As public policy evolves and is implemented by the public sector, any inherited or acquired weaknesses in the policy process are reflected in the distribution of public services, collection of taxes, and allocation of expenditures. Four hypotheses have been formulated with regard to the routes through which public policy creates distributional distortions:

- As the quality of public services deteriorates and bureaucracy becomes inefficient, some groups (generally, low-income) have decreasing access to public services while other groups (from the high-income bracket) proportionally enjoy more public services; this, in the long run, leads to an increase in inequality.
- Excessive government intervention in markets through market-unfriendly policies results in market weakness and the exclusion low income groups from businesses and consequently inequality increases.
- Weak rule of law makes low-income groups vulnerable to law-and-order problems and inefficient dispute resolution limits their ability to invest in and operate businesses; thus, too, economic disparity widens.

- High rates of corruption in the public sector result in limited access to services with the result that the poor pay a much higher price of corruption than the rich; the result of this is high inequality.

Data on income or consumption inequality, land distribution inequality, and distribution of years of educational attainment are used as proxies for inequality and the quality of public sector management is measured from four different angles: overall public sector effectiveness, extent to which public sector interferes unnecessarily in markets (regulation quality), rule of law, and control of corruption in the public sector.

The relationship is tested by three methods: mean-comparison within data (divided on the bases of income), Pierson correlation analysis, and univariate linear regression analysis. All the three methods provide enough evidence to conclude that the quality of public sector management has a strong bearing on economic inequality. These results, however, are significant in the case of income or consumption inequality and education-years inequality, while in the case of land distribution inequality the results lose significance. Variation in the level of inequality is explained by variation in the quality of public sector management across geographical and national boundaries.

The study addresses the question whether or not the quality of public sector management affects economic inequality. Even though the results gathered by the study are not completely unambiguous, on the basis of the data available and the methodology used in the study it can be concluded that the quality of public sector institutions has a bearing on economic inequality.

The results support the four hypotheses formulated in the study. While two measures—income or consumption inequality and distribution of years of schooling—are affected by the quality of public sector management, the distribution of land does not appear to be so affected (by the quality of public sector institutions).

All the same, in spite of the results of this study, more research is required on this issue, particularly on the methods of analysis, model specification, and causality. Research is also necessary on the channels through which the quality of public sector management affects economic inequality. Richer measures of the public sector expenditure allocation framework need to be developed. Furthermore, as these results conform to only a few studies dealing with the impact of institutional settings of growth and development, the configuration of the appropriate type of public sector management institutions, public policy formulation and implementation processes, and poverty and inequality created by public sector need to be brought to the forefront of development economics and the public sector reform agenda.

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Appendix Data

Country	Code	Income Group	Gini	LandGini	EduGini	GOVEF	REGQ	ROL	CONCOR
1. Albania	ALB	LM	0.31	0.84	0.21	-0.36	-0.08	-0.80	-0.72
2. Algeria	DZA	LM	0.35	NA		-0.46	-0.93	-0.73	-0.49
3. Argentina – urban	ARG	HM	0.51	0.83	0.22	-0.33	-0.81	-0.71	-0.44
4. Armenia	ARM	L	0.26	NA	0.13	-0.34	0.05	-0.58	-0.53
5. Australia	AUS	OECD	0.32	NA	0.15	1.95	1.62	1.82	2.02
6. Austria	AUT	OECD	0.28	0.59	0.14	1.76	1.41	1.76	2.10
7. Azerbaijan	AZE	L	0.36	NA	0.15	-0.81	-0.57	-0.85	-1.04
8. Bangladesh	BGD	L	0.31	0.62	0.62	-0.72	-1.15	-0.86	-1.09
9. Belarus	BLR	LM	0.30	0.56	0.25	-0.93	-1.78	-1.31	-0.91
10. Belgium	BEL	OECD	0.26	NA	0.22	1.71	1.25	1.47	1.53
11. Benin	BEN	L	0.36	NA	0.75	-0.39	-0.49	-0.47	-0.34
12. Bolivia	BOL	LM	0.58	NA	0.38	-0.63	0.05	-0.55	-0.78
13. Bosnia & Herzegovina	BIH	LM	0.25	NA	0.24	-0.54	-0.66	-0.76	-0.54
14. Botswana	BWA	HM	0.63	NA		0.83	0.96	0.73	0.86
15. Brazil	BRA	HM	0.59	0.85	0.39	0.02	0.19	-0.21	-0.15
16. Bulgaria	BGR	LM	0.28	NA	0.19	-0.08	0.60	0.05	-0.04
17. Burkina Faso	BFA	L	0.38	0.42	0.90	-0.52	-0.26	-0.62	-0.35
18. Burundi	BDI	L	0.42	NA		-1.24	-1.35	-1.50	-1.16
19. Cambodia	KHM	L	0.40	NA	0.28	-0.87	-0.25	-0.98	-0.97
20. Cameroon	CMR	L	0.45	NA	0.50	-0.64	-0.71	-1.00	-0.78
21. Canada	CAN	OECD	0.33	0.64	0.13	1.96	1.57	1.75	1.99
22. Central African Rep.	CAF	L	0.61	NA	0.66	-1.65	-1.28	-1.44	-1.36
23. Côte d'Ivoire	CIV	L	0.51	NA	0.68	1.27	1.62	1.16	1.44
24. Chile	CHL	HM	0.45	NA	0.23	0.11	-0.45	-0.47	-0.51
25. China, People's Rep. of	CHN	LM	0.54	NA	0.37	-0.18	-0.12	-0.70	-0.16
26. Colombia	COL	LM	0.46	0.80	0.36	0.49	0.67	0.57	0.78
27. Costa Rica	CRI	LM	0.29	NA	0.30	0.32	0.19	0.07	0.08
28. Croatia	HRV	HM	0.25	NA		0.63	0.97	0.69	0.30
29. Czech Rep.	CZE	HM	0.27	0.92	0.19	2.15	1.76	1.91	2.38
30. Denmark	DNK	OECD	0.47	0.51	0.11	-0.46	-0.28	-0.54	-0.50
31. Dominican Rep.	DOM	LM	0.54	NA	0.38	-0.85	-0.60	-0.71	-0.75
32. Ecuador	ECU	LM	0.34	NA	0.33	-0.20	-0.58	-0.02	-0.21
33. Egypt, Arab Rep.	EGY	LM	0.50	0.65	0.51	-0.22	0.56	-0.34	-0.39
34. El Salvador	SLV	LM	0.32	NA	0.45	0.99	1.61	0.91	0.82
35. Estonia	EST	HM	0.30	0.79	0.16	-0.96	-1.19	-1.00	-0.85
36. Ethiopia	ETH	L	0.25	0.47	0.83	2.06	1.79	1.97	2.53
37. Finland	FIN	OECD	0.31	0.27	0.15	1.42	0.91	1.33	1.44
38. France	FRA	OECD	0.48	0.58	0.37	-0.49	-0.15	-0.32	-0.61
39. Gambia, The	GMB	L	0.38	NA		-0.80	-0.64	-0.87	-0.91
40. Georgia	GEO	L	0.28	NA		1.38	1.29	1.66	1.90
41. Germany	DEU	OECD	0.41	0.63	0.25	-0.17	-0.28	-0.16	-0.17
42. Ghana	GHA	L	0.36	NA	0.46	0.74	0.85	0.75	0.56
43. Greece	GRC	OECD	0.58	0.58		-0.87	-0.07	-0.96	-0.74
44. Guatemala	GTM	LM	0.39	NA	0.54	-0.93	-0.94	-1.09	-0.81
45. Guinea	GIN	L	0.40	NA	0.84	-1.25	-0.86	-1.26	-0.71
46. Guinea-Bissau	GNB	L	0.45	0.62		-0.20	-0.14	-0.48	-0.35
47. Guyana	GUY	LM	0.68	NA	0.20	-1.90	-1.11	-1.66	-1.49
48. Haiti	HTI	L	0.52	NA	0.61	-0.68	-0.33	-0.61	-0.71
49. Honduras	HND	LM	0.24	0.66	0.45	0.68	1.22	0.85	0.65
50. Hungary	HUN	HM	0.33	NA	0.18	-0.04	-0.59	-0.09	-0.31
51. India	IND	L	0.34	NA	0.56	-0.36	-0.42	-0.91	-0.90
52. Indonesia	IDN	L	0.43	0.46	0.32	-0.66	-1.33	-0.83	-0.59

Country	Code	Income Group	Gini	LandGini	EduGini	GOVEF	REGQ	ROL	CONCOR
53. Iran	IRN	LM	0.31	NA		1.48	1.63	1.62	1.61
54. Ireland	IRL	OECD	0.35	0.44	0.11	0.98	0.69	0.77	0.79
55. Israel	ISR	NOECD	0.31	NA	0.14	0.58	0.97	0.74	0.66
56. Italy	ITA	OECD	0.45	0.73	0.23	-1.30	-0.83	-1.42	-1.01
57. Jamaica	JAM	LM	0.42	NA	0.19	0.13	0.15	-0.32	-0.52
58. Japan	JPN	OECD	0.25	0.59	0.17	1.21	1.04	1.39	1.19
59. Jordan	JOR	LM	0.39	0.78	0.21	0.23	0.13	0.30	0.35
60. Kazakhstan	KAZ	LM	0.30	NA	0.12	-0.63	-0.89	-0.98	-1.10
61. Kenya	KEN	L	0.44	NA	0.38	-0.81	-0.43	-0.98	-0.89
62. Korea, Rep. of	KOR	L	0.32	0.34		0.95	0.69	0.67	0.17
63. Kyrgyzstan	KGZ	L	0.29	NA	0.12	-0.83	-0.06	-1.04	-0.92
64. Lao PDR	LAO	L	0.35	0.39	0.53	-1.02	-1.24	-1.27	-1.15
65. Latvia	LVA	LM	0.34	0.58		0.60	1.02	0.48	0.23
66. Lesotho	LSO	L	0.63	0.49		-0.33	-0.26	-0.03	-0.05
67. Lithuania	LTU	LM	0.29	NA		0.70	1.16	0.60	0.36
68. Luxembourg	LUX	OECD	0.29	0.48	0.21	2.08	2.02	1.98	2.16
69. Macedonia FDR	MKD	LM	0.36	NA		-0.17	-0.19	-0.44	-0.52
70. Madagascar	MDG	L	0.46	NA	0.31	-0.43	0.10	-0.30	-0.15
71. Malawi	MWI	L	0.50	0.52	0.52	-0.81	-0.57	-0.29	-0.83
72. Malaysia	MYS	HM	0.49	NA		0.99	0.44	0.52	0.29
73. Mali	MLI	L	0.39	NA	0.87	-0.29	-0.26	-0.34	-0.52
74. Mauritania	MRT	L	0.38	NA		0.22	0.04	-0.62	0.02
75. Mexico	MEX	HM	0.49	NA	0.34	-0.02	0.55	-0.26	-0.27
76. Moldova	MDA	L	0.36	NA	0.20	-0.73	-0.49	-0.65	-0.86
77. Mongolia	MNG	L	0.30	NA		-0.46	0.18	0.18	-0.51
78. Morocco	MAR	LM	0.38	0.62	0.74	-0.03	-0.26	-0.05	-0.02
79. Mozambique	MOZ	L	0.39	NA	0.65	-0.39	-0.29	-0.60	-0.79
80. Namibia	NAM	LM	0.70	0.36	0.38	0.29	0.45	0.22	0.18
81. Nepal	NPL	L	0.36	0.45	0.74	-0.90	-0.60	-0.82	-0.61
82. Netherlands	NLD	OECD	0.29	0.57	0.13	2.00	1.67	1.78	2.08
83. New Zealand	NZL	OECD	0.37	NA		2.05	1.78	1.93	2.38
84. Nicaragua	NIC	L	0.40	0.72	0.49	-0.71	-0.15	-0.65	-0.34
85. Niger	NER	L	0.51	0.18	0.88	-0.87	-0.63	-0.92	-0.87
86. Nigeria	NGA	L	0.41	NA	0.53	-1.02	-1.26	-1.44	-1.11
87. Norway	NOR	OECD	0.27	NA	0.11	1.97	1.33	1.95	2.11
88. Pakistan	PAK	L	0.27	0.57	0.70	-0.57	-1.03	-0.78	-0.87
89. Panama	PAN	HM	0.55	0.52	0.27	0.01	0.22	-0.04	-0.06
90. Paraguay	PRY	LM	0.55	0.93	0.35	-1.07	-0.60	-1.09	-0.99
91. Peru	PER	LM	0.48	0.86	0.30	-0.58	0.17	-0.63	-0.35
92. Philippines	PHL	LM	0.46	0.55	0.24	-0.23	-0.06	-0.62	-0.55
93. Poland	POL	HM	0.31	0.69	0.19	0.47	0.64	0.51	0.16
94. Portugal	PRT	OECD	0.39	0.74		0.92	1.14	1.16	1.23
95. Romania	ROM	LM	0.28	NA	0.21	-0.15	-0.06	-0.18	-0.25
96. Russian Federation	RUS	LM	0.32	NA	0.14	-0.21	-0.51	-0.70	-0.72
97. Senegal	SEN	L	0.40	0.50	0.83	-0.13	-0.31	-0.20	-0.40
98. Serbia & Montenegro	YUG	LM	0.28	NA		-0.21	-0.72	-0.72	-0.48
99. Singapore	SGP	NOECD	0.43	NA		2.25	1.87	1.82	2.44
100. Slovak Rep	SVK	HM	0.26	NA	0.15	0.67	1.15	0.49	0.39
101. Slovenia	SVN	NOECD	0.28	0.62	0.10	1.02	0.89	0.93	0.97
102. South Africa	ZAF	HM	0.58	NA	0.79	0.74	0.44	0.32	0.48
103. Spain	ESP	OECD	0.35	0.77	0.31	1.29	1.13	1.12	1.45
104. Sri Lanka	LKA	LM	0.38	NA	0.23	-0.27	0.21	-0.03	-0.16
105. St. Lucia	LCA	HM	0.44	NA		0.19	0.46	0.75	0.29
106. Sweden	SWE	OECD	0.25	0.32	0.16	1.92	1.54	1.85	2.20
107. Switzerland	CHE	OECD	0.31	0.50		2.25	1.55	1.98	2.17
108. Taipei, China	TWN	NOECD	0.24	NA	0.30	1.15	1.29	0.83	0.64
109. Tajikistan	TJK	L	0.32	NA	0.20	-1.05	-1.16	-1.18	-1.11

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Country	Code	Income Group	Gini	LandGini	EduGini	GOVEF	REGQ	ROL	CONCOR
110. Tanzania	TZA	L	0.35	NA	0.41	-0.37	-0.55	-0.49	-0.57
111. Thailand	THA	LM	0.40	0.47	0.33	0.38	-0.01	-0.05	-0.25
112. Trinidad & Tobago	TTO	HM	0.39	NA	0.19	0.47	0.61	0.17	0.02
113. Tunisia	TUN	LM	0.40	0.70		0.57	-0.22	0.24	0.29
114. Turkey	TUR	LM	0.37	0.61	0.38	0.01	-0.07	0.04	-0.23
115. Turkmenistan	TKM	L	0.41	NA	0.12	-1.37	-2.22	-1.43	-1.34
116. Uganda	UGA	L	..	0.59	0.50	-0.43	0.07	-0.79	-0.71
117. Ukraine	UKR	L	0.29	NA		-0.67	-0.48	-0.83	-0.89
118. United Kingdom	GBR	OECD	0.34	0.66	0.11	1.85	1.62	1.71	2.06
119. United States	USA	OECD	0.38	0.76	0.13	1.80	1.22	1.58	1.83
120. Uruguay – urban	URY	HM	0.43	0.79	0.24	0.52	0.30	0.42	0.50
121. Uzbekistan	UZB	L	0.27	NA	0.11	-1.04	-2.10	-1.30	-1.21
122. Venezuela, RB de	VEN	HM	0.42	0.88	0.30	-0.96	-1.24	-1.10	-0.94
123. Viet Nam	VNM	L	0.35	0.53	0.28	-0.31	-0.57	-0.59	-0.74
124. Yemen, Rep.	YEM	L	0.33	NA	0.73	-0.84	-1.04	-1.11	-0.84
125. Zambia	ZMB	L	0.53	NA	0.37	-0.84	-0.49	-0.54	-0.74
126. Zimbabwe	ZWE	L	0.57	NA	0.30	-1.20	-2.15	-1.53	-1.01

GOVEF: Government effectiveness; REGQ: Regulation Quality, ROL: Rule of law, CONCOR: Control of Corruption. For details on date and definitions see section on data.

Managing Diversity in the Philippines: Is Government Working Hard Enough to Provide Services in Equal Ways?

Eduardo T. Gonzalez¹

Introduction

Accommodating diversity in public management means making sure public services are provided in equal and nondiscriminatory ways. Providing services that are efficient, effective, culturally sensitive, and equal and that value equality and diversity can help to improve service quality and meet the needs of diverse citizens.

In this paper, diversity is defined as any collective mixture of people set apart by similarities and differences. The focus is on acceptance of and respect for the uniqueness of all groups, and the primary need, from a public management point of view, is for governance systems to embrace differences and avoid mutual accommodation.

For many countries, diversity is a national treasure and is sometimes celebrated. It is expressed most notably in culture, arts, music, folklore, literature, and skills practiced by different ethnic groups, which, over periods of cohabitation, created what has become the national distinctiveness of the countries where they live (Anyaoku n.d.). Like biodiversity, it embodies the variety of cultures in a systemic perspective where each culture evolves through contact with other cultures. That suggests that diversity requires dialogue and sharing of values (Kiyindou 2005).

But in many countries, including the Philippines, managing diversity is still a difficult test for national governance. If managed unconstructively or poorly, diversity can quickly lead to instability within states, triggering civil conflict that takes development the wrong way (UNDP 2004, Anyaoku n.d.). Yet, despite turning out ethnic fault lines, diversity itself cannot be traded off just to keep the peace. There is no evidence to suggest that cultural differences—when ethnic groups are at odds over values—are the root cause of violent disagreements (UNDP 2004). What is apparent is that if unconstructive diversity management is not addressed, it will increase the social costs of discrimination, segregation, and marginalization of certain groups. Society pays a high price

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through increased punitive expenditures and greater public outlays to keep social integration from completely falling apart (Laubeová 2001).

Indeed, the good governance case for diversity indicates this can help to enhance the potential, creativity, and contribution of people from different backgrounds to provide more efficient and responsive services. Thus, recognizing diversity is important, but not important enough on its own. Government, business, and civil society must invest in diversity, managing it effectively and efficiently so that it is embedded in the fabric of the country's laws and institutions.

In Praise of Diversity Management

Managing diversity is a wide-ranging governance process of developing an environment that works for all groups. This process takes into account the need to change organization systems to sustain the ability of government and other stakeholders to get from all groups the potential contributions they have to offer. It requires a pluralist system that holds within it groups differing in basic background experiences and cultures. It allows for the development of common practices, while preserving the right of each group to maintain its cultural heritage (MPA 2005). Recognizing and respecting peoples' differences and similarities helps government understand ethnic groups better and improve its ability to deliver innovative and creative solutions. It enables government, whether national or local, to build teams with a unique range of capabilities that can win the trust of various disadvantaged groups. From the point of view of these groups, a well-managed diverse setting increases the available range of options and freedom of choices for citizens, encourages a healthy competition between different ideas and ways of life, thereby preventing the ascendancy of one culture over the other, engenders tolerance and respect for different cultures, and creates a climate in which different cultures can have a mutually beneficial dialogue and collaborate on commonly agreed national goals and vision (Jemai 2001).

It is important in a diverse environment that competition for political power, which is a normal part of every governance system, can be articulated in such a way as to avoid "ethnicization," a situation where all initiatives and decisions are read in ethnic terms and only in ethnic terms. In such situations, according to Schöpflin (2001), the public good character of diversity management is lost since the decisions do not transcend ethnicities. What ethnicization does is to legitimize institutional arrangements which—though formally democratic—promote ethnicity-based majority rule in multiethnic contexts. This culture revolves around an intolerant ethical preference for the particular collective good of a specific (majority) group. The outcome is to

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divide people along ethnic lines, since the partiality of the state creates opportunity for exclusionary inequality (Dimitrijević and Kovacs 2004).

Conventional government thinking has tended to ignore diversity as a critical variable in the development process for a good reason: diversity brings uncertainty and distortions to a stylized planning process. But if development is a holistic process, it must factor in diversity, or face the prospect of a systemic failure. The new approach ought to be inclusive, all the more because current thinking also requires harmonization with the calls for participation, transparency, accountability, and democratization—all of which, paradoxically, have pronounced inexact dimensions.

The Need for Non-discriminating Public Policies

The key to successful diversity management is to ensure that public policies and decisions are based on objective criteria, and not on unlawful discrimination, prejudice, or unfair assumptions. A state adhering to these assumptions is expected to have accumulated a good deal of nondiscriminatory laws and jurisprudence and, to a certain extent, to have followed what international conventions require: recognizing cultural differences in its constitution and legislating policies to advance the interests of particular groups—especially historically marginalized minorities. In the Philippines, the latter is typified by the Indigenous Peoples' Rights Act and other environmental regulations on ancestral domain. The country's policy interventions that aim to reduce economic and social exclusion must help prevent or end violent conflict. Policies of multicultural accommodation, if practiced, must also improve state capacity and promote social harmony.

Good governance that is culturally sensitive is often upheld by formal legal recognition of customs and mores or customary law, despite the fact that they may compete with the formal legal system of the state. In this case, the government offers, through legal and extralegal means, considerable latitude and space to resolve disputes when norms of unwritten customary law go against the country's legal system, or when the application of the country's laws entails a destruction of community norms and customs (Stavenhagen 2005). Legal pluralism is resisted by those who fear that it chips away at the principle of a unified legal system or that it would uphold traditional practices opposed to democracy and human rights. There are real trade-offs societies must face, but legal pluralism does not require the wholesale adoption of all traditional practices. Accommodating customary law should not be an excuse to preserve practices that violate human rights, no matter how "traditional" or "authentic" they may happen to be (UNDP 2004).

Focus on Indigenous Peoples

To date, little attention has been given to ascertaining whether Philippine public management reflects ethnic diversity and takes on broad issues such as ethnicity, language, culture, religious beliefs, and customs. This paper examines whether the Philippines has been on track in managing diversity, especially with respect to indigenous peoples. Indigenous groups living in socially disadvantaged, remote, or rural communities have serious difficulty in participating in the policy process compared with others and may be more disempowered. They continue to have unacceptably low levels of education and employment, and are in situations of real poverty—in part a consequence of their being subjected to unique forms of discrimination as service users.

Following the Asian Development Bank's working definition, indigenous peoples are those with a social or cultural identity distinct from that of the dominant or mainstream society, a fact that makes them vulnerable to being disadvantaged in the processes of development (Rovillos and Morales 2002). Indigenous peoples are kinship-based. They have attempted to maintain local self-sufficiency, and resist assimilation. Almost without exception, they have been regarded as backward and inconvenient by nation-states, and have been decimated, dispossessed, or forced to assimilate in the process of nation building. As small, nonhierarchical societies, indigenous peoples do not have the bureaucratic institutions, strong centralized leadership, and power of organized government (Barsh n.d.). They are rarely included in present-day national decision making. Indigenous organizations may claim the right to politically represent indigenous peoples at the national level, but this may or may not be compatible with existing political structures (Stavenhagen 2005).

Because of the indigenous peoples' stewardship of their natural environment, this has become the base of their identity as people and their distinct collectivity. Indigenous governance systems are largely based on the principles of collective peaceful coexistence and consensus building in decision making. This indigenous worldview makes them distinct from the prevailing practice of managing resources (Carling 2005). Government agencies allocate resource use rights to forest concessionaires and mining interests, often ignoring community claims to land and forests (Perrot-Maitre and Ellsworth 2003). From occupying most of the earth's ecosystems two centuries ago, indigenous peoples today have the legal right to use only a small fraction of each nation's territory. In many cases the rights are partial or qualified (UNDP 2004).

Yet all people benefit from cultural diversity. Indigenous peoples have, over time, important sources of ecological information. Revitalizing this knowledge helps to improve food security, raise household incomes, and foster self-esteem (IFAD n.d.). Today, they are a reservoir of human cultural, artistic,

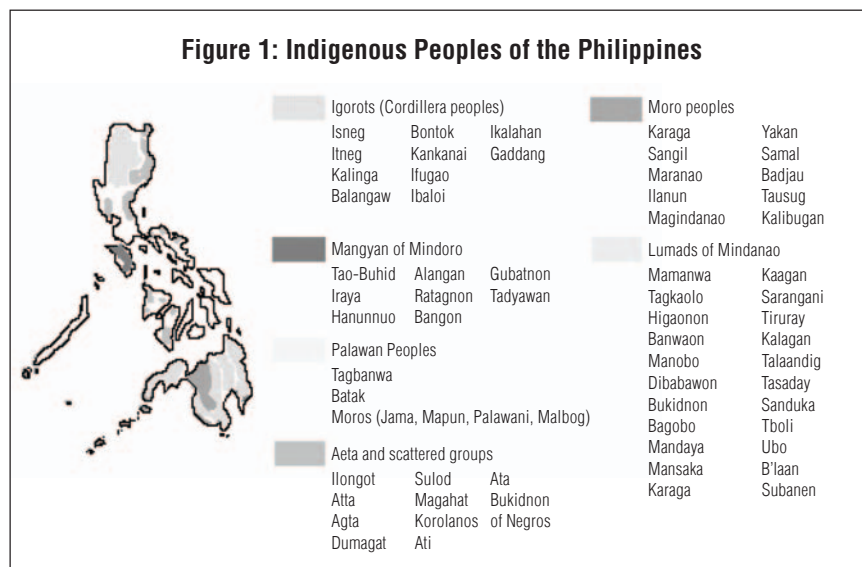
and social possibilities, the economic value of which is suggested by the emerging global market for indigenous peoples' art, designs, music, and folklore. Likewise, their indigenous ways are a rich source of models of alternative social structures and institutions in indigenous cultures (Barsh n.d.).

In the Philippines, about 140 indigenous ethno-linguistic groups, representing 15–20% of the total population of 80 million, are present in more than 50 of the country's 78 provinces. They have continuously lived as communities in communally bounded and defined territories, which they occupied long before European colonization (Stavenhagen 2003). Until recently, these people have had little security of tenure over their ancestral lands.

Table 1: Location of Indigenous Peoples of the Philippines

Region	Indigenous Population ¹	Total Regional Population ²	Proportion of Indigenous in Regional Population (%)	Proportion of Regional Pop. in National Total (%)
CAR	1,252,962	1,254,838	99.9	1.8
Region II	1,014,955	2,536,035	40.0	3.7
Region X	1,470,296	2,463,272	59.7	3.6
Region XI	2,107,285	4,604,158	45.8	6.7
Caraga	874,456	1,942,667	45.0	2.8

Sources of basic data: Total population, NSO (1995); Estimated IP population, Office of Northern Cultural Communities (ONCC) and Office of Southern Cultural Communities (OSCC) (1989), cited in *IBON Facts and Figures*, vol. 24, no. 7, 15 April 2001.



Source: *Many Islands, Many Peoples* © Survival 1998.

Table 1 shows the location of indigenous peoples in the Philippines and their share in subnational populations. Figure 1 shows their distribution by major indigenous grouping. The northern mountain ranges of the Cordillera are the ancestral homeland of the Igorots. Lowland indigenous groups, principally the Aetas, inhabit the other regions in Luzon. Mangyan groups thrive in the island of Mindoro. There are at least 13 Islamized ethno-linguistic groups and 18 other groups indigenous to Mindanao. The introduction of Islam split the peoples of Mindanao into two distinct categories, Moros and Lumads. Those who adopted Islam became the Moros and those who did not became the Lumads (from a Visayan term that means “born of the earth”) (Rovillos and Morales 2002).

Ethnic minorities and indigenous people are the poorest groups in the Philippines. They have shorter life expectancies and lower educational attainments. Public spending on basic social services systematically discriminates against them—a result of lower financial allocations or of distance. Indigenous people receive fewer health-care inputs and have worse health outcomes than the average population. Studies have shown high levels of infant mortality, lower-than-average nutritional levels, difficulty of access to social welfare institutions, and lower-than-average delivery of the services provided by government institutions (Stavenhagen 2005). Tables 2 and 3, and Figure 2 provide details.

Table 2: Percentage that Regional Income Was Below National Average Income in Indigenous Peoples’ Regions: 1988, 1991, 1994, and 1997

Region	1988	1991	1994	1997
CAR	16.2	9.5	10.2	8.8
Region II	18.5	22.0	17.2	29.5
Region X	11.4	30.7	30.4	19.2
Region XI	8.1	20.6	15.0	23.3
Caraga				41.8

Source of basic data: National Statistics Office.

Table 3: Indigenous Peoples Population and Selected Regional Poverty Incidence

Region	Indigenous Population (%)	Regional Poverty Incidence (%)
ARMM	29.7	59.8
Region XI	14.0	33.1
Region XII	13.5	46.8
CAR	11.9	37.6
Region II	10.5	30.4

Source: Census on Population and Housing.

Wrong Turns and Righting Wrongs

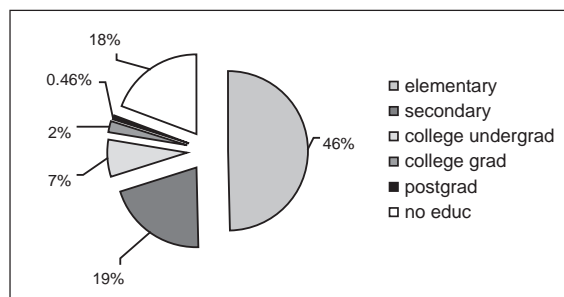
Recent events, such as the escalation of conflict in Southern Philippines and in other spots where ethnic groups are demanding more political autonomy, suggest the difficulties (and wrong turns) of the Philippine Government in handling the multiplicity of cultures, values, and belief systems that underpin Philippine society. They have put into question its ability to provide social and economic services that are efficient, effective, culturally sensitive, and equal and that value diversity.

In the past, paternalistic development schemes often tried to assimilate indigenous peoples into mainstream cultures. Not only were these efforts unwelcome, they were unsuccessful. Philippine laws that were passed assumed homogeneity among Filipinos. National programs in education, health, environmental protection and agriculture, paid no attention to variations in values, institutions, and culture. Resentment among indigenous communities was rooted in the contradiction between traditional practices and the national law as regards landownership, utilization of natural resources, and crime and dispute settlement (Laya 2001).

There was also a widely held perception that allowing diversity could weaken the state, lead to conflict, and curb progress. The best approach to diversity, in this view, was assimilation around a single national standard, which requires the suppression of cultural identities (UNDP 2004). Even to well-meaning decision makers, diversity came to be identified with disparity (Kiyindou 2005).

There is, of course, an important area that the state tended to emphasize at the expense of guaranteeing equality for indigenous peoples. Philippine laws have a distinct bias for individual rights—equal for all Filipino citizens—

Figure 2: Educational Attainment of Indigenous Peoples



Source: Census of Population and Housing 2000. Family Income and Expenditure Survey 2000 (revised).

that it wants applied as well to indigenous communities. It failed to recognize collective rights. According to Stavenhagen (2003), states think there must be a general law for everyone and nothing special about indigenous people. But indigenous peoples argue rightly that their survival depends on a cultural factor: a specific and special relationship to the land and to the resources of the land. Likewise, all too often law and policy have unreservedly presumed that all Filipinos think and respond to stimuli in the same way as the policy makers and central government officials do—as educated, lowland Christian Filipinos. The assumption is obviously wrong and provides fodder for misunderstanding among majority group Filipinos and the Muslim Filipinos, the Cordillerans, and other traditional societies (Laya 2001). Formal and legalistic remedies based on wrong assumptions do not bridge misunderstandings and bring people together; they do little to heal the wounds that have led to outright conflagration in areas such as Mindanao (Colleta, Ghee, and Kelles-Viitanen 2001).

The Philippines has ratified Convention 169 of the International Labour Organization, adopted in 1989, which calls on states to respect indigenous lands and territories and proclaims the right of indigenous people to control their natural resources. Yet while one Philippine law could recognize the rights of indigenous people over their lands, other laws could make it hard for indigenous communities to protect their ancestral claims. In many instances transnational corporations unleash conflicts by coveting resources for minerals, oil deposits, and even patentable forest products. Or, as Stavenhagen (2003) points out, even when there are court cases decided in favor of indigenous people, the authorities sometimes refuse to comply.

Thus, the ambiguous Philippine record regarding diversity was set early, and has continued with intriguing contradictions ever since. On the one hand, the Philippine Government has pioneered in positive steps to integrate minorities peacefully and offer them articulated civic rights; on the other hand, it has repressed their varied traditions and threatened their autonomy in terms of both property and civil rights. This is a case where the basic problem of structural discrimination is not only not being resolved, but state policy cannot even tell the difference (Laubeová 2001). Yet—to paraphrase Stavenhagen (2005)—there is a need to find constructive arrangements between the legitimate concerns of the state regarding territorial integrity and national unity, and the equally legitimate concerns of indigenous peoples regarding their collective rights within a system made up of laws and institutions that have adverse consequences for them.

For the purposes of this paper, it is best to see constructive diversity management in the Philippines as multidimensional, the achievement of which

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requires legal, institutional, and practical ways of formulating and carrying out policies. Rectifying exclusion requires a combination of policies, including addressing unequal social investments to achieve equality of opportunity, acknowledging legitimate collective claims to land and livelihoods, and taking affirmative action in favor of disadvantaged groups (UNDP 2004). A recent development that creates opportunities for indigenous peoples to move forward is decentralization. Local governments in the Philippines can play more significant roles in empowering indigenous groups. This shift could result in better outcomes, since delivering services to disadvantaged groups is more cost-effective at the local level.

In general, national laws and policies have to be adjusted in ways that more rewardingly take into account these myriad issues, offering indigenous peoples ample stakes in the flows of resources, land utilization, and job rationing. According to UNDP (2004), legal and policy measures must include explicit recognition of indigenous peoples' rights over their physical and intellectual property, informed consent for access to ancestral lands and indigenous knowledge, and equitable sharing of benefits. Cultural expressions and community-based rights must be placed under state protection. In the end, corrective action is about giving a wide range of participatory choices to indigenous groups within a pluralist governance system.

Legal Recognition and Support

Since *legislation* is the main avenue for protecting rights and promoting equality, this section examines whether a recently passed law, the Indigenous Peoples' Rights Act, has been helpful in bringing about public management changes, for example, legal acceptance of indigenous institutions such as ancestral domain.

To begin with, indigenous communities are powerless to establish their customary claims without formal legitimacy or protection. They cannot define the rules, as they have no knowledge of the limits of state power. They need to fit into state law to protect their interests. It is necessary for them to access state law for the latter to recognize local ownership and identify those with rights to community property systems. Of course, clear legal recognition of customary property rights is not sufficient to guarantee good resource management, but it is a necessary condition. A legal framework for customary tenure is an enabling tool that can supply legal space for indigenous ownership regimes and offer a level playing field (Ellsworth and White 2003).

The legal basis for indigenous peoples' right to participate meaningfully in natural resource management has been established in international agreements including the Rio Declaration on Environment and Development,

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the International Convention on the Elimination of All Forms of Racial Discrimination, ILO Convention 169, Agenda 21, the OAS Declaration on the Rights of Indigenous Peoples, the UN Draft Declaration on the Rights of Indigenous Peoples, and the UN Convention on Biological Diversity. These declarations explicitly recognize indigenous land rights, traditional resource management, equal rights to participate in public affairs, the need to protect indigenous lands from environmental threats, and the need for prior informed consent of indigenous peoples before decisions affecting their rights and interests are made (Downing et al. 2002).

A turn-of-the-20th-century case showed that the king of Spain had recognized indigenous property rights in the Philippines until 1894. This discovery led to the reversal of a legal doctrine affirming that all land in the archipelago belonged to the crown (or the government) (Perrot-Maître and Ellsworth 2003). These rights were again recognized in 1909 in a unanimous opinion of the US Supreme Court written by Oliver Wendell Holmes. The US colonial regime in Manila, however, suppressed the decision and for most of the 20th century, the colonial regime and the post-1946 Philippine Republic asserted a claim of public ownership over ancestral domains. Consequently, after decades of struggle for legal redress concerning ancient land rights, the Indigenous Peoples' Rights Act (IPRA) was passed by the Philippine Congress in 1997. It marked the first time that a state in Asia explicitly recognized the rights of indigenous peoples to their ancestral domain,² to self-determination, and to the free exercise of their culture (UNDP 2004).

The IPRA now constitutes the principal framework, after the Philippine Constitution,³ in which indigenous rights must be considered. The act affirms that native title is the main basis of the ancestral domain rights of indigenous peoples and offers the alternative of applying for a certificate of ancestral domain title, which formally acknowledges such rights. It respects and recognizes political structures and systems, culture, resource management practices, and conflict settlement mechanisms that are indigenous. It mandates the delivery

² IPRA defines ancestral domain as all areas belonging to indigenous cultural communities and indigenous people. This includes lands, inland waters, and coastal areas occupied or possessed by indigenous people since time immemorial. The right remains even when war, *force majeure*, deceit, or government projects interrupt the possession. Ancestral domain also includes forests, pastures, burial grounds, worship areas, and mineral and other resources no longer exclusively occupied and used by indigenous peoples but to which they had access for their subsistence and traditional activities. This provision clearly recognizes the essential connection of indigenous cultures and traditions with the land (UNDP 2004).

³ The 1987 Constitution recognizes "the rights of indigenous cultural communities within the framework of national unity and development" and the creation of autonomous regions in Muslim Mindanao and in the Cordillera.

of basic services to indigenous communities and provides for their holistic and integrated development. It provides for the indigenous peoples' self-delineation of ancestral domains and ancestral lands (Bennagen 2000). It even requires that communities be informed and consulted before any mining concessions or other projects are started (Perrot-Maître and Ellsworth 2003). The IPRA also provides that indigenous peoples can "receive just and fair compensation for any damages to their lands sustained as a result of development projects." Full compensation is also available for loss or injury resulting from relocation. These provisions suggest that damages are designed to be "restorative" rather than punitive (Hughes 2000).

The certificate of ancestral domain title (CADT) is considered by many to be a step forward for more secure community property rights. As of December 2004, the National Commission on Indigenous Peoples (NCIP) had awarded CADTs to 150,000 indigenous beneficiaries covering 604,000 hectares (NCIP Web site). The recipients, mostly residing in Mindanao, Cagayan Valley, and Bicol, constitute a tiny proportion of the total indigenous population of about 12–15 million. Also, claims that had been issued through former environment programs under the Department of Environment and Natural Resources were to be converted to titles (LRCKSK/Friends of the Earth Philippines n.d.).

The story of the Calamian Tagbanwa of Coron Island demonstrates that the rights-based approach through IPRA does indeed provide legal guarantees over land, resources, culture, and life (Ferrari and de Vera 2004). Coron Island in northern Palawan is surrounded by waters once rich in marine resources, the Tagbanwa's main source of livelihood. By the mid-1980s, the Tagbanwa were facing food shortages, the result of encroachment by migrant fishers, dynamite fishing, tourism entrepreneurs, politicians seeking land deals, and government agencies interested in controlling various resources of the island. Through the use of an executive order passed in 1993 that allowed the Department of Environment and Natural Resources (DENR) to issue Certificates of Ancestral Domain Claims (CADCs), and the assistance of a national nongovernment organization (NGO) (the Philippine Association for Intercultural Development), in 1998 the Tagbanwa managed to obtain the first CADC in the country that included both land and marine waters, for a total of 22,284 hectares. They produced high-quality maps of their territories and an Ancestral Domain Sustainable Management Plan. In early 2001, the group successfully invoked IPRA to obtain a CADT. The CADT implies that the Tagbanwa are now in control of decisions concerning the use and sustainable management of the island's resources (Ferrari 2002).

This shows that in the current legislative and political context of the Philippines, an indigenous community that is steadfast in its effort to secure its rights can invoke a legal framework that supports its claims, and when backed by NGOs, can take effective action to obtain recognition of existing rights and protect local ecosystems (Ferrari and de Vera 2004). Despite the legal breakthrough, however, IPRA has weak spots. The act merely grants indigenous people priority use rights over ancestral domains. Since local people are accountable under the law for managing resources, it imposes a potentially costly burden. Likewise, indigenous communities are still subject to the oversight and decisions of local government and the DENR (Perrot-Maître and Ellsworth 2003). This and the fact that other laws (such as the Mining Act of 1995) are still operative mean that mining interests remain a large threat to effective tenure security. Despite legal safeguards such as those referring to free, prior, and informed consent, or environmental impact and assessment studies, indigenous peoples report that powerful economic and political interests prevail over their legitimate rights (Stavenhagen 2003). The 1987 Philippine Constitution also retained the Regalian doctrine. Its premise is that all natural resources in the Philippines belong to the state and that private ownership of title must therefore emanate from the state. All land not covered by official documentary certificates of title is thus presumed to be owned by the Republic of the Philippines (Cariño 2001). Even the Supreme Court, in a decision in 2000 that quashed legal challenges to the IPRA, merely gave indigenous peoples *surface rights* over their ancestral domains (Rovillos and Morales 2002). This may lead to contradictory or ambiguous interpretations that do not fully favor indigenous rights.

In the end, the major concern seems to be not so much the text of the law itself as the difficulties of its implementation, primarily because of bureaucratic inadequacies and the discriminatory behavior of politicians and civil servants (UNDP 2004). Also apparent is the lack of organizational infrastructure and specific enabling rules within governmental agencies responsible for interacting with indigenous communities (Perrot-Maître and Ellsworth 2003). These issues appear to be a challenge that must be met squarely by government agencies and the judiciary, as well as by civil society, if the objectives of the act are to be effectively met. As Ellsworth and White (2003) observe, even when a law or policy is in place that establishes community tenure rights, the processes for acquiring the official documents and exercising those rights are often extremely cumbersome and bureaucratic. The political forces opposed to community rights often have sufficient political clout to create administrative procedures and bureaucratic hoops that make it almost impossible for communities to obtain the rights.

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A range of other culturally sensitive legislative actions can be important prerequisites for providing equality of access and equality of participation for disadvantaged ethnic minorities. Public recognition of customary law can help create a sense of inclusion. Recognizing the ability of indigenous people to be governed by their own laws is also denial of historic injustice—and can be central to self-government by indigenous people (UNDP 2004).

Some customary practices have been “accommodated” and have acquired the force of law over time, coexisting alongside old systems of jurisprudence. Presidential Decree No. 1083, the Code of Muslim Personal Laws of the Philippines, issued in 1977, acknowledged that Islamic practices differ from national law. It covered marriage and divorce, matrimonial and family relations, succession and inheritance, and similar domestic matters and established *shari’a* circuit courts. The Muslim system of laws, the Cordillera peace pact system (*bodong*) and its administration, and other traditional dispute resolution practices are likewise recognized in Republic Act No. 8371 (Laya 2001).

State policies are silent on other important customary practices, such as dress that is a visible marker of identity—for example, the head scarf worn by some Muslim women—and can be seen as allowing (not suppressing) their use. In other cases, policies of exclusion may be less direct and often unintended, as when the public calendar does not recognize a minority’s religious holidays (UNDP 2004). The Philippines officially celebrates mostly Christian holidays but the current administration has declared the end of Ramadan as a nonworking holiday in recognition of a diverse population.

Policy gaps persist. The Philippines remains weak in successful multiple-language management, for example. A bilingual (English and Tagalog) education policy at least reduces exclusion and opens opportunities for children whose mother tongue is Tagalog or Tagalog-based, since children learn best when they are taught in their native tongue. But there are scores of minority languages in the Philippines that are not used in public discourse. The dominant use of English creates a high hurdle between the political elite and ethnic minorities. The use of English as the primary language of legal discourse denies justice to those who have little or no facility in English. State policy does not provide any space in which minority languages can thrive. An exception is the Book Publishing Industry Development Act of 1995, which authorizes the development of indigenous authorship and translations into and from the various languages of the country (Laya 2001). Yet, as UNDP (2004) argues, in multilingual societies a multiple-language policy is the only way to ensure full democratic participation. Otherwise, much of a country’s population can be excluded by an inability to speak the official language of the state.

The Philippines still follows a traditional approach to basic education: equal education for all within a single national secular educational system. Indigenous people must be “absorbed” into the national system, with a standard curriculum. The nationwide use of the same curriculum and textbooks for public schools has endowed most Filipinos with the same educational denominator, including “national” values, history, and culture (Laya 2001). Partial policy relief was attained recently when Muslims in Mindanao won concessions from the central Government over the implementation of *madaris*, which prescribes Arabic and Islamic values (DAP 2005). But for the rest, there is no educational model respectful of their cultures and worldviews (this assumes, of course, that culture is not a frozen set of values and practices), adapted to local contexts, and useful as a tool that gives them the choice to enter the formal system or function effectively in their own communities or both. Still, some progress is being made, albeit piecemeal. Laya (2001) points out that the Department of Education has adopted a system of multiple textbooks, giving school superintendents the leeway to choose from a list of approved textbooks. The policy could accord more importance to local culture and history. But if alternative educational models are not in place, education materials cannot be purged of discriminatory content and erroneous historical accounts that make indigenous peoples invisible and misrepresent them.

In all these, it would be helpful if research institutions could collect information on customary laws and practices—whether in education, business, dispute settlement, land utilization and environmental protection, or indigenous products and processes—codify them, and make them available to legal practitioners and policy makers. That would pave the way for their adoption into the country’s legal framework, and the fulfillment of a public administration and management system that is sensitive to cultural variations.

Mainstreaming Diversity

Mainstreaming diversity means mobilizing policies, provisions, and practices in government departments and agencies to give ethnic minorities access to public services in equal ways. This section examines whether the organizational practices of critical public agencies are sensitized to service delivery to indigenous peoples, if there have been attempts to assess the impact of policies and programs on ethnic groups, and what “best practices” get results and set some institutions apart.

It is crucial first to define what mainstreaming is. Following Rovillos and Morales (2002), there are three points to consider. First, mainstreaming is *not* assimilation or integration. Rather, it should be based on respect for cultural diversity. Second, mainstreaming starts with the process of changing

the mind set, or worldview, of government personnel with regard to indigenous peoples. They should steer clear of patronizing and stereotyped ideas about indigenous peoples. In their place, they should promote trust and acceptance of indigenous peoples as equal partners in the development process. Third, mainstreaming means integrating viable indigenous sociopolitical structures into state structures and processes.

Such changes in governance and public administration, if adopted widely in the bureaucracy, can theoretically lead, directly or indirectly, to improving the status of indigenous peoples. Some emerging strategies, to borrow from the list prepared by the International Centre of Innovation and Exchange in Public Administration (2003), include, for example, participatory assessments of conditions of indigenous groups; inclusive (multi-stakeholder, multisectoral) and decentralized policy development, implementation, and evaluation; targeted service delivery of social services; culture-sensitive budgeting and expenditure management; minority-involved evaluation of program outputs and impacts; and indigenous community-based benchmarking.

The prevailing practice, however, is for national government units still to take it upon themselves to administer the affairs of indigenous communities. A specific indigenous affairs bureau is often mandated to that effect; local indigenous groups need to deal with this institution rather than with various units of the national administrative system in general. Stavenhagen (2003) calls attention to the situation where indigenous organizations may consider this to be a form of discrimination, while government can argue that such arrangements are designed for the protection of indigenous people themselves, in keeping with their best interests, but as defined by the state.

The National Commission on Indigenous Peoples

In the Philippines, the National Commission on Indigenous Peoples (NCIP) is the primary government agency responsible for promoting the rights and well-being of the indigenous cultural communities and indigenous peoples in the Philippines. The IPRA created the NCIP, which is directed

to formulate and implement policies, plans, and programs for the development of indigenous cultural communities and indigenous peoples and to review the applications for ancestral land titling, the issuance of certificates of these titles, and the adjudication of disagreements regarding land ownership.

NCIP's governing body is composed of seven commissioners, each one of whom belongs to an indigenous cultural community chosen from the different ethnographic areas in the Philippines where indigenous peoples reside.

More specifically, NCIP does the following: review and assess the conditions of indigenous peoples, including existing laws and policies regarding their situation, and propose relevant laws and policies to address their role in national development; issue certificates of ancestral land and ancestral domain title; enter into contracts, agreements, or arrangements with government or private agencies or entities; coordinate development programs and projects for the advancement of the indigenous peoples and oversee the proper implementation of these initiatives; and issue certification (as a precondition to the grant of a permit, lease, grant) for the disposition, use, management, and appropriation of any part of the ancestral domain, provided there is consensus approval of the indigenous peoples concerned (Bennagen 2000). To ensure the delivery of basic services to indigenous peoples, NCIP is also tasked to coordinate closely with ongoing national initiatives on antipoverty reduction, such as KALAHARI (Rovillos and Morales 2002).

To date, the institutional effectiveness of NCIP remains in doubt, as it has yet to consolidate its specific role and leadership in the promotion of indigenous peoples' rights within the framework of IPRA. NCIP's weakness is illustrated by the slow pace of processing and approval of CADTs. There are also numerous reports that several CADT applications were haphazardly approved, and did not go through the procedures mandated by the law. NCIP's Achilles' heel is its lack of clear leadership, according to assessment reports by indigenous groups themselves. NCIP officials are not equipped to meet its goals, leading to flaws in its policy making, adjudication, and coordinated delivery of basic services (Rovillos and Morales 2002).

According to Rovillos and Morales, the challenge is to transform NCIP into a model of good governance. Internally, that means reenergizing its bureaucracy, strengthening its leadership, equipping it with the right skills to meet its duties, and changing employees' mind set with respect to their understanding of IPRA. Externally, it should help in building the capacities of indigenous organizations, and this involves strengthening traditional structures of leadership, governance, conflict resolution, and unity building, and setting up mechanisms for meaningful indigenous peoples' participation in government structures.

Equality Institutions

Aside from a primary agency, other institutions to protect rights and promote equality must exist within the bureaucracy. Arguably, all public bodies, government departments, and agencies must have a rights-based approach and be culturally sensitive. But in fact only a few public agencies exist to promote equality and combat discrimination. Aside from NCIP, it is the Commission on Human Rights (CHR) that has prospects of defending indigenous peoples' rights. But to do this, according to Stavenhagen (2003), it has to broaden its activities in the area of indigenous rights and incorporate and train an increasing number of indigenous legal defenders to be active in taking up the human rights grievances of indigenous peoples. Stavenhagen indicates that CHR could organize a movement to create a broader legal structure to determine and certify prior, free, and informed consent by indigenous peoples.

On a broader front, NCIP and CHR can combine resources and jointly enforce equality proofing to improve service delivery in all government agencies. Equality proofing can be used to identify equality impacts and equality issues in the development of policy and in the provision of services, especially for indigenous groups. The aim is to remove the institutional processes and barriers that prevent equality and the full and equal participation of minority ethnic people. It can assist government agencies in checking that services meet the needs of groups that experience discrimination. As sketched out by the European Commission, equality proofing requires that equality objectives run through all aspects of the policy process—planning, implementation, monitoring, and review. Agencies should assess at each step of their operation the impact on minority groups. For this purpose, they need to produce templates and guidelines that can help to address the specific experiences of inequality of indigenous peoples and ensure that equality is mainstreamed into all agency activities (EC 2005).

The Civil Service

The challenge of diversity has wider implications for the Philippine civil service, instead of just equality proofing. A really representative bureaucracy lends legitimacy to government by broadening its own base, and intensifying the involvement of multiple stakeholders in delivering services that should reflect understanding of the cultures of the diverse communities served (UN Secretariat 2001).

When minority groups are counted in, diversity promotes fairness and justice in the workplace, helps create economic opportunity, and reduces social inequality. A diverse workforce can improve organizational productivity and

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creativity. Diversity gets the most out of the special abilities and insights that various groups bring to the job environment, in the process adding a greater variety of viewpoints into policy making, broadening the range of possibilities for consideration, and providing more realistic insights into complex, dynamic problems. Increased representation thus ought to lead to a more responsive bureaucracy, broad-based consensus around the decisions reached, and improved grassroots support for programs and policies (Jemai 2001). This transforms the nature and demands of the tasks carried out in behalf of the communities served.

The civil service has to become more diverse to better accommodate the needs of the heterogeneous communities it serves. It must recruit more from minority groups, in proportion to their numbers in the population. This assures fair treatment of groups, especially those that have been deprived in the past. The Civil Service Commission (CSC) must meet the challenge of managing and motivating a workforce that includes individuals from indigenous groups. It should start incorporating diversity goals and objectives into the agencies' human resources management performance reviews. With CSC as the central oversight body outlining the requirements of the plan, individual agencies and departments develop their own plans that are tailored to their specific needs. When diversity efforts are decentralized, government agencies acquire a sense of ownership and ensure that managing diversity has both top-level support and is a reality throughout the bureaucracy (Reichenberg 2001).

In order for underrepresented groups to gain their share of the benefits and power related to a civil service career, the CSC must spearhead policy moves to encourage diverse recruitment. It can work with colleges and universities with significant minority students, and sourcing firms as well, to recruit diverse talent. The hiring strategies include outreach through professional organizations, the posting of positions on the Internet, and the provision of materials in minority languages.

A more proactive stance would involve affirmative action—a quota- and compliance-driven approach that attempts to right past wrongs. It has statistical goals for the recruitment, training, and promotion of specific underrepresented groups (Bruce 2002). It would allocate jobs and promotions on the basis of membership in a disadvantaged group. Affirmative action works when there is cultural exclusion. To depend only on general policies (say, growth with equity) to remove group inequalities would, according to UNDP (2004), take an unbearably long time, and create conditions for civil strife. Legislation, however, may be necessary to provide a legal basis for action and set standards. Requiring affirmative-action efforts through law compels agencies to establish serious goals and to make earnest efforts to meet those goals (Reichenberg

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2001). It might be difficult, though, to achieve proportionality in the civil service where the indigenous population is generally poor. In this case, securing access to basic services like health care and education must precede any move to reduce underrepresentation.

Extra care must be taken so that merit principles are not compromised when recruiting on the basis of ethnic quotas. Sometimes, marking out ethnic origin might have to the unintended result of highlighting differences between social groups in the workplace, polarizing them, producing conflict, and generating a worse situation than the one it sets out to do away with (Jemai 2001). Affirmative-action programs may be contested as becoming a source of patronage—but they can be managed better (UNDP 2004). They might likewise create resistance from the majority group, which believes that “proportionality” has unjustly deprived them of opportunities that, they think, must be earned through individual merit. Note that disproportionate representation is not in itself objectionable; what is disagreeable is when procedures and practices that virtually guarantee disproportionate representation to some while denying it to most are institutionalized (UN Secretariat 2001).

In most cases, workforce data and demographics would be useful to each agency. That would make it easy to identify underrepresentation in plantilla positions and to establish goals to reduce it. Effective action plans also link hiring to organizational performance, allowing the agency to map career paths for employees belonging to indigenous groups to see what critical skills are needed to advance. In a diverse workplace, agencies can determine, through the use of metrics, surveys, focus groups, customer surveys, management and employee evaluations, and training and education assessments how employees deal with people of different cultures and styles, support workplace diversity, include diverse people in work teams, and understand the impact of diversity on the agency’s goals. Affirmative action can succeed only if agencies utilize more measurable criteria to rate their progress in managing diversity (Reichenberg 2001).

Independent Arbitration

Another key building block of security for indigenous peoples can be the presence of an independent third party to sift through local claims for various resources. For Ellsworth and White (2003), this can be a legal system of customary justice, independent courts, or an independent arbitrator. The independent third party, they suggest, ought to be adept in coming up with answers to disputes that are satisfactory to local parties, whose decisions in turn must be accepted as legitimate by the state. The arbitrator thus treads a

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middle ground, and in order for people to keep their faith in the system, he or she must not be open to bribery.

Ellsworth and White (2003) indicate that third-party arbitration in the Philippines can take the form of public-interest legal activism. Public-interest lawyers can use a variety of means to support community claims. They can test cases in court, challenge previous court decisions, provide the legal expertise to write new laws, and fully use alternative dispute-resolution mechanisms. Ellsworth and White note that in the whole sequence of events that led to the passage of IPRA—from drafting and lobbying to advocacy and momentum building for its approval—public interest-lawyers were key players behind legal actions. They likewise supplied key arguments in the Supreme Court’s decision to uphold the law after mining interests challenged the act as unconstitutional. One such group of public-interest lawyers is the Legal Rights and Resources Center (LRRC), which participated actively in the lobbying for IPRA. LRRC helps litigate indigenous peoples’ rights cases, and tries to change the “rules of the game” via policy advocacy. It also monitors changes in the “policy climate” to check whether it can favor minority groups (Leonen 1998). These legal activists will have their hands full in future challenges to the act, since the justices of the High Court themselves in separate opinions raised doubts on the all-encompassing nature of ancestral domain in light of the existing Regalian doctrine (Rovillos and Morales 2002).

In developing countries like the Philippines, the infrastructure of public-interest law is often frail, and activist lawyers willing to work with marginal communities are few. To build on this small beginning, it may be necessary to champion a few things, like seeking donor support to underwrite legal casework, supporting judicial reform and anticorruption measures, sponsoring training, and providing case mentorship for would-be public-interest lawyers and judges (Ellsworth and White 2003).

Decentralizing Diversity Management

It will prove very difficult to introduce structural changes in diversity management with a long-term impact if they do not extend to the local level. Most policies, special measures, and services that positively affect the daily lives of indigenous peoples are truly effective only if conceived and carried out at a level closest to those affected. In the Philippines, a bright prospect that could come from the passage of the Local Government Code (LGC) in 1991 would be local authorities gaining competencies to design and implement policies responsive to ethnic diversity.

Local-level initiatives—or “bottom up” processes with the representation or direct involvement of indigenous minorities—are crucial in resolving

equality issues. They are often better than centrally directed schemes to manage ethnic disputes at the local level. It is the development of inclusive local systems of governance that are quick to respond to the special needs of diverse minorities that is crucial to the preservation of multiethnic communities and the prevention of conflict (Bíró and Kovács 2001).

Decentralization is not, of course, a cure-all for the woes of ethnic minorities. At the same time, it is clear that an exclusive national approach, even if based on international standards, does not necessarily secure a superior method of dealing with the exclusion of minorities in decision making. What is needed, according to Gyurova (2001), is a realistic balance between the authorities of the central government and the local government in implementing effective diversity management in a multiethnic setting. What is wrong is when central government control gets in harm's way and becomes a barrier—along with skewed enforcement of law, poor technical know-how, and too little resources—to boosting local government capacity to manage the needs of diverse communities (Bíró and Kovács 2001).

As an ethnically diverse country, the Philippines has taken steps to grant decentralized powers to territorially concentrated ethnic groups, to respond more flexibly to their needs. It is an asymmetrical arrangement in which two subnational units have special status. The Autonomous Region of Muslim Mindanao (ARMM), covering five Muslim-dominated provinces, the outcome of arduous negotiations between the central Government and the Moro National Liberation Front, has substantial autonomy in key areas such as education, agriculture, social development, health, and industry. It has been granted explicit tax and expenditure powers beyond those of other local government units. This power-sharing arrangement has proven to be somewhat crucial in resolving tensions in Southern Philippines, which is still faced with Muslim secessionist movements. The drawback of negotiated political settlements (like ARMM), however (as UNDP 2004 contends), is that they should have been introduced early enough (when tensions were still manageable) to preclude violence and civil strife. The Cordillera Region in Northern Luzon, another territorially compact grouping, also negotiated for self-government but had to settle for less than that as a result of two failed plebiscites. Indigenous groups in the Cordillera have a long tradition of self-government that they are unwilling to compromise.

These out-of-the-ordinary measures allow political cohabitation between groups that are territorially packed together and the central authority. Such hands-on interventions have helped accommodate important differences, yet do not compromise allegiance to the state. They are often worth much more than the organizational costs that such arrangements bring upon themselves

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(UNDP 2004). In a few cases, even if the center is acquiescent on ethnic issues, separatists may block the implementation of decentralized minority policies. Even if the principle of subsidiarity has proven its value, existing public management arrangements are still very much works-in-progress, requiring vigorous domestic supervision and international monitoring to improve minority protection in the affected regions (Bíró and Kovács 2001).

For the rest of the ethnic groups that are territorially dispersed, their political participation at different levels is much more circumscribed. The ethnic patchwork across the country means significantly lower multiethnic representation in municipal and provincial councils. Virtually no equal opportunity policies exist at the local level. The LGC is quiet on local diversity management. Antidiscrimination measures are initiated by local authorities more to prevent violence against ethnic minorities. Institutional bias takes place but is largely ignored. Other negative factors that hold back diversity include the political exploitation of ethnic problems (mainly by local-level and district-level politicians), low levels of professionalism and competence among local public administration officials, the lack of culture-sensitive training for administrative staff at all levels, and poor interaction between municipalities and ethnic minority representatives. There are no public management initiatives that can have room for proportional ethnic representation in local councils.

Ironically, it takes a major conflict, such as the civil strife in Southern Philippines, to dissect the ramifications of ethnic discrimination and highlight a post-conflict need for diversity management.

A postwar context, as Dimitrijević and Kovacs (2004) suggest, often gives rise to governance practices (management of everyday life issues, as well as of specific post-violence issues) that may further deepen intergroup distrust and exclusion, especially if there are “majoritarian domination patterns”—cases where victorious groups form political cocoons, taking power by virtue of their numbers. Post-conflict public management is more effective if it focuses on crosscutting issues not directly linked to the conflicting positions of the recent past but equally imperative to all groups in local settings. Daily, noncontroversial “real life” issues include housing, schooling, health care, local infrastructure, and jobs. The overriding intent, according to Dimitrijević and Kovacs (2004), is to narrow the gap between conflict-burdened groups by restoring their interaction on questions that are jointly observable as being in the common interest. Once confidence is reestablished, the hard issues of the legacy of violent conflict can be approached in sober, non-functionalist terms.

It can be argued that the current situation in Mindanao requires a more complex and comprehensive approach, which must go beyond existing ad hoc mechanisms for managing multiethnic concerns. Right now, there are

two conflict management patterns that may help alleviate the burden of intolerance that still characterizes much of the Mindanao reality. Top-down approaches initiated by the central Government—for example, the current negotiations on ancestral domain between the Moro Islamic Liberation Front and the national authorities—have their usefulness in mediating minimum conditions for peace and security. Bottom-up conflict-resolution efforts zero in on locally supported processes of reconciliation and sustainable coexistence. NGOs and people's organizations are the major players in these rehabilitation and reintegration schemes.

It is helpful to check whether such synergies are present in many communities in the area. Datu Paglas, located in Maguindanao, has gone from being the scene of intense conflict to being a model for municipalities that are attempting to encourage postwar reconciliation through responsive governance. Its constituency of Muslims, Christians, and Lumads have banded together to help the local government unit identify, plan, and implement program measures that range from shelter, child care, and nutrition to livelihood. NGOs, people's organizations, and local councils get together to understand their own constraints, analyze their problems and opportunities, and implement self-help projects (LGSP 2004). A more advanced "enabling" case was the effort of people's organizations to pick up the pieces in post-conflict settings in several sites across Mindanao. The groups that "owned the conflict," that is, those who sustained the conflict through their attitudes and actions, had to yield to entities who wished to "own the peace" through the construction of structures of peace and the deconstruction of the structures of violence (and the power and authority that goes with it). In Sultan sa Barongis, Ipil, Busbus, Siocon, Malita, and Lake Sebu—all multiethnic and multireligious areas—people's organizations emerged to get together and initiate projects such as peace education and the installation of a community radio that aired peace promotion and information. The local government units supported the project and allocated the budget needed to take it off the ground (Bush 2004).

Krylova-Mueller (2004) makes a case for the need for good governance of ethnic minorities in post-conflict situations. Central to local governance is the introduction of nondiscriminatory public services and budgeting, inter-municipal planning of infrastructure and economic rehabilitation, increased mechanisms for power sharing and civic participation, and, more importantly, the revision of local policies and approaches, including those aimed at minorities. A nondiscriminatory approach to resource distribution, Krylova-Mueller suggests, helps create a government that can guarantee local human security and ensure multiethnic confidence.

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Non-conflict local jurisdictions with indigenous peoples, on the other hand, can promote culturally sensitive public management in a number of ways. They can begin drafting plans of action for minorities with representatives of these groups; examine whether there is low uptake of services and culturally inappropriate services and improve equality-focused entitlements; raise awareness among local civil servants of culturally appropriate and responsive ways to organize services; develop a culturally competent workforce; and develop support networks in local communities (EC 2005). They can adjust the ethnic composition of social services, employment, and social activities to the ethnic structure of the population (Janjić 2004).

Since there are no “official” institutional mechanisms for managing diversity at the local level, local government units with considerable indigenous populations can choose to implement varying types of power-sharing arrangements with indigenous groups. They can, following Bieber (2004), guarantee minority representation in local bodies and enable minorities to exert some kind of a veto at appropriate levels of decision making. Control over decisions about who has access to services will, of course, create changes in the political landscape, which local authorities should be prepared to concede. Compromise is in the nature of rights acquired through political battles (Ellsworth and White 2003).

Promoting Voice and Participation

A closely linked enfranchising element is *participation and involvement* of indigenous groups as service users and of the organizations representing them. Diversity management is more likely to yield a positive outcome if all citizens and all ethnic groups living in local communities realize that the stakes of good governance are their own stakes, and, therefore, can be sustained only if they chip in their voice and participation. The question is, can government help put in place the building blocks of participation to advance the cause of indigenous groups? What forms of interaction can be developed between government agencies and indigenous communities?

Indigenous groups develop their own internal institutions. They monitor and sanction compliance with those rules. These are often consensus-based and guided by assemblies that represent households; elders often preside at these assemblies. Historically, this tradition came before the rise of nation-states and formal governance systems and continues to function wherever communities retain collective rights over resources (Ellsworth and White 2003). Ethnic minorities have common grounds with majority groups, which generally rely on community and self-help initiatives. In the Philippines, this is due in

part to the limitations on the government's ability to respond to community needs (Siddique 2001).

It is inevitable that these customary systems have to interrelate with formal state systems. To a large extent, according to Ellsworth and White (2003), the power of local institutions can be measured by their effectiveness in handling interaction with the government. Success—when customary rules are effectively enforced—is affected by the degree to which a community acts in a coherent and organized manner and by the degree to which the state recognizes the legitimacy of local rules and enforcement. The community must be organized to face the government; in turn, the government must be willing to acknowledge community-drawn policies.

These days, there are many ways in which an organized group and a responsive government can act together. Even if legal recognition has been secured by indigenous groups (as in the case of the IPRA), legal, policy, and administrative assistance is a helpful companion (given in part by NCIP). A political constituency for indigenous rights can profit from the advice and technical assistance of interested individuals who cannot be an active part of a coalition, such as people who work within the government bureaucracy. For example, indigenous peoples can be given technical advice on how to recognize rights and assess risks (particularly rights at risk) in the planning and project cycles associated with development projects and programs—particularly large-scale interventions such as mining and dams.⁴

In the Philippines, government social services work to rebuild broken relationships in communities divided by conflict. Through dozens of focus group discussions conducted with indigenous peoples, Muslims, and Christians displaced by violence, teams from the Department of Social Work and Development bring people together across lines of religion and conflict to find peaceful solutions to common problems. In some cases, these sessions lead to community-level conflict mediation, and in others they produce a commitment to establish “zones of peace”—conflict-free areas where community members work with local authorities to pursue local development peacefully. A more passive interaction can take place when government recognizes a local organization as the legal representative of an indigenous group. For instance, the community-based Bakun Indigenous Tribes Organization (BITO) in Benguet, was officially accredited to lead in managing

⁴ Clarifying the rights context for a proposed project is a necessary phase in identifying those legitimate claims and entitlements that may be affected by the project. The assessment of risk adds an important aspect to understanding how, and to what extent, a project may affect people's rights. The group's stake in the project must be equal to their exposure to the risk (WCD 2000).

the ancestral domain of the Kankanaey and Bago peoples in Bakun, who were awarded a CADC in 1998 (Rovillos and Morales 2002).

During the post-martial law period, the state encouraged the formation and growth of civil society. The Philippines is the only Southeast Asian country that has a strong civil society. In most central concerns of governance, institutions of civil society are taking part (Siddique 2001) and have a sophisticated understanding of the political and social landscape. In the national planning process, they are now recognized as legitimate partners and interlocutors of government (Stavenhagen 2005). Civil society groups have the ability to lobby, as well as to assist Congress in legislation. The IPRA is a case in point. The indigenous peoples and the groups working for their rights contributed substantially to the provisions of the law. They were also able to see the law through to its enactment (Bennagen 2000). The victory of this civil society coalition owed much to the quality of their legal and lobbying work (Perrot-Maître and Ellsworth 2003). The civil society–Congress interface was brought about in part by the appointment of sectoral representatives for indigenous peoples in the House of Representatives. The sectoral representatives could touch base with their constituencies and solicit their inputs and at the same time be an organic part of the legislative process itself, aided considerably by sympathetic elected legislators. An important outcome of civil society participation in the making of the law is the increasing recognition within Congress, or at least in the Senate, of the value of a participatory legislative process (Bennagen 2000). Civil society, in short, can build grassroots consensus and bring legitimacy to it at a critical political moment.

An important role the government can play is to link indigenous groups and their organizations to international donors. Donors played an important role in the great effort to obtain the passage of the IPRA. Over many years, they financed and gave technical support to many of the public-interest law firms, NGOs, and indigenous rights organizations that were at its center. They funded field trials for and training on ancestral domain mapping and concession management. They also paid for influential research, evaluations, and consultancies that intimated to government the consequences of discriminating against indigenous communities (Perrot-Maître and Ellsworth 2003).

Giving power to local political constituencies and accepting civic mobilization as a tool to achieve reforms are but two of the important ways in which government can help the cause of minorities. As the IPRA case illustrates, civic activity can be activated to lobby Congress, hold consultations, and even stage peaceful protests. Indigenous peoples must be allowed to participate fully in national and international gatherings where issues directly affecting

them are being discussed—including environmental agreements, and negotiations around global, regional, and bilateral trade agreements and debt (UN ESC 2005). The least government can do is uphold these rights and increase the capacity of indigenous peoples to negotiate with others on their own behalf.

Jumpstarting Monitoring and Evaluation

This section deals with *monitoring and evaluation* aspects by checking whether government collects information that properly reflects the experiences of the ethnic groups that suffer inequality.

Keeping an eye on the progress of diversity management is essential. Since managing diverse groups is a complicated process, it makes technical sense to track its growth and advancement. Here, there are several ways government can help. Government research institutions like the National Statistics Office can provide data—demographics, among others—necessary for analyses. Government think tanks like the Philippine Institute for Policy Studies, the Development Academy of the Philippines, and the University of the Philippines can produce policy research outputs, as an aid to policy making by NCIP. DENR can assist indigenous communities in mapping and creating land use plans, making use, say, of geographic information systems (GIS). DSWD can undertake participatory appraisal at the community level.

The lack of government capacity and resources, however, has left the responsibility to the communities and support groups and their donor partners. For example, mapping the ancestral domains in Mindanao is being facilitated by the Philippine Association for Intercultural Development (PAFID), with financial and technical support from the Rome-based International Land Coalition. Interestingly, the participatory mapping process follows the principle of “self-delineation,” as required by the IPRA in its guidelines for plotting ancestral domains. To facilitate this critical activity, PAFID provides professional know-how on both traditional and state-of-the-art technology, including the Global Positioning System (GPS), to ensure data accuracy and cost minimization. The Ancestral Domain Sustainable Protection Plans, based on the map and developed by the indigenous groups, serve as the community’s guide in managing its resources. The only government role here is to receive, through the NCIP, formal claims for CADTs accomplished and filed by the partner communities (ILC 2003). Sadly, most ancestral domains with completed CADCs have not undergone on-ground survey and delineation, and therefore remain vulnerable to various competing claims. Cultural mapping is a prerequisite to any government activity that seeks to direct services to the really deserving communities. As an initial step, Rovillos and Morales (2002)

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suggest an inventory of baseline data on indigenous peoples from government agencies and NGOs; NCIP should provide a specific format for data gathering and should consolidate all collected information. The lack of basic information also translates into lack of indicators to chart the well-being of indigenous peoples.

Within government, “equality monitoring” can help jump-start the process. National agencies and local government units can start with the collection and analysis of basic data specific to their mandates to serve ethnic minorities. But beyond that, they can assess the effectiveness of their policies, processes, and practices in ending inequalities among indigenous groups. The first can help to give a picture of the composition of ethnic minorities and identify where particular groups are underserved and underrepresented. The second is a proactive way to assess the impact of policies on claims, entitlements, and resource allocation. The equality review should end with an action plan highlighting areas for policy and organizational changes.

The Way Forward

The lack of effective diversity management is one of the most urgent issues affecting stability and human development in the Philippines. The challenge of building a pluralist, multiethnic, and multicultural governance structure and directing the richness of the country’s diversity toward positive change remains. The cost of ignoring diversity will be far greater than the costs of accepting and managing it. Hence, public administration in the Philippines ought to be transformed into a responsive instrument to meet the needs of all citizens, including ethnic groups, to be accountable to the most vulnerable populations, and to understand differences and prevent social exclusion.

Public administration cannot remain its old self. To begin with, government needs to be revitalized, to become more proactive, more efficient, more accountable, and especially more service-oriented. To accomplish this transformation, government agencies need to make innovations in their organizational structure, practices, capacities, and how they mobilize, deploy, and utilize the human, material, information, technological, and financial resources for service delivery to remote, disadvantaged, and challenged people (UNPAN 2003). Cultural differences must be considered in the design of laws on public administration (Laya 2001).

There are a few things to consider when developing diversity management strategies.

Sustaining the Legal Framework

The government should develop and act with indigenous communities on a new agenda. This agenda could, following Ellsworth and White (2003), be used to: (i) accelerate the transition from access to ancestral domain to community ownership, as required by IPRA; (ii) aggressively explore and develop mechanisms to ensure the protection of community rights in markets for environmental services and genetic materials; and (iii) develop and support effective enforcement mechanisms for protecting community resources. Government must hasten the legal process of claim making through various bureaucratic reform actions. (The government's current rationalization program should cover NCIP, so that it can be professionally prepared to jump into action. Corollary measures include supporting anticorruption and justice reform activities at the national level.)

The proposal of the UN Special Rapporteur on Human Rights, that the Philippine judiciary fully respect the legislative intent and spirit of IPRA and ensure that utmost favor be accorded to indigenous peoples in resolving conflicts of law between IPRA and other national legislation such as the 1995 Mining Act, should be adopted. Moreover, special training programs should be designed for judges, prosecutors, and legal defenders regarding indigenous peoples' rights and cultures (Stavenhagen 2003).

The IPRA provisions on free prior and informed consent in securing clearance for projects in indigenous peoples' areas should be fully implemented. A citizen's charter on free, prior, and informed consent must be formulated and distributed to organizations of indigenous peoples. To the extent possible, land rights should take priority over commercial development, but in cases of trade-offs, reconciling claims and entitlements must be founded on upholding social justice for indigenous communities.

The Special Rapporteur's suggestions with respect to strengthening NCIP must also be followed: that the NCIP be firmly established as the lead agency in protecting and promoting indigenous rights, as well as in implementing government policy with regard to the indigenous communities; that adequate institutional, human, and financial resources be allocated to NCIP; that competent NCIP offices be set up in every indigenous area; that NCIP further improve its coordination with other government agencies, particularly with DENR, for the effective implementation of IPRA, especially as regards the question of ancestral domain claims and titles (Stavenhagen 2003).

NCIP should help in the capability building of indigenous peoples' organizations at the local, regional, and national levels. Capability building, according to Rovillos and Morales (2002), would involve strengthening traditional structures of leadership, governance, conflict resolution, and unity

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building. NCIP should make its “presence” felt in existing interagency structures and mechanisms. With the assistance of the CSC, NCIP should mainstream indigenous peoples’ rights and development concepts in all government line agencies and local government units.

Making the Civil Service IP-Friendly

Employing persons with indigenous background in visible public positions (in central and local public administrative positions, for example) would represent an important initial step in offsetting their striking underrepresentation in the public sector. Intensive training to increase the job qualifications of minorities can remove discrimination in the bureaucracy.

Educating government officials on the issues of community rights and well-being can make a difference in the way these officials behave vis-à-vis indigenous peoples. The reorientation, according to Laya (2001), should cover the history, culture, and struggle of cultural communities; for Staich (2000), it should discard stereotypes and stay away from generalizations.

The CSC must create a blueprint for action, especially with respect to recruitment and training issues. A diversity steering committee might help. For this purpose, the CSC should produce materials that are culturally correct and are translated appropriately into minority languages, with messages that are culturally relevant and that resonate with target audiences.

Reinventing Culture-Insensitive LGUs

Local government units, especially those with ethnic minorities, should make their policies more inclusive and culture-sensitive. They should launch campaigns against the assimilationist attitudes of local majority communities. To trigger these changes, amending the LGC may be necessary. Likewise, further decentralization initiatives must consider putting in place culture-friendly program mechanisms at the local level.

Local government units are in the best position to monitor commercial interests so that they do not needlessly appropriate the ancestral domain of indigenous residents. Likewise, it is local authorities who can design, with representatives from the indigenous communities, locality-specific plans that have heightened sensitivity to cultural nuances and are fine-tuned to local tenurial systems.

Empowering Communities and NGOs

Government agencies like NCIP and CHR can assist in educating and informing communities of their rights, and in developing legal property rights models involving ancestral domain that can withstand the scrutiny of the

judiciary. They can develop the capacity of indigenous peoples' organizations at the community level to implement projects that safeguard their rights, with appropriate intervention from local government units. They can build and field-test models related to such projects and scale these up if successful. Central authorities can help create a learning network that includes cross-site visits and apprenticeships nationally.

Government can provide scholarships and training opportunities to indigenous groups, complemented with opportunities for their leaders to interact with political leaders and government officials. It can improve the technical capacity and skills of civil society groups so that they can be better equipped to participate in the legislative process. It should sponsor in-depth discussions and dialogues among indigenous peoples and between them and government, to develop further perspectives and recommendations on indigenous development.

Linking with International Donors

It will be necessary, according to Ellsworth and White (2003), to link the diverse networks of indigenous groups, their advocates, and international partners to build a concerted global political constituency able to leverage new funds, new technology, and new political openness to expand community rights.

Monitoring and Sustainability Concerns

A necessary first step is to know the "numbers" (e.g., ethnic composition, geographic concentration). Disaggregated data on indigenous peoples should be collected in all areas where they are found. Government should also collect data on property claims and ownership at local and subnational levels. These data are useful in marshaling arguments for advancing community claims. The mapping and delineation of ancestral domain boundaries can be supported by providing a sound policy environment to those who undertake it in support of ancestral tenure (Ellsworth and White 2003).

Programs and projects on the extent and availability of (and access to) government services must be checked regularly, to determine if there is greater focus and better targeting of basic services in priority indigenous peoples' areas.

All things considered, it should be remembered that there are no permanent solutions to key issues of diversity management, only more or less acceptable ones. Following Schöpflin (2001), what is important is to provide space for clarifications and remedial action, which in turn requires that those exercising power (central and local authorities) have the nuanced awareness and flexibility to reconcile competing claims and interests sensibly and in a nondiscriminatory way.

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Reducing Socioeconomic Inequality in Uzbekistan

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Administrative Reform in Uzbekistan

The Republic of Uzbekistan has been a sovereign state since September 1991. It is in the middle of Central Asia and occupies most of the area between the Amu-Darya and Syr-Darya rivers, a total of 448,900 square kilometers.

The population of Uzbekistan, estimated at 26,410,416 in 2004, is the largest in the Central Asian republics, composing more than 40% of their total population.

The ethnic composition of Uzbekistan consists of Uzbeks (77%) and several minorities: Russians (6%), Tajiks (5.1%), Kazakhs (4.2%), Crimea Tartars (2%), Karakalpaks (2%), Koreans (1%), Kyrgyzs (1%), and others (1.7%).

More than 60% of the population of Uzbekistan is rural. During the Soviet era (1924–1991), the production of cotton and grain led to overuse of



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agrochemicals and the depletion of water supplies, which left the land polluted and the Aral Sea and certain rivers half dry. Independent since 1991, the country is seeking to gradually lessen its dependence on agriculture while developing its mineral and petroleum reserves. Uzbekistan is now the world's second-largest cotton exporter to Russia, People's Republic of China, Iran, Bangladesh, Republic of Korea, and Viet Nam; a large producer of gold and oil; and a regionally significant producer of chemicals and machinery. After independence in December 1991, the Government sought to prop up its Soviet-style command economy with subsidies and strict controls on production and prices. Uzbekistan chose to emphasize import-substituting industrialization (the country milled 3% of its cotton harvest in 1990 and 28% in 2004, and is expected to mill up to 51% of the harvest by 2008) and has tightened export and currency controls within its already largely closed economy, following the Asian financial crisis.

In the Republic of Uzbekistan regional policy deals with the Republic of Karakalpakstan, 12 oblasts³ or regions, and the capital city of Tashkent, with their 120 cities, 113 towns, 159 rural administrative districts, 11,844 rural settlements, and 7,501 local self-governing bodies (*makhallya*).

Present-day governance of the regions does not fully meet the development needs of the country. Traditional methods of governance are still in use. The established structure, functions, and practice of regional government face increasing challenge as administrative reform proceeds and the economy is further liberalized.

As foreign and Uzbek experts have pointed out, one way to improve governance is through decentralization, which transfers responsibility from the center to local self-governing bodies, and at the same time builds up civil society organizations (*Economic Review* 2005, page 3; Pugach 2005, pages 21–25). The experience worldwide shows that decentralization that does not take into account the specific conditions of the country can have the most disastrous consequences: a weakened economy, unequal access to services, and greater poverty. Economic and social development differences between regions can be evened out only through efficient use of geography and competitive advantage.

³ The 12 regions are: Andijan, Bukhara, Jizzakh, Kashkadarya, Navoi, Namangan, Samarkand, Surkhandarya, Sirdarya, Tashkent, Ferghana, and Khorezm. Other researchers (Madirimov 2005, page 29) divide the regions into six territories: Ferghana (Andijan, Ferghana, and Namangan), Tashkent (Tashkent city and Tashkent region), Mirzachul (Jizzakh and Sirdarya), Central (Samarkand, Navoi, and Bukhara), Southern (Kashkadarya and Surkhandarya), and Amudarya (Khorezm and Karakalpak Republic) (Madirimov 2005, page 29).

Decentralization is one of the directions of administrative reform in Uzbekistan. It is the framework within which the functions of state governing bodies are being revised and reduced, and the authority of regional and local governing bodies is being strengthened. Abaturov (2005, page 15) affirms the significance of the current situation in the regions of Uzbekistan, given the need for social harmony:

Established structure, functions and practice of regional government bodies come to contradiction with process of decentralization of state government, deepening of the administrative reforms and further liberalization of economics.

Since 2003, Uzbekistan has carried out a series of administrative reforms aimed at:

- Further reducing state influence on the economy, doing away with elements of the command administrative system, and radically changing the structure and system of government;
- Abolishing the centralized system of distribution and changing over to market-driven methods of production; and
- Setting up new modes of interaction between the state and the society, with provisions for greater transparency in state government activity.

The primary tasks of state government reform in the regions within the framework of the public administrative reforms are as follows:

- Improve the standard of living;
- Ensure the efficient functioning and economic development of the regions;
- Set the conditions and the foundation for sustainable regional development; and
- Implement institutional, investment, and technical policies.

Regional government reforms are based on several assumptions. First, the regional government bodies carry out economic policies developed by the central Government. Second, the regional government bodies plan and implement regional policies to improve the standard of living in the regions and to ensure sustainable regional development in social, economic, political, and ecological terms. Third, the regional government bodies act as intermediaries between government, enterprise, and civil society. They must

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use their increased authority to strengthen the state-business-civil society partnership. Pugach (2005, page 22) believes that greater economic balance between the regions can be achieved if government were to create the conditions for the development of entrepreneurship.

Regional Economic Development in Uzbekistan

Uzbekistan is a collection of regions that differ from one another in the level of economic development, specialization, and natural-climatic conditions, but are closely bound together as well by trade and by modern-day specialized production. Each one produces largely for other regions and also receives a major part of the production of other regions. The economy of the country often depends on the trade turnover of only one region.

The regional aspects of economic development have significance for Uzbekistan because of the climatic, geographic, and economic differences between regions. Regional factors may greatly affect the nature and consequences of the socioeconomic changes in the country.

In recent years some positive results have been achieved in regional development by expanding the authority of local government, strengthening the local economies, and setting up and modernizing facilities for the exploitation of their mineral and raw material resources, as well as their natural and economic potential.

The socioeconomic disparities have objective causes (differences in geography and economic potential). All the same, the present situation and the dynamics of the interregional differentiation need to be improved.

The main reasons for the differences in socioeconomic development between regions are:

- The high concentration of industrial production and production infrastructure in the Tashkent and Ferghana regions;
- The insufficient adaptation of the mostly agrarian regions (particularly the Republic of Karakalpakstan, and the Khoresm, Surkhandarya, Syrdarya, and Jizzakh regions) to the market environment;
- Uneven distribution of local and foreign investment;
- Unsound use of the natural and economic potential of the regions;
- Unequal budget allocation; and
- Inadequate economic regulation of the regions taking their unique features into account.

Adjusting the level of socioeconomic development of the regions by removing or at least minimizing the current obstacles and inequalities is

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important for the sustainable and balanced economic development of the country. It requires defining development trends in the regions and analyzing their economy in some depth. We use several indices to analyze the development of the economic territories of Uzbekistan: gross regional product, industrial products, consumer goods, regional sharing of investment, agricultural products, and paid work. Gross regional product per capita, an aggregate index, is used in Table 1.

Table 1 shows that some regions have developed faster than others, since independence in 1991, and that the differences between the regions have become more pronounced since 1998.

Table 1: Gross Regional Product Per Capita in Uzbekistan, 1998–2004^a

Region	1998	1999	2000	2001	2002	2003	2004
Republic of Karakalpakstan	0.531	0.617	0.456	0.413	0.362	0.400	0.422
Andijan region	0.797	0.852	0.911	0.935	0.834	0.764	0.744
Bukhara region	0.956	1.180	4.409	1.155	1.101	1.053	1.085
Jizzakh region	0.613	0.686	0.742	0.669	0.666	0.702	0.768
Kashkadarya region	0.797	0.749	0.722	0.724	0.780	0.782	0.748
Navoi region	1.086	1.208	1.039	1.267	1.490	1.685	1.702
Namangan region	0.548	0.549	0.667	0.637	0.599	0.543	0.574
Samarkand region	0.678	0.753	0.709	0.679	0.693	0.669	0.601
Surkhandarya region	0.662	0.674	0.716	0.727	0.760	0.734	0.659
Sirdarya region	0.800	0.950	0.807	0.822	0.776	0.754	0.768
Tashkent region	0.926	0.969	1.040	1.017	1.032	1.041	1.031
Ferghana region	0.863	0.950	0.942	0.866	0.843	0.785	0.759
Khorezm region	0.870	0.960	0.832	0.717	0.720	0.681	0.669
Tashkent city	1.580	1.702	1.563	1.665	1.671	1.682	1.672
Uzbekistan	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Difference between the most-developed and the least-developed region (factor)	3.0	2.8	3.4	4.1	4.3	4.2	4.0
Difference between regions excluding Tashkent (factor)	2.1	2.0	2.4	3.1	3.8	4.2	4.0

^a Madirimov 2005, page 31.

Source: Data from the Statistics Committee of Uzbekistan.

The main goal of regional policies in Uzbekistan is the effective use of regional factors to ensure sustainable economic development, raise living standards, and reduce the socioeconomic disadvantages of the regions. According to Ganiev and Akhmedov (2005, pages 26–27), the main tasks of the regional policies of Uzbekistan are the following:

- Prevention of excessive difference in socioeconomic development level between the regions;

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- Differentiated regulation of social-economic development of regions in accordance with their economic potential and objective possibilities of functioning in the market economy;
- Rational combination of national and regional interests with state support for lagging and poorly developed regions;
- Provision of minimum social guarantees for the population regardless of place of residence;
- Assistance in the deepening of institutional and structured reforms, and the priority development of the private sector in the regions;
- Prevention of environmental pollution and implementation of dynamic ecological policies in the regions;
- Development of regional and interregional infrastructure (transportation, communication, and others);
- Deepening of the process of decentralization, the role and responsibility of regional government bodies, and self-governance in decisions on social tasks; and
- Increase in the role of regional budgets and non-budget funds in the implementation of social programs in the regions.

Regional policy is implemented on three levels: republican (central), regional, and local. At the central level, central government bodies (the Cabinet of Ministers, ministries, and departments) implement the regional policy through the national budget or other central financial sources. At the regional level, the governing bodies (of the Republic of Karakalpakstan, the 12 regions, and Tashkent city) implement policies with the use of the national and regional budgets, non-budget sources, and other funds, to provide the conditions needed to live in the districts and cities in their territory. At the local level (provinces, districts, cities, *kishlak*,⁴ *aul*,⁵ *makhallya*), the regional and city budgets, as well as other sources of financing, determine socioeconomic processes.

At the republican (central) level, a number of state programs that combine practically all aspects of socioeconomic development have begun to be implemented. The programs pertain to the following, among others: small and medium business; local production and export promotion; attraction of foreign investments; social support for the most vulnerable sectors of the population; reforms in education and public health; improvement of the social infrastructure of districts; and provision of drinking water and natural gas in

⁴ A rural settlement, which may include many neighboring localities, represented by an assembly of the citizens.

⁵ The equivalent of a *kishlak* in Karakalpak.

the countryside. To support underdeveloped regions, socioeconomic development programs were launched in Namangan and Khorezm regions, and priority was given to small businesses in the Republic of Karakalpakstan and Khorezm region.

However, despite years of reform, Uzbekistan remains highly centralized, and the various national programs do not amount to a comprehensive program of regional development, as there is virtually no systematic planning for this purpose. As a result, the economic potential of the regions is not put to efficient use, and the gap between the regions further widens (see Table 2). As Ganiev and Akhmedov (2005, page 27) observe:

Significant and increasing interregional differences in social-economic development entail negative consequences and in planning regional strategy decisions on how to increase the living standards of the population of the regions and their competitiveness must be foremost.

Table 2: Differences in Socioeconomic Development between Regions, 1991, 2000, 2003^a

Index	1991	2000	2003
Gross regional product	2.1	3.4	4.2
Industrial products	5.4	11.2	23.3
Consumer goods	4.9	8.2	7.2
Sharing of investments	3.5	5.8	6.5
Agricultural products	2.1	3.6	3.3
Retail trade turnover	3.5	6.8	5.0
Paid work	3.5	8.4	11.1

^a Difference in indices between the most-developed and the least-developed regions.
Source: Data from the Statistics Committee of Uzbekistan.

Macroeconomic and institutional reforms nationwide have kept the gaps in regional development from growing even wider. However, development has been uneven between economic sectors. So, while the difference in gross regional product per capita between the most-developed region (Tashkent city) and the least-developed (Republic of Karakalpakstan) increased only from 2.1 to 4.2 times, on industrial products the increase was from 5.4 to 23.3 times (*Statistical and Analytical Review of the Uzbekistan Economy 2004*, March 2005).

There are objective as well as subjective reasons for the variations between regions. The objective reasons have to do with differences in natural resources, in production capacity, in infrastructure, in economic structure and population

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distribution, and in the level of adaptation to the market economy. The subjective reasons pertain to the uneven distribution of investment in the regions, administrative regulation of socioeconomic processes, and insufficiency of material, technical, and financial resources.

A direct relationship between economic development and the well-being of the population is evident (Table 3).

Table 3: Economic and Social Development of the Regions, 2003^a

Level of Economic Development ^b	Level of Social Development ^c
High Navoi region Tashkent city Bukhara region Tashkent region	High Tashkent city Bukhara region Navoi region Tashkent region
Medium Ferghana region Andijan region Sirdarya region Jizzakh region Surkhandarya region Kashkadarya region	Medium Ferghana region Andijan region Sirdarya region Khorezm region Namangan region Samarkand region
Low Samarkand region Khorezm region Namangan region Republic of Karakalpakstan	Low Kashkadarya region Republic of Karakalpakstan Jizzakh region Surkhandarya region

^a Ganiev and Akhmedov (2005), page 28.

^b Arranged in descending order, according to gross regional product per capita.

^c Arranged in descending order according to factor per capita: income, supplies with object of social infrastructure, volume of trade turnover, and paid work.

Source: Data from the Statistics Committee of Uzbekistan.

The differences in the level of socioeconomic development are due to the following factors:

- Insufficient consideration of the unique features of each region (geographic position, natural-climatic conditions, demographic features, raw materials and economic potential, ecological load, and others) when planning and implementing national programs;
- Highly centralized socioeconomic regulation and social program financing;

- Weak maintenance of social stability in the regions by regional government bodies because of insufficiency of material, technical, and financial resources; and
- Unequal and undefined division of responsibilities between the central and regional administrations, and between ministries and departments, in the socioeconomic development of the regions.

The harmful consequences of significant and increasing differences in socioeconomic development between regions include reduced investment activity and high unemployment in less-developed regions, growing immigration into more highly developed regions, greater pressure on the labor market, lower real income in less-developed regions, and greater poverty. All these increase social tensions and mistrust of governing bodies. Hence, large differences in living standards between regions, though they may have objective reasons, must be reduced through central government policies.

Unfortunately, no national program for the economic development of underdeveloped regions has yet been drawn up, and specific regional features are not thoroughly taken into account in program planning and implementation.

Social Organizations and Local Self-Governing Bodies: Their Role in Solving the Problem of Regional Inequality

The community (*makhallya*) is the primary administrative and territorial unit, and therefore also the primary self-government unit. The *makhallya* is a traditional association of families living in a neighborhood, established by the residents to protect their interests and rights, and meet their needs. It is independent of the local government system.

On average, each *makhallya* has around 1,500–2,000 members. More than 25 members are directly involved in self-governance (through the assembly council formed by the *makhallya* members). Only two of the 25 are paid salaries out of the local (district or city) budget. The other members of the assembly council are volunteers. Throughout Uzbekistan, 7,501 such self-governing bodies now exist.

Over the years the *makhallya* has evolved into the main conduit for antipoverty programs of government. Since 1994, public funds have been distributed among needy families through the *makhallya*, according to the decision of the *makhallya* members and current legislation. This mechanism of state support to families is not hampered by bureaucratic barriers and fosters the spirit of voluntarism in the purpose and payment of grants (Yunusov 2005).

On 6 October 2005, the amount of \$1,614,035 was made available to socially vulnerable families in the Ferghana region, to help them in developing their family business. Of the 8,051 families that applied, 2,987 families were granted micro credits. Each family received \$500–\$700 for home production, handicrafts, and livestock rising. By the end of October 2005, \$1,535,614 of the total amount had gone to micro credits. Jobs had been provided for 5,705 people (2,542 of them women).⁶ Such measures were adopted in Andijan, Namangan, and Ferghana regions, which are densely populated and therefore have the most number of unemployed people in Uzbekistan.

Self-governing bodies must therefore involve their citizens in self-government by making it possible for the interests and needs of individual citizens and the entire community to be realized, and by ensuring economic independence and stable funding for functions delegated by both the national and local governments.

Conclusions

The main goal of regional policies in Uzbekistan is the effective use of regional factors to ensure the sustainable economic development of the country, raise living standards, and lessen the socioeconomic disadvantages of various regions.

The regions of Uzbekistan differ in the degree of socioeconomic development. The differences have objective and subjective reasons. The objectives are concerned with differences in natural resources, production capacity, infrastructure, economic structure and population distribution, and level of adaptation to market mechanisms. The subjective reasons relate to uneven investment, administrative regulation of socioeconomic processes, and insufficiency of material, technical, and financial resources. Economic development has been shown to have a direct bearing on the well-being of the population.

Significant and increasing interregional differences in socioeconomic development entail such negative consequences as reduced investment and high unemployment in less-developed regions, growing in-migration into more-developed regions, increased pressure on the labor market, lowered real income in less-developed regions, and heightened poverty. All these reinforce social tensions and mistrust of governing bodies. Hence, large differences in living standards between regions, though they may have objective reasons, must be reduced through central state policies.

⁶ Data analyzed by Shamshod Yunusov on the basis of official information on the Ferghana region from the Administration of Labour Business and Social Defence of the Population, October 2005.

National governance of the regions does not fully correspond to the development needs of the country. Governance is still mostly traditional. The structure, functions, and practice of regional government bodies face increasing challenge with deepening administrative reform and further economic liberalization. One way of improving governance is through decentralization, which transfers responsibility from the center to local self-governing bodies, while also strengthening civil society organizations. Differences in economic and social development between regions can be equalized only through well-thought-out strategies for the efficient use of regional factors and competitive advantages.

To achieve more equitable socioeconomic development in the regions, promote decentralization, and deepen administrative reforms in Uzbekistan, a package of social programs is planned for 2005. The programs, aimed at ensuring social stability and raising living standards, involve, among other things, housing reforms, social support for vulnerable sectors of the population, training, school education, provision of drinking water and natural gas to rural inhabitants, development of children's sports, and increased employment.

The central Government has no economic development program for less-developed regions, and does not fully take the unique features of each region into account in development planning and implementation.

All these show how much more the central Government, regions, and self-governing bodies in Uzbekistan have to do to promote economic and social development in Uzbekistan.

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Session 3

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The Impact of Poor Governance on Foreign Direct Investment: The Bangladesh Experience

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Robert F. I. Smith³

Introduction

Foreign direct investment (FDI) is seen as an instrument by which countries can gain access to the benefits of globalization (Azim and Uddin 2001). In recent years, FDI has received singular attention in many developing countries. The close integration of national economies, driven by worldwide competitive pressures, economic liberalization, and the opening up of new areas of investment, has helped many countries to attract FDI (IFC 1997). Policy makers and multilateral organizations have increasingly emphasized the importance of a sound investment climate and flow of FDI in promoting economic growth in developing countries (Stern 2002).

The climate for investment is determined by the interplay of many factors—economic, social, political, and technological—which have a bearing on the operations of a business. The business environment has three main features: macroeconomic conditions, governance, and infrastructure. The more favorable these factors are to a firm's operation, the more likely it is that the firm will invest in the economy and help create a bandwagon effect for others.

Bangladesh has long been trying to attract FDI. In the 1990s, Bangladesh achieved a growth rate far superior to that of most low-income countries and positioned itself with a better macroeconomic policy regime to attract FDI. The Government introduced a generous program of incentives for investors. The country experienced an upward trend in FDI inflow in the early 1990s, but recently too little foreign capital has come in (Azim 1999, World Bank 2005b). In gross FDI inflows as a share of gross development product (GDP) in the 1990s, Bangladesh was 137th out of 141 countries (World Bank 2005b).

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Despite a relatively liberal FDI regime, foreign investors are not interested in moving to Bangladesh. It is therefore crucial to understand the major impediments that distort the business environment. A conducive business environment—with well-functioning factor markets, efficiently run infrastructure services, easy market entry and exit, an enabling regulatory environment, access to information, and strong competitive pressures—allows businesses to become productive, competitive, dynamic, and innovative (World Bank 2005b). In view of these considerations, this paper investigates the business environment in Bangladesh and identifies critical factors, especially economic governance issues, that affect the volume of FDI.

FDI in Developing Countries

The preconditions of FDI have been addressed by a number of theories. Among these theories are: the theory of market imperfection (Hymer 1960, Dunlop 1999); behavioral theory (Aharoni 1966, Dunlop 1999); product life cycle theory (Vernon 1977; Hossain, Islam, and Kibria 1999); internalization theory (Buckley and Casson 1976); transaction cost theory (Williamson 1975, 1985); location-specific advantage (Franco 1971, 1974; Porter 1990); and eclectic theory (Dunning 1988). Caves (1971) argues that through FDI multinational corporations (MNCs) attempt to exploit firm-specific assets in a foreign market. But FDI is more than merely moving capital across borders; it offers certain advantages to both the host country and the investor. Dunning (1980, 1988) argues that a firm's foreign investment decisions are influenced mainly by firm- and location-specific advantages. Open-door economic policy (Singh and Jun 1995, Walder 1996), market size (Lardy 1995, Milner and Pentecost 1996, Fittock and Edwards 1998), political stability (Tesai 1994), and the host country's macroeconomic policy, tax regime, and regulatory practices are considered major determinants of FDI.

FDI inflows generate jobs through new establishments and expanded activities, and indirectly increase competition within domestic markets and facilitate the transfer of improved technology and management techniques (Crone and Roper 1999). For the investor, the potential benefits lie in penetrating a new market, gaining access to raw materials, diversifying business activity, rationalizing production processes, and overcoming some of the drawbacks of exporting, such as trade barriers and transport costs. FDI also enables companies to learn about the host market and how to compete in it.

Transaction cost theory (Williamson 1975, 1985; Buckley and Casson 1976; Caves 1971; Caves, Christensen and Diewert 1982) explains how multinational enterprises (MNEs) own and control operations abroad to benefit from diverse production locations and globalization of markets (Benito

and Gripsurd 1992, Buckley and Casson 1976, Teece 1986). Similarly, Vernon (1966) and Dunlop (1999) argue that MNEs undertake production in different countries to minimize production costs and expand globally. Firms therefore choose least-cost locations for their production activities (Buckley 1988). Dunning (1980, 1988) suggests that the propensity of a firm to get involved in international production depends on three conditions: ownership advantages, location advantages, and internalization advantages.

Internal factors in host countries are also important determinants. Tatoglu and Glaister (1998) classify the host country location-related factors into two types. First are Ricardian-type endowments, which mainly comprise natural resources, most kinds of labor, and proximity to markets. Second are environmental variables, or the political, economic, legal, and infrastructural conditions in a host country.

According to Dunning and Pearce (1988), FDI can be “resource seeking” (gaining access to local, natural, or human resources); “import substituting” (producing locally instead of exporting to the local market); an “export platform” (providing a basis for exporting to a regional market); or “rationalized or vertically disintegrated” (locating each stage of production where the local costs are most advantageous). A particular investment may, however, be motivated by several of these factors at the same time.

An economy that offers long-term business prospects can influence an FDI decision, but the prospects need to be directly relevant to the profitability of the venture (Petrochilos 1989). The inflow of FDI to a host country depends on the availability of location-specific factors and the opportunity to use those resources effectively. Overall, the factors that influence FDI decisions—Porter (1990) called these “factor endowments”—can include the size and growth of the host-country market, factor prices (labor, raw materials, etc.), economic policies (interest rates, exchange rates, taxes, etc.), profitability, and the protection afforded to investing firms by tariffs and other measures.

Key Features of the Investment Climate

Major factors that influence firms to choose to locate their investment in a particular developing country are macroeconomic factors, governance, infrastructure, access to finance and international integration, political stability, knowledge infrastructure and labor-force skills, and technology.

Macroeconomic Factors

Investment is driven by profit, and foreign investors will always prefer a country with a buoyant business sector (measured in terms of GDP growth rate, inflation rate, level of industrialization, etc.). There is an element of herd

mentality among foreign investors that tends to create a bandwagon effect in a particular country. The People's Republic of China (PRC) and some other East Asian countries are recent examples of this phenomenon, and India now exerts a similar attraction. By contrast, Nepal, Bangladesh, and many other slow-growth Third World economies have so far received very negligible amounts of FDI.

Governance

A country's general structure of governance and the institutions that regulate interactions between business and government determine the burden of compliance with government regulations, the quality of government services, and the extent to which corruption is associated with the procurement of these services. Recent empirical research confirms, for example, that measures of corruption are significantly and negatively related to inflows of FDI (Smarzynska and Wei 2000, Wei 2000, Stiglitz 2003).

Regulations in developing countries may tend to be more complex and bureaucratic than necessary as a result of corruption, and often are not intended to correct market failures or protect consumers (World Bank 2005b). Djankov et al. (2002) state that having more regulations is generally not associated with better societal outcomes in developing countries. They also find that stricter regulation of entry is correlated with increased corruption and costs.

Infrastructure

The better its infrastructure, the more attractive the host economy is to foreign investors. For example, the quality of transport and communication systems can be estimated from expenditure on road transport (Hill and Munday 1991). Ernst and Young (1992, in Dunlop 1999) identify the following infrastructure factors as important in attracting FDI:

- Good base of related and supporting industries (suppliers, subcontractors, university research center, business services, and raw materials)
- Good transport facilities (road, rail, and air) and port system
- Low cost and availability of utilities (telecommunications, energy, and water)
- Existence of environmental regulations and procedures
- Availability of sites and premises

In countries with poor infrastructure, businesses must devote more resources to acquiring information, procuring inputs, and delivering their products to the market. This undermines their competitiveness at best, and at worst deters them from entering markets where they could otherwise operate efficiently.

Access to Finance and International Integration

Access to finance significantly influences a firm's propensity to invest. Businesses invest in projects where the expected benefits exceed the cost of investment. However, this can be achieved only where businesses do not face credit constraints unrelated to their own performance. Credit constraints are less likely in countries with well-developed and well-functioning financial systems. Indeed, a great deal of research has shown the importance of financial sector development for growth (Levine 1997). A healthy financial system allows businesses to expand according to their expected potential, rather than their current stock of cash. Thus, countries with well-developed financial systems (banks, stock and bond markets) tend to grow faster than countries with less-developed systems (World Bank 2003).

Countries that aggressively pursued integration with the global economy (such as Brazil, PRC, India, Malaysia, Mexico, Philippines, and Thailand) grew more quickly in the 1990s than those that did not (World Bank 2003). Indeed, many studies find that openness to trade and FDI accelerates growth (Dollar and Kraay 2001, Frankel and Romer 1999).

Political Stability

Political certainty and transparency makes developing countries much more likely to attract FDI. Political uncertainty in a potential host country may unexpectedly change the rules of the game under which businesses operate (Butler and Joaquin 1998). Adverse consequences have a profound influence on multinational corporations (MNCs) (Boddewyn 1988). An unstable government or monetary and fiscal policies lead to greater uncertainty about investment outcomes and detract from firm value (Brewer 1983).

Political factors like frequent changes of government, a political opposition critical of foreign direct investment, lack of transparency in the public service, rabid nationalism, corruption, and the possibility of terrorism are seriously considered by investors before making investment decisions (Azim and Uddin 2001). Mudambi (1995) says that business and political risks are plausible determinants of FDI location. He uses variables representing the regulatory environment, inflation, incidence of violent or peaceful power transitions, and host-country relationships with other countries to proxy this risk factor.

Knowledge Infrastructure and Labor Force Skills

A fundamental requirement of economic growth is the knowledge infrastructure and the level of human development in a country. Developing-country governments must therefore strengthen their human resources through education, training, health, and social services. According to Reza (1995) governments must first make a systematic assessment of their human resources before formulating any policy to attract FDI. Such an assessment should be designed to:

- Identify critical shortages of skilled manpower in the various sectors of the economy and take measures to address the reasons for the shortage,
- Develop knowledge development strategies for creating a skilled labor force that foreign investors find advantageous for future growth, and
- Set targets for human resources development based on reasonable expectations of growth.

Technology

Technological progress encourages innovation and attracts FDI. A well-developed technology infrastructure allows the implementation of better business processes. It also involves a great deal of adaptation (Reza 1995). To support innovation, the public sector can undertake research and development (R&D) activities on its own or with private sector partners.

Whether singly or in combination the factors canvassed above set a substantial policy agenda that developing countries wishing to attract FDI need to address.

Research Method

An empirical study of 21 businesses was conducted in December 2004 and January 2005 to collect primary data on the investment climate in Bangladesh. Thirty structured face-to-face interviews were held to gather information. The study used a quantitative structure encompassing a wide range of topics.

The interviews were done face-to-face (rather than through mailed questionnaires) to achieve greater flexibility, a better response rate, and a clearer understanding of the questions among the respondents. Face-to-face contact with the respondents was also considered valuable from a qualitative standpoint.

The interviewees came from two target groups—foreign investors and local business experts, and researchers (see Table 1). A structured questionnaire (see Appendix) was prepared for 21 foreign firms operating in different places

in Bangladesh. A semi-structured questionnaire was used to collect data from nine other interviewees—various experts, researchers, policy makers, and policy observers in Bangladesh. The interviews with experts helped clarify issues arising from the policy regime and helped identify institutional dysfunction.

Table 1: Distribution of Interview Sample

Category	No. of Interviewees
Foreign investors	21
Senior representatives of Foreign Investors' Chamber of Commerce and Industry of Bangladesh and Federation of Bangladesh Chamber of Commerce and Industry	3
Representatives of research groups and the academe	2
Government officials (senior executives of BOI-2 and BEPZA-1, and Joint Secretary-1, Ministry of Commerce)	4
Total	30

BOI= Board of Investment (Bangladesh), BEPZA= Bangladesh Export Processing Zone Authority.

Analytical Framework

Fifty-eight common questions were posed in each interview with the companies, and the data were analyzed with the use of two statistical techniques—frequency analysis of responses and weighted index for the questions.

Frequency Analysis

The opinion survey elicited qualitative data. The interview responses were classified into three groups. Two positive response levels (“very attractive” and “attractive”) made up one group, and two negative perceptions (“very frustrating” and “frustrating”) composed the other. The third group contained the indifferent responses—those that were neither positive nor negative. The frequency of the three groups was calculated and reported. Missing values were excluded from the analysis.

Weighted Average of Responses

Because the frequency method would have given equal weight to all three levels of response, weighted frequency analysis was used (see Appendix). First, the scores -2 and -1 were assigned to the two different levels of negative responses, the scores 1 and 2 were assigned to the two levels of positive responses, while the score 0 was assigned to the indifference level. The weighted approach allows readers to understand at a glance trends in the perceptions of executives about the business environment in Bangladesh.

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Interview Design

In view of the position and role of the target groups in their organization, data were collected through purposive sampling, from December 2004 to January 2005.

Of the 21 foreign companies covered by the interviews, 10 were in Dhaka, 6 in Gazipur, and 2 in Narayanganj, and there was 1 company each in Hobiganj, Sunamgonj, and Chittagong.

Twelve companies were from the manufacturing sector, two were financial institutions (banks), one was from the energy sector, and there were three companies each from the wholesale and retailing sector and the services sector. Table 2 shows the sector distribution of the companies.

Of the companies surveyed, 43% were entirely devoted to the domestic market, while around 24% were exclusively export-oriented. The remaining 33% operated in both domestic and export markets. More than one third (43%) of the respondent companies were fully owned foreign companies and the rest (57%) were joint ventures.

Table 2: Industry Sectors Surveyed

Sector	Companies	
	Number	Percentage of Total
Manufacturing	12	57
Financial institution	2	10
Energy	1	5
Wholesale and retailing	3	14
Services	3	14
Total	21	100

To obtain in-depth information, the researchers followed a topic guide like the semi-structured questionnaires for the other interviewees. The respondents were thus encouraged to share their experiences, attitudes, needs, and ideas, and the interviewer could zero in on areas that the respondents considered important.

The following issues were considered in preparing the questionnaire for the representatives of business and research groups, and government officials:

- Factors that generally influenced the firm to select Bangladesh for FDI or joint venture;
- Problems and difficulties usually experienced when considering Bangladesh for FDI location;

- Government policies, incentives, and future plans for FDI;
- Suggestions to the Government in relation to FDI incentives and policies in Bangladesh;
- Suggestions to the Board of Investment and other facilitating agencies to promote FDI in Bangladesh;
- Major impediments to a better FDI climate in Bangladesh; and
- Suggestions for the improvement of the investment climate in Bangladesh.

Analysis of the Data

The study revealed that Bangladesh could provide a favorable environment for foreign investment, as the overall weighted response was positive, although the total weighted average score of 8.927 was at the lower end of the range (1–58) for an attractive location. This means that while foreign investors in Bangladesh are not altogether satisfied with the business environment, there is hope for improvement.

Macroeconomic Context

The macroeconomic factors together scored an average of 0.548, between “neutral” (0) and “attractive” (1). This score indicates that investors are not worried about the macroeconomic aspects. Among the macroeconomic factors, inflation (0.762) and exchange rate (0.619) were more promising to investors, followed by fiscal policy (0.476) and monetary policy (0.333). More than 55% of the respondents found Bangladesh attractive in terms of inflation rate (81%), exchange rate (67%), and fiscal policy (57%), while about 52% said that monetary policy was either “neutral” or “frustrating.”

Infrastructure

The overall negative perception (-0.152) of business executives indicates the inadequacy of infrastructure. The high negative weighted score for poor and inefficient supply and service of power (-1.048) and ports (-0.762) is an especially significant concern. More than 80% (17 out of 21) of the respondents were strongly critical and said that electric supply in the country was frustratingly poor (“very frustrating” to some). Most of the respondents relied on private generators to ensure continuous power supply.

Around 76% of the respondents also expressed dissatisfaction and frustration with the poor port facilities in Bangladesh. Frequent strikes in ports, lack of modern equipment, corruption, container congestion, and similar problems cause serious trouble for foreign investors.

Fixed-line phones were perceived to be scarce. But the availability of mobile phones partly offset the negative perceptions (overall positive weighted value of 0.286).

More than 60% of the respondents noted that the transport system was below average. The respondents were especially dissatisfied with the quality of railroads and waterways. The weighted average score of transportation was -0.095.

Natural gas is a very vital fuel resource in Bangladesh. It accounts for about 70% of commercial fuel used in the country (Government of Bangladesh 2003). More than 75% of the respondents (16 out of 21) rated Bangladesh attractive or very attractive because of its gas supply (average positive weighted value of 0.857).

The low overall weighted value for natural resources (0.206) indicates that these are scarce and limited in quantity. But positive values were assigned to the availability of land (0.238), natural resources (i.e., gas, coal, etc.) (0.190), and raw materials (0.190). A significant number of respondents (about 90%) agreed that the Government should take more effective steps to maximize the use of its natural resources and land.

Markets

Bangladesh has a very good domestic market, with very high prospects. An overwhelming majority of the respondents (more than 90%) rated the domestic market attractive (positive weighted average value of 1.429).

In addition, more than two thirds of the respondent companies (71%) believed that Bangladesh could gain much by making good use of the regional market. They said that the South Asian Free Trade Agreement could have a positive effect on the Bangladesh economy if only negotiations could be more effective. The northeastern part of India is an especially good market for Bangladeshi products because of its proximity and the facilities of the port at Chittagong.

Opinions about the availability of local suppliers in Bangladesh were mixed (cumulative average of 0, indicating a situation that is neither good nor bad). More than 60% of the respondents (13 out of 21) gave a neutral rating (0) to this aspect, while the scores of the rest were equally divided between "attractive" (1) and "frustrating" (-1).

The overall weighted value for the quality of local suppliers was positive (0.048) but close to zero. More than 75% of the respondents (16 out of 21) either gave this aspect a neutral rating (0) or said it was an attractive feature (1) of the country. However, the results indicate that there is much room for improvement in the quality of local suppliers.

Interestingly enough, all of the respondents strongly believed in the market prospects of Bangladesh, provided the environment could be made more conducive to business. They rated the prospects of the domestic market “attractive” or “very attractive.” The weighted average value of 1.381 is a good signal for FDI.

Global Integration

Although the study results indicated a positive weighted value for global integration (0.603), Bangladesh still needs to develop an industrial development strategy for better integration with regional and global markets.

Among the three factors considered in this regard, the respondents pointed out the low level of integration with the regional economy (0.381) and the global economy (0.524). However, they were satisfied with bilateral investment treaties (average weighted value of 0.905).

More than 42% of the respondents rated regional integration either “neutral” (0) or “frustrating” (1), while alluding to the very good prospects of the country in the regional market. About two thirds (66%) of the respondents had positive attitudes toward integration with the global economy, adding that more integration would be better for business.

The research findings correspond with the results of recent World Bank studies on growth and export competitiveness, which likewise indicated low integration, by most measures, with the global economy (World Bank 2005a). Bangladesh ranked 56th out of 62 countries in A. T. Kearney’s 2004 globalization index (Table 3). In the area of economic integration, Bangladesh is not doing well (*Foreign Policy* 2004).

Knowledge Infrastructure and Skills

Almost every respondent expressed dissatisfaction with access to information and the dismal state of R&D. To start a new business or adopt any business strategy, all kinds of companies require sufficient reliable information, relevant data, and proper R&D. The data indicate that Bangladesh lags behind in this aspect.

This factor was “frustrating” (or even “very frustrating”) to more than 62% of the respondents. The remaining 38% gave it a neutral rating (no one made a positive comment). The average weighted negative value was -0.762 for access to information and -0.571 for R&D. Although the study showed that the low quality of education and training is a major stumbling block in producing efficient and qualified human resources, the overall positive rating (0.505) for human resources is encouraging. All the respondents noted the

Table 3: Country Ranking (Globalization Index Measures)

Country	Economic Integration				Personal Contacts			Technology			Political Engagement			
	Overall Globalization Index	Ranking	Economic Integration	Personal Contacts	Technology	Political Engagement	International Organizations	UN Peacekeeping	Treaties	Government Transfers				
Malaysia	20	8	46	14	26	46	32	43	30	45				
Chile	37	29	39	50	27	39	37	46	9	33				
Thailand	48	28	58	48	40	58	45	45	53	52				
Sri Lanka	51	41	60	34	56	60	51	55	44	49				
Bangladesh	56	62	35	43	62	35	28	29	30	41				
PRC	57	37	56	59	49	56	54	35	44	58				
Indonesia	59	47	53	61	51	53	37	59	30	40				
India	61	61	57	53	55	57	28	58	53	51				

PRC = People's Republic of China
Source: *Foreign Policy* (2004).

abundance of unskilled and semiskilled labor and the very competitive price (rated “attractive” or “very attractive,” with an average value of 1.619).

More than 90% of the respondents expressed satisfaction with the productivity of workers (weighted value of 0.905). Respondents had mixed opinions about the workers’ skills and education (average positive value of 0.333). More than 42% of the respondents rated Bangladesh “attractive” (1) in terms of the skill and education of its workers, while 47% gave this factor a neutral rating (0) and about 9% declared it “frustrating” (-1). One interesting comment by respondents (about 75%) was that workers were very keen to be trained.

Regarding the availability of qualified managers, about 42% of the respondents considered it an attractive feature of the country, while the remaining 58% thought this factor either neutral or frustrating. However, the average weighted value was negative (-0.143).

The study also showed the unsatisfactory quality of education and training in Bangladesh. To a majority of the respondents (more than 80%), this factor was “neutral” or “frustrating” (overall negative score of -0.190).

A recent World Bank report indicated that Bangladesh still lags behind on most human development, innovation, and knowledge indicators, and this deficiency keeps labor productivity, growth, and wage levels down (2005).

Legal and Regulatory Framework

This study considered the legal and regulatory framework as one, with nine related elements of regulations, including the court system, all of which have a direct impact on the business environment. The overall weighted value was positive (0.265), indicating that the rules and regulations themselves are favorable to business. But, as the respondents pointed out, implementing the regulations or securing benefits through them is another matter. This gap was cause for dissatisfaction among the respondents.

More than two thirds (66%) of the respondents rated either “attractive” (1) or “very attractive” (2), four out of nine aspects of the legal and regulatory framework. They gave a score of 0.714 to labor regulations, 0.714 to the fire department, 0.9048 to environmental certification and 0.4762 to customs, trade, and other government regulations.

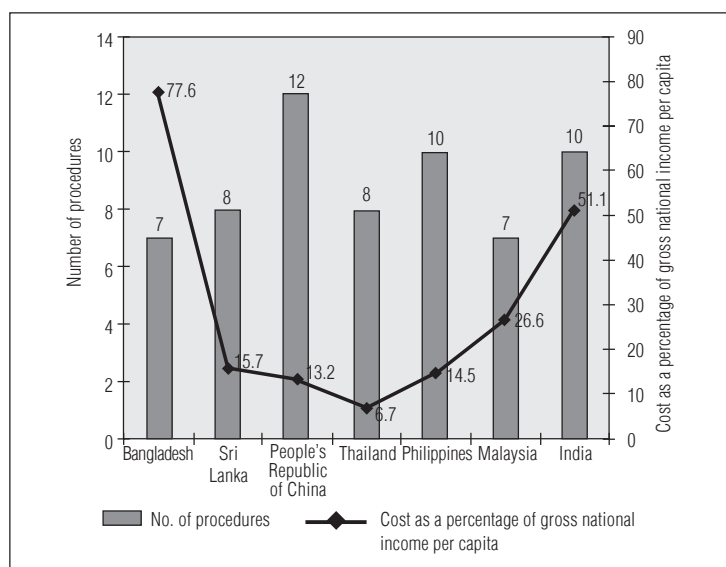
But the respondents showed frustration with the court system of the country (average negative weighted value of -0.524). More than half of the respondents (52%) found the court practice “frustrating” (-1) or “very frustrating” (-2), while about 42% gave a neutral rating (0). Moreover, two other aspects had negative average values: intellectual property rights (-0.190) and legal operational facilities (-0.048).

However, the overall legal and regulatory framework in Bangladesh has been described as lax, with a positive weighted score, and was also criticized by the respondents. According to the World Economic Forum report, on average, Bangladesh takes 30 days to clear procedures in relation to starting a new business. The cost of these procedures is very high in Bangladesh (World Economic Forum 2004).

Data from the World Bank's Doing Business project also suggest that starting a new firm in Bangladesh is relatively costly, although hiring and firing workers is generally perceived to be easier than in most other developing countries in East and South Asia. An entrepreneur must complete seven procedures to start a firm—the smallest number among a group of comparator countries in Asia (Malaysia also has seven). But the cost of these procedures amounts to 77.6% of per capita income, by far the highest among these countries (see figure).

Another statistic suggests that start-up regulations and utility connections are relatively more difficult in Bangladesh than in other Asian countries. Executives surveyed for the *Global Competitiveness Report 2001/02* (World Bank 2003) ranked Bangladesh 60th out of 75 countries with regard to the degree of difficulty in starting a new business. This ranking is worse than that of all the comparator countries in East and South Asia.

Number of Procedures and Cost of Starting a Firm in Bangladesh and Comparator Countries, 2002



Source: World Bank (2003).

Institutional Support

The overall weighted average value of the institutional support sector was positive (0.262). Among the six elements of institutional support, only the cost of finance had a negative score (0.286). More than 38% of the respondents were frustrated at the high cost of finance in Bangladesh, while about 57% gave a neutral response. Some of the respondents expressed the view that the interest rate and inflation together may increase the cost of capital, and adversely affect business.

Six out of the 21 respondents (28%) rated access to finance “attractive,” while more than 47% gave a neutral response (0.048). Some of the respondents said that they did not usually depend on financing from the host country, so they were not that concerned about the accessibility and cost of capital.

With regard to modern banking, more than 42% of the respondents considered the facilities and services “attractive,” while 38% gave a neutral rating, and 19% declared themselves “frustrated” (overall weighted score of 0.238). However, among the factors related to finance and openness, the respondents emphasized the low level of sophistication of the financial market and services by international standards, as well as the inaccessibility of financing.

The foreign investors had positive opinions about the tax rates and incentives offered by the Government of Bangladesh (average score of 0.857). An overwhelming number of the respondents (more than 80%) were quite satisfied with the tax rates and incentives for foreign investment. However, some respondents also reported difficulties in gaining access to incentives.

The respondents had mixed reactions to the facilitation role of government agencies (average score of 0.2381). Out of the 21 respondents, 10 (about 47%) had a positive reaction, while 6 (29%) were neutral and 5 (24%) voiced their frustration. However, the majority of the respondents (more than 70%) stated that the quality of services and authority of the government facilitating agencies like Board of Investment (BOI), Bangladesh Export Processing Zone Authority (BEPZA), and Export Promotion Bureau (EPB) needed to be improved.

The findings showed that, along with other factors, the cost of finance is a major obstacle to economic performance and the ability of the country to attract investments. The average real lending rate in Bangladesh is higher than the real GDP growth rate and substantially more than the real lending rates of competing countries like India, Malaysia, Sri Lanka, Thailand, and Viet Nam (World Bank 2005b).

Political Uncertainty

The study covered five relevant aspects of the political environment, for which the average weighted value was -0.1714—not conducive to business. The political climate in Bangladesh is rife with warring political parties, strikes, demonstrations, and pressure groups. In this connection, the Centre for Policy Dialogue (CPD) raised the issue of the alarming drop in trust in politicians in its 2004 report on business competitiveness in the country.⁴

However, most of the businesses were affected by strikes and other political demonstrations. As much as 91% of the respondents were critical about this aspect and rated it “frustrating” or “very frustrating” (average negative score of -1.333).

Political uncertainty is another major concern, followed by economic policy uncertainty. A large majority of the respondents (more than 85%) expressed frustration in this regard or had a neutral response (weighted average score of -0.2381 for political instability and -0.1905 for economic policy uncertainty).

The study also revealed the equivocal attitude of the opposition parties toward foreign investment (below-average score of 0.333). The majority of the respondents ranked the attitude of the opposition parties either “neutral” or “frustrating,” as the political parties used strikes and demonstrations for short-term political gains. These tactics disrupted the entire supply chain and major export activities, increasing the cost of production and market uncertainty.

Governance

The governance framework, a cluster of six factors, scored an average of -0.401, far below expectations. All the respondents viewed government attitudes toward foreign investment as either “attractive” or “very attractive.” But the performance of the Government and the public sector was rated unsatisfactory. Most of the respondents mentioned burdensome administrative regulations, favoritism in policy decisions, and poorly managed contracts.

⁴ The Centre for Policy Dialogue (CPD), a partner organization of the World Economic Forum for Bangladesh, conducted a survey of 100 local and foreign companies in May–June 2004 as part of its contribution to the *Global Competitiveness Report 2004–2005*. In that report, the CPD mentioned that almost all (98%) top executives (of surveyed companies) believe that public trust in financial honesty of politicians is low and this belief has become stronger in 2004 (compared to previous years). The weighted response has declined from -2.43 to -2.68 in 2004. The change of scores between these two years is also statistically significant. As the score is closer to -3, the highest score, it is obvious that this perception is very strong. This is a strong signal of the business community to the government and the politicians to work on improving such bad/negative image of the politicians. (CPD 2004). This indicated that investors were worried and unhappy about the political environment.

The findings indicate weak economic governance—a major reason for the poor performance of Bangladesh. Economic governance here refers to quality of public service delivery and public private dealings that directly affect the operations of the foreign firms. The problem of endemic corruption is undeniable and it has a significant impact on business and on FDI. Two out of the 21 respondents did not comment about corruption. The rest (89%) ranked corruption as “frustrating” or “very frustrating” (overall weighted score of -1.263). Firms reported having to make unofficial payments (bribes) to procure various government permits, gain access to public utilities (telephone, electricity, gas), get customs clearance (import and export permits), make tax payments, or file tax returns.

A large proportion of the respondents (more than 85%) commented that the bureaucratic procedures and regulatory and administrative bottlenecks were directly affecting the day-to-day operations of their firms. Bureaucratic control had an overall weighted average value of 0.9524, giving a clear sense of the burden that governance problems impose on firms.

The study also revealed the dissatisfaction of respondents with law and order, security, and cooperation between government agencies. About 42% of the respondents rated law and order “frustrating” (on account of the high incidence of crime, theft, and other disorders), while 47% had neutral comments (overall average value of -0.333).

The majority of the respondents (52%) expressed apprehension about overall security (referring to both personal security and security of property), while 42% gave a neutral response (weighted average of -0.4762). Almost half of the respondents (48%) expressed frustration with the degree of cooperation between government agencies, like customs, tax, and police, while 52% made neutral remarks (average value of -0.524). No one had a very good impression of these agencies.

A number of studies have been conducted by international organizations (World Bank, Asian Development Bank, World Economic Forum, Transparency International, Centre for Policy Dialogue, Bangladesh Enterprise Institute) on the problems of governance in Bangladesh. In most cases their findings coincide with the empirical findings of this study.

FDI Climate in Bangladesh

Respondents were asked to rank the major factors that motivate companies to do business in Bangladesh. The top six, based on the feedback, are listed in Table 4.

Table 4: Motivations for Doing Business in Bangladesh

Motivating Factors	Ranking	No. of Respondents Who Mentioned the Factor (out of 21)	Percentage of Total
Market	1	21	100
Availability of labor	2	21	100
Government attitude to FDI	3	19	90
Legal framework	4	15	71
Geographical location	5	10	48
Natural resources (gas, etc.)	6	8	29

According to the table, market opportunities and the availability of labor are the most attractive to foreign investors. The favorable government attitude toward FDI is also appreciated. However, for lack of a long term-vision and political commitment, the policy initiatives have not translated into an FDI-friendly environment.

Respondents were also asked to identify and rank the major barriers to doing business in Bangladesh. As listed in Table 5, the main obstacles to investment are corruption, red tape, and political unrest. Respondents also mentioned the dampening effect of poor infrastructure, political uncertainty, and limited access to information.

Table 5: Major Problems in Doing Business in Bangladesh

Issue	Ranking	No. of Respondents Who Mentioned the Issue (out of 21)	Percentage of Total
Corruption	1	19 (2 did not comment)	100
Bureaucracy and red tape	2	21	100
Security/Political unrest (crime, theft, strikes and other political demonstrations, etc.)	3	20	95
Inadequate infrastructure (electricity and ports etc.)	4	20	95
Policy uncertainty	5	17	81
Access to information	6	14	67
Court system	7	10	48

Conclusion

The findings and analysis indicate that the macroeconomic environment in Bangladesh is investment-friendly. The factors evaluated positively by investors were market prospects, availability of labor, labor productivity, incentives for investors, and language and culture.

But respondents painted a bleak picture of economic governance. They had significant inhibitions about investment because of perceptions of corruption, bureaucratic red tape, strikes and other political demonstrations, inadequate infrastructure, law and order difficulties, policy uncertainty, and low access to information. These factors dulled the attractions of the competitive, market-driven environment.

The findings of this research correspond with observations of the World Economic Forum (WEF) (2004). The WEF survey suggested that Bangladesh ranked among the lowest in effectiveness of bankruptcy law (96th out of 102 countries) and in business competitiveness (80th out of 102). In a recent report, the WEF ranked Bangladesh on list of most competitive economies to the 99th. The ranking is based on various factors affecting a nation's business environment and economic development. In the last year, Bangladesh's position was 98th among 117 countries. According to the WEF report released on 26 September 2006, Bangladesh ranked 121st in institutions and 117th in infrastructure. The report, however, recognized the country's better performance in macroeconomy as it ranked 47th in this sub-index. In South Asia, Bangladesh is the only country that failed to retain its previous position. The WEF ranking was based on a survey of over 11,000 business leaders in 125 countries. The survey was conducted to examine the range of factors that can affect an economy's business environment and development as it seeks to maintain economic growth including the levels of judicial independence, protecting property rights, government favoritism in policy making and corruption (*The Daily Star* 28 September 2006).

Taken together with the findings of such studies, the analysis here suggests that the FDI potential of Bangladesh may be realized with the help of public policy and management agendas that improve governance generally, coordinate the instruments of economic governance, and ensure more effective and accountable public management.

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Appendix. The Survey Mechanics

Structure of the Questionnaire

The questionnaire contained mostly structured close-ended questions with a five-point response scale. The response scale represented the entire spectrum of possible views, from extremely negative (“very frustrating”) to extremely positive (“very attractive”). The middle of the scale represented completely neutral views.

The points were defined precisely to facilitate an exact response. “Very attractive” was defined as a situation where no further improvement was needed. “Attractive” meant that the situation was quite satisfactory but improvement was expected. “Neutral” represented a situation where the respondent was undecided whether to respond positively or negatively. “Frustrating” indicated a situation where there was enough room for improvement, but it would take much time. “Very frustrating” was defined as a situation that was very bleak and hopeless.

In addition to a description of the company, the 11 sections of the questionnaire contained 58 questions pertaining to the macroeconomic context, infrastructure, markets, integration, natural resources, human resources, legal and regulatory framework, institutional support, governance framework, political setting, and social setting. A separate open-ended section was intended to generate more information.

Respondents were also requested to cite the most common motivating factors and problems that affect decisions to do business in Bangladesh. In line with the inductive studies on FDI in developing countries and the peculiarities of the Bangladesh economy, the researcher identified some environmental factors that were more likely to influence the operations of foreign firms in Bangladesh.

Calculation of Weighted Average of Responses

To estimate the weighted average of responses, the following were defined:

- f_i = Frequency of response belonging to the i th response level ($i = 1, 2, \dots, 5$)
- {-2, if very frustrating, with negative side response
 - {-1, if frustrating, with negative side response
- Scores, x_i =
- {0, if indifferent between the two answers
 - {1, if attractive, with positive side response
 - {2, if very attractive, with positive side response

Then, the weighted response (R_w) was defined as

$$R_w = \sum f_i x_i / \sum f_i \quad (i = 1, 2, \dots, 5)$$

The value 0 of R_w was considered the demarcation value between the average positive and negative side response. If $R_w > 0$, the response was positive overall; if $R_w < 0$, the response was considered negative. However, the distance of the score of the response from 0 showed a relatively stronger opinion on a particular aspect of the business environment.

E-governance in Bangladesh: A Scrutiny from the Citizens' Perspective

Shah Mohammad Sanaul Hoque¹

Introduction

Information and communication technology (ICT) applications in public administration, among other areas, have achieved transparent, responsible, accountable, participatory, and responsive governance in many countries. Innovative ICT applications also allow information and public services to be delivered at the citizens' convenience. Ways of integrating new technologies into public administration to modernize systems, ensure good governance, and enhance democratic practices are now commonly discussed as e-governance has become popular worldwide.

ICT in Bangladesh

In Bangladesh, computer-aided applications were first introduced in public sector organizations in the 1980s, but only in a very few agencies, where the applications, installed in stand-alone personal computers, were mostly limited to providing support for management information systems, reporting, payroll, accounting, and budgeting. The concept of e-governance came late to the country and has not yet been discernibly adopted in public administration.

Objectives

This paper looks at the e-governance posture of the Government of Bangladesh from the standpoint of benefits to its citizens. Specifically, it reviews (i) how the policies and strategies of the country protect the citizens' interests in e-governance, and (ii) how the citizens have benefited so far from e-governance initiatives.

Methodology

The paper is exploratory and descriptive, and uses qualitative and quantitative data collected from both primary and secondary sources. Various research techniques, procedures, and methods were used in collecting,

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processing, analyzing, and presenting data on various aspects. To attain the objectives of the paper, many administrative studies, reports, and development plans were reviewed to find out how those provide policy guidelines for reforms by integrating modern technologies into governance and development, and to extract the major trends and features of e-governance in the country. A limited survey was conducted in 36 ministries and divisions in the Bangladesh secretariat to identify the focus of current e-governance initiatives and to understand how new electronic means of communication are being used to bring citizens closer to the public administration. The Web sites of 20 selected ministries and divisions were also reviewed to find out how these provide information and services to the people.

Toward Reform and Development

Administrative Reforms and ICT

An efficient, transparent, and accountable public sector, greater focus on the citizenry, reorganization, simplified procedures and forms, and the use of modern technology to improve governance—these are some areas of public administration that have long been discussed in Bangladesh. Many administrative reports and documents, including the early ones, have advocated these reforms in governance.

Although ICT in its modern form had not yet emerged at the time, the report of the Administrative and Service Reorganisation Committee, formed in 1972, observed that “Progress in science and technology and the vast amount of new knowledge have made a major impact on the tasks of the Government and on the process of decision-making” (Government of Bangladesh 1973, page 2). The report suggested the creation of a permanent body “for the continuous study for the simplification of the forms and procedures with a view to removing the hardships the people have to undergo because of the cumbrous forms and complicated procedures” (Government of Bangladesh 1974, page 1). The report of the Public Administration Efficiency Study in 1989 recommended the modernization of government offices and the improvement of the file management system and office operations through the use of computers and the training of the workforce in the new technology (Government of Bangladesh 1989a, pages 14–17). Another report on administrative reform, prepared by four secretaries of the Government in 1993, suggested the increased use of modern office equipment, including computers, for efficiency and transparency in the public sector (Rahman et al. 1993, page 96). In 2000, the report of the Public Administration Reform Commission

specifically called for the use of modern technologies in “electronic government.” (Government of Bangladesh 2000, page xvii). The report pointed out:

To ensure customer services of a particular department or organisation all information, procedures, list of services obtainable, and requirement for the services can be preserved in the computer at the reception from where a customer can easily get information on the status of the services he/she has sought (Government of Bangladesh 2000, pages 11–12).

These reports, and many others, attempted to identify long-standing issues and problems in Bangladesh public administration and to offer ways of addressing them. Many of the suggestions endorsed the use of modern technology to improve governance. Some of the suggestions have been implemented and the structure of the civil service has changed. But internal procedures, work methods, logistical support have received limited attention (Government of Bangladesh 1989b, page 1).

ICT for National Development

Five-Year Plans. The Five-Year Plan also calls for the use of technology for effective public administration in Bangladesh. The Fourth Five-Year Plan advocates “increas[ing] the comparative strength of the economy through continuous technological innovations and adaptations” (Government of Bangladesh 1991, pages xxii–5). It draws attention to the use of technology in records management, personnel management, and financial management in the public sector, and specifically mentions the computerization of some public organizations. “The Bangladesh Computer Council will promote use of computer and information technology, provide advisory and technical services to different organizations and standardize computerization and information technology” (Government of Bangladesh 1991, pages xxii–6). Categorically emphasizing the need to prepare the public workforce to use the new technologies, this plan states: “Administrative training at all levels should now cover the area of technology as well” (Government of Bangladesh 1991, pages xxii–5).

The Fifth Five-Year Plan, on the other hand, takes the strategy, among others, of “exposing the country as a whole to the process of change and progress at the frontiers of production, development, knowledge, market and changes through the information technology” (Government of Bangladesh 1998, page 533). Particularly in organization development, personnel management, and system improvement, the plan acknowledges the importance

of “extend[ing] computer facilities to government organizations” (Government of Bangladesh 1998, page 549) and sets the objective of “introduc[ing] large-scale technological changes in all public organizations with computerization that will foster modern record-keeping, filing and other office procedures” (Government of Bangladesh 1998, page 552). It recognizes the need to build the capacity of the public workforce to keep up with technological changes, and states: “All officers should be able to operate computers” (Government of Bangladesh 1998, page 556).

Poverty Reduction Strategy Paper. The impact of ICT on good governance, economic growth, people’s empowerment, and poverty reduction is acknowledged in the National Strategy for Accelerated Poverty Reduction (Government of Bangladesh 2004, pages 106–110). The strategy recognizes that ICT “has capabilities to overcome barriers of social, economic and geographical isolation, increase access to information and education, and enable poor people to participate in more of the decisions that affect their lives.” It emphasizes the need to convert the vast population, rural as well as urban, into human resources trained in ICT and connected by adequate and efficient ICT infrastructure to the global village.

Many administrative reform studies and the Government’s midterm and long-term development plans and strategies acknowledge the need to integrate ICT into administration and development activities. Yet, those plans and strategies do not say how this should be done. More efforts are needed to map out specific routes for incorporating ICT particularly in public administration.

ICT Policy

The national ICT policy adopted by the Government in 2002, among other things, sets policy guidelines for introducing e-governance in Bangladesh. The ambitious goal is to build a knowledge-based society by 2010. A nationwide IT infrastructure is also to be developed to give access to information to every citizen, to empower the people and enhance democratic values and standards for sustainable economic development. The policy is yet to be accompanied by specific strategies or action plans for bringing lasting benefits to the public. But there are apparent moves to prepare a national e-governance strategy.

Official Internet Connection and Usage Policy

The Government’s Internet connection and usage policy, adopted in 2004, provides for the use of Internet facilities in government offices and determines its management and financial aspects, such as entitlement, approval

procedures, and cost limits. But the policy does not deal with operational aspects (rules for the effective use of the Internet) and therefore does not say how the new communication channels should be used to connect and serve the citizens and engage their participation. A limited survey in this regard showed that practice of electronic correspondence has generally not yet caught on among the ministries and divisions in the Bangladesh secretariat.

Table 1: E-mail Communication by the Ministries and Divisions

(No. of Respondents = 32)

E-Mail Correspondent	Degree of Frequency (% of Responses)					Score
	Exclusively	Mostly	Sometimes	Rarely	Never	
Own department/agency	0.0	0.0	0.0	50.0	50.0	50.0
Other ministries/divisions	0.0	0.0	3.1	40.6	56.3	46.8
Foreign missions and organizations	12.5	50.0	31.3	6.3	0.0	268.9
NGOs and civil society	0.0	0.0	21.9	50.0	28.1	93.8
General public	0.0	0.0	0.0	16.7	72.2	16.7

NGO = nongovernment organization

Notes: Score provides the sum of the row where each cell is multiplied by corresponding values assigned to the categories as: exclusively = 4, mostly = 3, sometimes = 2, rarely = 1, never = 0.

As Table 1 shows, e-mail correspondence is rare within and between the ministries and divisions, and between the ministries and divisions, on the one hand, and nongovernment organizations and civil society, on the other. E-mail is exchanged mostly with foreign organizations. More than 72% of the ministries and divisions in the Bangladesh secretariat have never communicated with the general public through e-mail.

National Commitment to Strengthening the ICT Sector

Nevertheless, the Government has made ICT a strategic sector for economic development and identified ICT applications as important tools in achieving public administration goals. The Prime Minister in 2002 turned the Ministry of Science and Technology into the Ministry of Science and Information and Communication Technology to link Bangladesh with ICT progress worldwide. Import duty and tax on computers and accessories were removed to make technology more affordable and to facilitate the diffusion and adoption of ICT in the country. This overt commitment of the Government to the development of the ICT sector is a basic strength in the introduction of e-governance in Bangladesh.

E-governance Initiatives

Management Structures

The Government has also made efforts to institute e-governance in practice. The National ICT Task Force (NTF), headed by the Prime Minister, is the highest policy-making and oversight body for the ICT sector at the national level. Immediately below it is the Executive Committee on ICT, formed on 21 March 2002 to strengthen the ICT sector with the ultimate goal of national development. Focal points and committees for e-governance have also been formed in every ministry and are now preparing road maps for the introduction of e-governance in their respective sectors. Besides these bodies, key ministries and specialized agencies set strategic directions as well.

Strategic Directions for E-governance

At its very first meeting, the NTF, eager to define an appropriate vision and mission for the IT sector in Bangladesh, formed a committee for this purpose under the leadership of the minister of the then Ministry of Science and Technology. The NTF also formed another committee to identify targets and draw up an action plan for human resources development in the sector. Still, these initiatives were made with the commercial growth of the IT sector in mind; the governance perspective had yet to be considered. However, at its third meeting on 8 August 2002, the NTF paid particular attention to the issues of connectivity, regulation, and e governance. The fifth NTF meeting dealt specifically with e-governance. The ministries and divisions could start, so the discussions went, by identifying specific e-governance services and gradually mature through outsourcing. Regulatory actions also had to be expedited to standardize the Bengali keyboard.

On the other hand, among the major efforts it has taken so far, the Executive Committee has launched an umbrella project in e-governance, formed e-governance focal points in the various ministries and divisions, arranged for the preparation of a draft ICT act, and amended the Copyright Act. Besides, as decided by the NTF, the principal secretary to the Prime Minister, who also chairs the Executive Committee, has requested all the ministries and divisions, through their focal points and teams, to formulate and implement integrated road maps for e-governance. These road maps are now being finalized for the various sectors. Table 2 lists the official directives that carry strategic value for the introduction of e-governance in Bangladesh.

E-governance in Bangladesh is evidently still at a very early stage, and the specific management structures have yet to be expressly defined by the

Table 2: Government Guidelines for E-governance

Issuing Authority, Document No., and Issue Date	Topics Covered	Focus
Ministry of Science and ICT No: Secretary-1/2001/442, dated 7 January 2002	Nationwide expansion of IT education; IT professionals; IT institutes	Preparatory (HRD)
	Changes in laws	Preparatory (legal framework)
	Assistance from nonresident Bangladeshis, private sector, and NGOs	Public-private partnership
Ministry of Science and ICT No: Sec-13/IT-47/2002 (Part-2)/117, dated 29 March 2003	Survey of facilities, resources, Web sites, including their problems and needs	Preparatory
Ministry of Science and ICT No: Sec-13/computer-7/97/273, dated 12 July 2003	Standardization of public Web sites; functional design parameters for public Web sites	Standardization of Web sites G2G, G2B, G2C
	Regular updating of Web sites	G2G, G2B, G2C
Prime Minister's Office No: 33.34.07.00.03.01.2003-75, dated 20 April 2004	Importance and Government commitment	Government commitment
	Enhancement of efficiency and services to citizens	G2G and G2C
	IT training for public sector employees	Preparatory (capacity building)
	Creation of focal points and teams	Preparatory (key sectoral players)
	Short- and long-term actions: training and HRD, connectivity, cyber laws, interface with citizens, etc.	Preparatory (sectoral road map and priority areas)
	Examples of activities for online publication;	G2C (Web content and priority)
	One-stop payment of utility bills	G2C (one-stop service)

continued on next page

Government. As a result, strategic directions for e-governance come from different authorities. E-governance in Bangladesh is also concerned mostly with simple preparatory guidelines. However, these preparatory guidelines do not yet adequately cover the citizen-centered aspect of e-governance.

Table 2: Government Guidelines for E-governance (*cont'd*)

Issuing Authority, Document No., and Issue Date	Topics Covered	Focus
Ministry of Establishment. No: MOE (PACC)-e-mail/ 2001-108, dated 26 May 2004	Use of e-mail in governmental communications	G2G (no specific suggestions for communicating with businesses and citizens)
Ministry of Establishment No: MOE (PACC)-E-Governance – 203/2004-148, dated 5 May 2005	Guidelines for short-term and long-term actions to be taken by all ministries and divisions	Preparatory guidelines
	Development and updating of Web sites	G2G, G2B, G2C
	Connectivity infrastructure for the secretariat and Internet connections in all district offices	Connectivity
	Training for civil servants	Preparation of the workforce
	E-governance road map	Strategic guidelines
	Introduction of Bengali on the Internet	User-friendly Web presence
	Public-private partnership; open-source policy	Strategic option
	Expansion of ICT education	Preparation of citizens

G2B = government to business, G2C = government to citizens, G2G = government to government, HRD = human resources development, ICT = information and communication technology, IT = information technology

Focus of E-governance Projects

Some e-governance projects have already started. Currently, 38.9% of the ministries and divisions in the Bangladesh secretariat have at least one project that either resulted directly from e-governance initiatives or will somehow facilitate future e governance efforts. On the other hand, 16.7% of the ministries and divisions are just launching e-governance projects, while 44.4% have no e-governance project at all. Except for one, no ministry has completed any e-governance project so far. As the responses of 14² ministries and divisions in the Bangladesh secretariat show, current e-governance drives are concerned mainly with planning and strategy formulation, connectivity and infrastructure, procurement of technology, and Web site creation.

² Most of the respondents from the sample ministries/divisions were reluctant or declined to respond, saying that their e-governance drive was too rudimentary for them to determine the areas of attention or that they had had no knowledge in this regard. Only 14 ministries/divisions filled out this part of the questionnaire.

Table 3 shows that better use of technology and human resources development receive only inert attention. On the other hand, the following areas receive even less attention: regulation, organizational change and process reengineering, public services, and awareness building for e-governance.

Table 3: Focus of Current E-Governance Initiatives

(No. of Respondents =14)

Area of Attention	Degree of Attention Received (% of Responses)					Score
	Most	Less	Some	Little	None	
Planning and strategy preparation	35.7	28.6	28.6	7.1	0.0	292.9
Identification of projects/programs	0.0	0.0	21.4	42.9	35.7	85.7
Connectivity and infrastructure building	35.7	28.6	28.6	7.1	0.0	292.9
Procurement of technology	14.3	50.0	21.4	14.3	0.0	264.3
Use of available technology	14.3	35.7	35.7	7.1	7.1	242.8
Preparation of rules and regulations	0.0	14.3	28.6	14.3	42.9	114.4
Web site creation	14.3	50.0	28.6	7.1	0.0	271.5
Human resources development	7.1	35.7	35.7	21.4	0.0	228.3
Business process reengineering	0.0	0.0	14.3	21.4	64.3	50.0
Public services	0.0	7.1	21.4	35.7	35.7	99.8
Awareness raising	0.0	7.1	21.4	50.0	21.4	114.1

Note: Provides the sum of the row where each cell is multiplied by corresponding values assigned to the various degrees of attention received, as follows: most attention = 4, less attention = 3, some attention = 2, little attention = 1, no attention = 0.

Web Initiatives

To prepare and empower citizens, the Government must involve them in planning and decision making by providing them with information and soliciting their opinions. The World Bank (1996, page 102) noted:

Most industrial and developing countries now regularly consult concerned citizen groups. In the UK, for example, the Government informs the people of proposed policies through series of 'white' or 'green' papers. In the US, before Congress starts formal consideration of the budget, the proposals are made public several months ahead of the fiscal year.

This practice has now become easier and more comprehensive through the Internet. Government can publish information and connect people through Web sites. These Web sites make governmental information and services available to the public, besides offering people an effective way to deal with government at their convenience. The Government is also trying to achieve

e-governance by taking initiatives to provide information and services online. A review³ of these Web sites, presented below, gives an idea of the standards and quality of the Web sites, the nature and extent of information and services provided, and ultimately the degree to which these sites have succeeded in bringing public administration closer to the people.

Web Initiatives of the Ministries and Divisions

Of the 50 ministries and divisions⁴ of the Government, 28 have Web initiatives. Two of the Web sites are still being developed and simply display blank home pages. However, the survey covered only the 36 ministries and divisions within the Bangladesh secretariat. Of these 36, only 20 (55.6%) have Web sites, including some still under construction.

Appearance and Contents of the Web Sites

The Government adopted official Web design parameters as early as July 2003 to standardize the appearance, menu, and contents of public Web sites. Yet, the ministries and divisions follow their own preferences in designing their Web sites. As a result, the sites do not have the same look and feel, and are difficult to access and browse. Observations on the contents of the Web sites are given in Table 4.

Table 4: Menu and Contents of the Web Sites
(No. of Respondents = 20)

Item	Exists (%)	Comment
"About Us"	60	—
"Contact Us"	50	Under construction: 10%.
News	20	Blank: 25%. Under construction: 25%.
Public notices	35	Outdated notices: 28.6%. Blank: 28.6%.
Public forms	20	Very few.
Rules and regulations	45	Very few.
Public documents/reports	45	Very few.
Publications	25	Blank: 20%. List only: 20%.
List of projects	40	Blank: 12.5%.
Use of Bengali language	15	The rest are purely in English.
E-mail address	50	—
E-mail shortcut	40	—
Search facility	5	Simple search.
Links to attached departments/offices	45	—
Links to other sites	55	—
Privacy policy	5	—
Copyright	45	—
Hit count	15	Lowest: 1,648. Highest: 30,495.

³ In May–June 2005.

⁴ Including, among others, the President's Office, the Prime Minister's Office, the Parliament Secretariat, and the Election Commission.

There are cases where Web sites purport to display some of the items, but the pages are blank or hold outdated contents. Publications, reports, regulations, and public documents are simply listed; and the lists are often incomplete. Only four of the ministries/divisions (20%) offer public forms on their Web sites; however, they do not provide many features that could benefit the citizens and attract wider use.

Interactive Functions

For interactive functions, the official guidelines suggest three options: queries and complaints; comments, suggestions, and compliments; and statistical queries with a pull-down menu. As can be seen from Table 5, the existing Web sites have practically no interactive features so far.

Table 5: Interactive Functions of the Web Sites

(No. of Respondents = 20)

Option	Exists(%)	Comment
Queries, complaints	5	FAQ only.
Comments, suggestions, compliments	20	—
Statistical queries, pull-down menu	0	—

FAQ = frequently asked questions

Purpose and Benefits of the Web Sites

Given the foregoing observations, the present Web sites narrowly serve a public administration purpose and hardly bring benefits to businesses or citizens. Table 6 shows that the sites have yet to take on features that appeal to these groups and to other users in Bangladesh.

Table 6: Purpose and Benefits of Web Sites

Status, Purpose, or Benefit	Number	Percentage	Comment
Under construction	1	5	—
Mere presence	3	15	—
Organizational information only	7	35	Informative.
Tender notice/documents for business sector and organizational information	3	15	Informative; also carry, in a very limited sense, G2B aspect. However, 2 sites were found to carry outdated notices.
Some useful information, documents, or rules and regulations for citizens, including organizational information	4	20	Informative, and with a nominal G2C purpose.
Few useful forms for citizens and organizational information	2	10	Informative, and with a nominal G2C purpose.

G2B = government to business, G2C = government to citizens

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Overall, public Web sites in Bangladesh do not have a common look and feel. On the other hand, their contents do not meet the government guidelines. Public information and forms are not adequately available, online services are not offered, and the desired interactive functions do not yet exist. Rather, the sites mostly provide detailed information on organizational structure, hierarchy, activities, achievements, top personnel, etc., all of which tend to continue the legacy of traditional governance. The sites, as they are, therefore hold little value for the people, given their needs and choices, and cannot attract a wide range of active users. Fresh ideas and sensible efforts are required to engage the interest and participation of the citizens.

Availability of Technologies and Connectivity

As a result of specific measures and steps taken by the Government in recent years, technology and connectivity status have shown visible growth. Tax incentives have been extended to the private sector to achieve the intended spread of computers and Internet use in the country. The Government also has specific plans and ongoing projects to upgrade core infrastructure, including digitizing telephone switches, installing fiber optic and radio technologies, and expanding national networks to the rural areas. Moves to privatize the telecommunication sector are noteworthy in this regard. Links with a submarine cable network are also being established to facilitate international connectivity and increase transmission speed. Still, ICT in Bangladesh lags far behind in geographic and population coverage, particularly in the rural areas.

Teledensity

Statistics show that as of March 2005, only 1.007 million people in Bangladesh had access to fixed phones. But, with the rapid growth in mobile phones, telephone subscribers (fixed and mobile) numbered 6.42 million. Teledensity was therefore only 0.72 for every 100 persons for fixed phones, and 4.6 for every 100 persons for fixed and mobile phones in total. Fixed telephones are mostly found in the urban areas. According to a newspaper report in May 2003, out of 895,000 fixed telephones installed by Bangladesh Telephone and Telegraph Board, 770,000 lines were in urban areas and 456,000 lines were in Dhaka alone (*The Daily Star*, 18 May 2003). Grameen Phone (mobile phones only) maintains a countrywide network that has earned a global reputation for covering rural people, particularly the women. Mobile telephony has been growing at 35–40% a year (Government of Bangladesh 2003, page 3), and “the number of connections is projected to increase more than 200% over the next few years” (Ahmed and Mashroor 2004). However, most of the mobile phones now in use can access only other mobile phones.

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BTTB has recently reduced its nationwide and international tariff for fixed phones and charges a comparatively low tariff for mobile phone calls. But mobile phone operators in the private sector are under criticism for their high charges.

PC Penetration

Personal computers (PCs) started gaining popularity among individuals and organizations in the early 1990s as prices fell and awareness of computers increased. Sales of PCs climbed rapidly from 1998 because computers and accessories were exempted from taxes. Now, 250 computers are sold every day, on the average, in Bangladesh (Bangladesh Computer Samity and The Asia Foundation 2000, page 4). A study done by the Bangladesh Computer Council (BCC) and the Bangladesh Bureau of Statistics (BBS) placed the growth of PCs between 1999 and 2000 at about 32.88% (Government of Bangladesh 1999, page 3). The International Telecommunication Union (ITU) estimated the number of PCs per 100 population in 2003 at only 0.78 (United Nations 2003). Ahmed and Mashroor (2003), on the other hand, noted “an increase of 35% in PC imports...[such that]...the number of PCs in the country stands at 1.5 million.” With this higher figure, the number of PCs per 100 population would therefore be about 1.07. However, the rate of computer penetration in Bangladesh is still far below acceptable standards. Most of the computers are in the urban areas, particularly in Dhaka. The survey by BCC and BBS showed that IT concentration was highest in Dhaka (72.76%), followed by Chittagong (11.14%), Rajshahi (7.39%), Khulna (4%), Sylhet (2.8%), and Barisal (1.3%) (Government of Bangladesh 1999, page 3), indicating a digital divide within the country.

Internet Penetration

In 1999, there were about 22,000 account holders with 10 Internet Service Providers (ISPs) (eight in Dhaka and two in Chittagong) and users numbered around 0.1 million. In 2000, there were about 50 ISPs providing Internet services to more than 0.35 million users (Bangladesh Country Gateway n.d., page 8).

BTTB has started providing dial-up Internet services in all of the districts and about half of the *upazilas* (subdistricts) and plans to extend the facilities to the rest of the *upazilas* as soon as possible. The number of Internet users per 100 population was 0.18 in 2003, according to the ITU estimate (United Nations 2003). At present, the number of Internet subscribers stands at nearly 200,000; if the users of cyber cafes, academic institutions, libraries, etc., are added to this figure, the total number of users could reach nearly one million and the number of Internet users per 100 population would be 0.71.

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In the early years of Internet use in Bangladesh, bandwidth was limited and expensive because of the high cost of very small aperture terminals (VSATs). The deregulation of VSATs has made increased bandwidth available at lower rates. More than 200 licenses have been issued to ISPs; nearly half have yet to start or operate fully, however. ISPs in Bangladesh have been growing at 65% a year (Government of Bangladesh 2003, page 3). These are also mostly concentrated around Dhaka city. Outside Dhaka, there are eight ISPs in Chittagong, six in Sylhet, two in Rajshahi, and one each in Khulna, Kustia, and Bogra (Abubakar 2002, page 21).

The cost of Internet access varies from Taka⁵ 15 to Tk30 per hour for individual use, and Tk1,000 to Tk3,000 per month for unlimited use. For 64–512 kilobytes per second (Kbps) broadband connection, the monthly fee varies from Tk10,000 to Tk90,000. The annual license fee for private VSAT is \$3,500. At the same time, the average ISP in the country pays Tk290 (or \$5) per Kbps monthly for international bandwidth, or \$5,000 per megabytes per second (Mbps) monthly. ISPs in neighboring India pay \$2,500 per Mbps monthly, and those in the People's Republic of China, \$1,800 (Government of Bangladesh 2003, pages 42–43).

An Evident Digital Divide

So, a digital divide separates Bangladesh from other countries and the gap is unlikely to be closed soon. Within the country, there are further divides between various groups of people—between rich and poor, male and female, advantaged and disadvantaged, rural and urban—and between geographic regions. with respect to the availability, connectivity, and affordability of technologies. Besides, as the Bangladesh Computer Samity and The Asia Foundation (2000, page 5) note: “A dependable information system has not yet been developed for the management of large volume data/information transactions in the public/private sectors.” From the perspective of the citizens, therefore, the challenge lies in making technology available at the grassroots level and in planning and building network infrastructure that is accessible, available, and affordable to everyone.

Human Development and Awareness Building

The most vital component of human development is empowering people with knowledge and skills (Government of Bangladesh 2004, page 119). Realizing the need for the “widespread introduction of IT education as a prerequisite for producing skilled human capital” (Government of Bangladesh

⁵ \$1 = Taka 60.

2002), the national ICT policy provides for facilities to be built to promote IT education and computer-aided education at all levels (Government of Bangladesh 2002). The policy also sees the shortage of trained teachers for ICT education as an impediment to the human resources development plan.

Initiatives were taken about 13 years ago to introduce computers in schools and colleges in Bangladesh (Choudhury n.d.). Course curricula for the secondary and higher secondary levels have been developed and these are taught as optional subjects in schools and colleges, at a time when the younger generation is becoming increasingly interested in ICT training to gain additional skills. Under a plan to distribute computers to educational institutions, by June 2004, the Ministry of Education had distributed more than 12,000 PCs and provided IT training to 6,000 teachers⁶ and the BCC had distributed 725 computers to schools and arranged training for 838 teachers. Similar efforts have been made by other entities in the public as well as the private sector and nongovernment organizations, and private educational institutions have their own projects in this regard. While the distribution of computers in schools also creates awareness and makes people familiar with new technologies, however, the optimum or proper use of the computers in these schools, particularly those in rural areas, is not beyond question. Major problems pertain to low availability of power, poor location, the lack of trained teachers, and low motivation and awareness. Nevertheless, the Government plans to introduce ICT as a mainstream subject in secondary and higher education.

During the late 1990s, the number of ICT training institutes increased threefold in 4 years (Sobhan, Khaleque, and Rahman 2002). There are now about 1,500 ICT training institutions in the private sector, with enormous potential for extending IT literacy and raising awareness among the general public. But many lack a standard syllabus and technical qualities, leading to a mismatch between the ICT training courses and market demand. The BCC has begun to evaluate and rank the private training institutes to standardize their ICT training courses. Some government agencies, such as the Department of Youth, Department of Women Affairs, and BCC, also have their own ICT training programs for citizens. Some of those organizations have facilities for training at the divisional and district level, but not in adequate numbers.

⁶ Information collected through personal contact with the Ministry of Education.

Citizens' Preparedness

Citizens in general do not need more advanced or more extensive ICT education to prepare for e-governance, particularly when it comes to enjoying public services. Preparation relates to bringing public administration closer to the people and making the people aware of and able to enjoy the government services that are offered online. Despite several positive efforts, however, online services are not ready and the citizens are not prepared. They are not aware of many traditional public services or their right to such services. "The vast majority of people in Bangladesh," the World Bank (1996, page 7) noted, "are severely handicapped in their dealings with the bureaucracy by their illiteracy and lack of knowledge of their rights as citizens.... In short, ordinary taxpayers in Bangladesh have no sense of a right to services, or, indeed, of ownership of the government for which they pay."

This situation demands sincere efforts on the part of the Government to identify and implement specific public programs, enter into partnerships with the private sector, and collaborate with nongovernment organizations. Attention is needed to make people aware of government services and their right to those services, to introduce technology throughout the country, to connect people with the help of ICT, to interest them in government services in innovative ways. Publicity and literacy campaigns generally help build awareness and empower people. The distribution of computers in educational institutes, for one, also makes rural people familiar with new technologies and aware of their use.

Major Findings of the Study

The Government is understandably eager to introduce e-governance in the country. Already, it has taken some visible initiatives. A UN report (2002) observed: "... there are nations who are finding the resources and the expertise to make e-government happen. Bangladesh,...for example recognize[s] the importance of the role technology plays in development and [has] embarked on e-government programs representative of their respective development agendas." However, such efforts are not being adequately marshaled; nor are they supported by an integrated strategy or a "whole approach." Besides, current e-governance initiatives merely circle around the issue of modernizing governance. The major findings of the study are provided below.

The national commitment to strengthening the ICT sector is evident in many government policies and activities in Bangladesh, particularly in the use of government persuasion in introducing e-governance.

Administrative reform studies and the Government's midterm and long-term development plans and strategies acknowledge the need to integrate ICT

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into administration and development. Yet, they do not offer any concrete suggestions as to how such integration should be achieved. More efforts are needed to map out specific routes for incorporating ICT particularly in public administration.

A specific management structure for e-governance has yet to be expressly defined by the Government. As a result, strategic directions for e-governance come from different authorities. The directions are concerned mostly with preparatory guidelines and less with the needed focus on the citizens.

E-governance in Bangladesh has started out with no set vision and objectives. Likewise, no national strategic road map for e-governance has been prepared so far.

Technologies, particularly telephone, computer, and Internet, tend to congregate in urban areas, indicating an increasing digital divide within the country.

The current e-governance drives of ministries and divisions are focused mainly on preparing plans and strategies, achieving connectivity, procuring technologies, and creating Web sites. Areas that receive less attention include: regulation, organizational changes, public services, and awareness building for e governance. As a result, the e-governance initiatives mostly just circle around the modernization of government and do not deal directly with the issue.

The culture and practice of official e-mail communications is yet to flourish. E-mail communications to and from the general public has yet to catch on.

Public Web sites are unselective and their contents represent traditional governance rather than e-governance. The sites do not engage citizens' interest and participation; nor do they serve people through innovative uses of ICT.

So far, online services are not ready and the citizens are not prepared; people are not even aware of the many traditional government services or their right to public services.

The absence of a computing platform in Bangla has been a major constraint on the popularization enthusiastic use of the technology.

Government has moved to prepare citizens through training. But awareness raising has yet to become a regular part of e-governance initiatives.

Computers in rural schools also make rural people familiar with new technologies and aware of their use.

Conclusion

The national commitment to strengthening the ICT sector is evident in many governmental policies and activities in Bangladesh, particularly in the use of government influence to persuade the country to adopt e-governance.

E-governance management structures and strategic directions are emerging. The Government has made specific moves to upgrade core infrastructure and facilitate the spread of ICT. Technology and connectivity have visibly grown, as a result.

Bangladesh has explored public administration reform since independence, although it has achieved very little. Public employees must be prepared for modern public administration and for better service to the citizens. There is no lack of human resources development in preparation for the goal of a knowledge-based society. But something crucial is missing: adequacy and a whole approach. Both are linked with a crisis of “ability”—the ability to mobilize resources, and the ability to muster an integrated strategy. When strategies are disjointed and efforts are not good enough, the benefits are often unequal. The basic challenge in introducing e-governance in Bangladesh ultimately lies in connecting and serving the poor and illiterate rural masses.

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Innovations in Governance and Service Delivery: E-government Experiments in Malaysia

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Introduction

Recent advances in the field of information and communication technology (ICT) have opened up huge opportunities for governments and businesses alike to transform their operations and service delivery systems. They have also contributed to heightened public expectations and demands for increased and better-quality services from their respective agencies and service providers. Consequently, governments the world over have been forced to undertake programs and projects for ICT application in their operations, aiming to inject speed and ease in service provision and thus achieve greater productivity and excellence. Commonly known as e-government, the drive has become a major feature of current administrative reforms globally. Increasingly, it is seen and introduced as a popular strategy for transforming the delivery of public services, improving the performance of public institutions, and making them more responsive to public needs. So popular is its appeal today that it is hard to find a government that has not initiated some programs in ICT application and online service provision (United Nations 2002, Saxena 2005). Despite differences in their level of implementation, such initiatives share some common objectives: they all seek to provide the citizens with more convenient access to information and services, improve the quality of services offered, and enhance the efficiency, transparency, and accountability of the government (Commonwealth Secretariat 2002). While advanced countries like Australia, Canada, United Kingdom, and United States have already achieved remarkable success in their drive for e-government and improved service delivery, in developing countries, such attempts have produced only modest results. This is largely because, in the latter case, e-government initiatives have often been handicapped by a plethora of constraints and challenges (UN 2004). This paper examines and analyzes Malaysia's experience with e-government and its impact on service delivery. However, the paper begins with a brief overview of conceptual issues.

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Conceptualizing E-government

Generally speaking, e-government refers to the use of technology in government institutions and operations to enhance access to and delivery of public services. Government agencies are not insulated from the practices of the private sector, nor can they ignore the rising expectations of their clients. As the private sector has taken the lead in ICT adoption and the delivery of services electronically, public organizations have found themselves under growing pressure to embrace new technologies to be able to perform better. The citizens, having experienced the ease and flexibility of online services delivered by private banks and a host of other agencies, have started clamoring for similar improvements in public delivery systems. Their demands have received further strength as a growing number of academics and professionals have made a strong case² for e-government. Such demands and advocacies have had a profound impact on government policies and decisions. Thus, e-government represents governmental response to public demands and expectations for enhanced and better services by exploiting emerging technologies. Often used interchangeably with “digital government,” “networked government,” or “government online,” e-government has been subject to various interpretations and definitions. However, a key element in all these definitions is the application of new technology—especially the Internet as a tool for enhancing public access to and the delivery of government services. Though e-government has several other manifestations, in its ultimate form it entails a process whereby the government agencies at various levels transact their businesses with clients online, strategically addressing client and internal business needs through the application of new ICT tools. As a matter of fact, most writers currently see e-government as electronically executed transactions between government agencies and citizens. Therefore, e-government is much more than just the application of technology, since it seeks to improve both the internal operations and the external interface of government by transforming the process in which public services are generated and delivered and the entire range of relationships that public bodies have with citizens, businesses, and other governments (Leitner 2003). It is about how organizations in the public sector perceive and apply technology to bring about transformations in service provision, as well as in their relations with service users.

² E-government has been presented as something that is likely to remedy many of the ills of public sector management. It has been argued that e-government will reduce costs and delays in service delivery, widen citizens' access to government information and services, reinforce innovations in public agencies, and increase transparency and accountability, among others (Pardo 2000, Yong 2003).

Since e-government is seen as a means of promoting efficiency in government operations and improving the delivery of public services, e-government typically focuses on the following dimensions seeking to bring about major changes in the quality of services, the nature of interactions, and governmental relations with relevant stakeholders (Yong 2003).

- Government to Citizens (G2C)—to facilitate citizens' interaction with the government through the development of user-friendly "one-stop" centers offering high-quality services.
- Government to Business (G2B)—to expedite business transactions between government and private agencies through improved communication and connectivity.
- Government to Government (G2G)—to share data and conduct electronic transactions between governmental actors. This includes both intra- and interagency interactions between employees, departments, and ministries, and even between governments.

E-government programs initiated thus far in most societies are essentially geared toward effecting change in one or more of these dimensions. Clearly, these dimensions demand an effective and efficient networking of government agencies, citizens, and businesses so as to evolve a collaborative environment. It is only through this connectivity and collaboration between various parties and agencies that the goal of offering efficient, high-quality services to the citizens and businesses can be achieved.

Although e-government is quite popular and promising, it is neither magical nor an automatically occurring phenomenon. It calls for a multitude of changes in organizational structures, business processes, tools and strategies used, and the relationship between the government and the governed. Hence, the transition from government to e-government is far from easy and straightforward; it is an evolutionary process, usually characterized by five major stages of development. The first stage, the country's commitment to become an e-government player, is reflected in the presence of government on the Internet. Commonly known as the *emerging presence stage*, this first stage is characterized by the existence of government Web sites providing the citizens with some information that is basic and limited. Most information available on the Web remains static, with few options for the citizens. In stage 2, known as the *enhanced presence stage*, a greater amount of information on public policy and governance (e.g., policies, laws, regulations, reports, newsletters) is provided with downloadable databases. Though more sophisticated, interaction is primarily unidirectional, with information flowing from the government to

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the citizens. In the *interactive stage* (stage 3), the citizens are able to interact with the government through the Internet, and a wide variety of services are available online. Hence, the people are also able to search for specialized databases, download forms, and apply for services like tax payment and application for license renewal online. To give the people current and up-to-date information, Web sites are regularly updated. In the *transactional stage* (stage 4), complete, secure, and two-way transactions between the citizens and government is possible for a range of online services like obtaining visas, passports, licenses, and permit renewals; paying taxes; and performing other G2C interactions. Providers of goods and services are able to bid online for public contracts through secure links. Stage 5 represents the most sophisticated level, characterized by an integration of services delivered and the institutions offering them. Known as the *integration stage*, it seeks to remove the physical barriers and offer most, if not all, public services seamlessly. Also, here the government encourages participatory decision making to involve the society in two-way open dialogues, and uses interactive features to solicit citizens' views on public policy, lawmaking, and a variety of issues (Yong 2003, UN 2004).

E-government in Malaysia: Innovations in Governance and Service Delivery

In line with the global trend, Malaysia has also embarked on elaborate programs seeking to improve the state of governance and service delivery systems through the application of emerging technologies. One of the early initiatives in this regard was the introduction of a public service network (PSN) in the early 1990s. As a step toward ICT application in government³ and the networking and integration of service delivery, this program has enabled post offices throughout the country to act as one-stop bill payment centers and provide other services. Services like the renewal of various licenses, stamping, and payment of road tax for motor vehicles were made available at the same counter of post offices throughout the country. Subsequently, additional services like the payment of local government assessment rates, sewerage charge, and a number of private sector services have been added for the convenience of the public. The experience with the PSN model has encouraged privatized utility agencies like Telekom Malaysia and Tenaga Nasional Bhd to follow similar models. While the PSN initiatives have prepared the ground for a more integrated service delivery through information sharing and networking, the establishment of the Multimedia Super Corridor (MSC)⁴ in 1996 is seen

³ It is, in fact, a part of the Government's larger policy objective, which seeks to develop Malaysia as a regional and global hub for ICT and multimedia.

as a major landmark in Malaysia's drive for e-government and improved service delivery. The MSC is conceived as a principal vehicle for achieving a knowledge-based society through a fusion of ideas in management, research in technology, and dissemination of information and multimedia-based products and services. Though computerization in both private and public sectors began much earlier, it was the MSC that essentially set off the process of a more robust implementation of e-government initiatives. To achieve the objectives of MSC, a total of seven flagship applications have been identified for implementation.⁵

E-government is one of the leading flagship applications of the MSC project. It is aimed at reinventing how the government works, as well as improving the quality of its interactions with citizens and businesses through improved connectivity and better access to information and services. It envisions not only an efficient system of administration and service delivery but also a collaborative environment where the government, businesses, and citizens will work together for the benefit of the country as a whole (Karim and Khairuddin 1999). Such a vision calls for reinventing government through the application of ICT and multimedia and making the governmental agencies more efficient, effective, and consequently more responsive to the needs of the citizens. Thus the ultimate objective of e-Government is to achieve public service excellence by reducing paperwork and streamlining public service processes so as to enable the citizens to access public services anytime and from anywhere. It is to lead to dramatic improvements in service delivery systems, for the outcomes e-government is expected to achieve include convenience, speed, choice, accessibility, and responsiveness (Khalid 2004).

While five pilot projects were initially selected for the first phase of implementation, subsequently more projects were added to cover all three dimensions of e-government, namely, intra-agency and interagency, G2C, and G2B service applications. Thus, currently a total of eight projects involving e-government flagship applications are at various stages of implementation or

⁴ The MSC is a 750-square kilometer area extending from the Kuala Lumpur city center project in the north to Putrajaya in the south and to Kuala Lumpur International airport in Sepang. Within this corridor are two smart cities—Putrajaya, the new seat of the federal Government, and Cyberjaya, the site for ICT companies investing in the country. Apart from providing the best ICT infrastructure and a high-quality multimedia test bed, the MSC also offers access to and opportunities for sophisticated research and development, a set of cyber laws, and the benefits of a modern and futuristic lifestyle with new highways, high-quality houses, schools, shopping malls, and business and recreation centers.

⁵ These are e-Government, Telehealth, Government Multipurpose Card (smart card), Smart School, R&D Cluster, World Wide Web Manufacturing, and Borderless Marketing. The implementation of these flagship projects is expected to improve the country's productivity and competitiveness through the use of multimedia technology.

rollout. These are Electronic Services (e-Services), e-Procurement (eP), General Office Environment (GOE), Human Resource Management Information System (HRMIS), Project Monitoring System (PMS), Electronic Labor Exchange (ELX), EG-AG Integration,⁶ and e-Syariah. Here we focus on a few of these applications and some MSC flagship projects that have a significant bearing on service delivery.

e-Services

The e-Services scheme was among the five pilot projects chosen by the Government for the first phase of the implementation. The primary objective of this project is to enhance service access through multiple electronic delivery channels that are widely accessible to the public and one-stop service windows where multiple services can be obtained at each delivery channel. Under the scheme, the citizens are able to conveniently access the services offered by a variety of departments and agencies⁷—the issuance and renewal of driving licenses, payment for summons, payment of electricity, telephone, and Internet bills (Karim and Khalid 2003). Also, there are provisions for multiple electronic channels, as services are also available through the Internet, multimedia kiosks, interactive voice response (IVR), telephone, and wireless devices, with facilities for payment with credit cards, debit and ATM cards, and other modes of payment. Thus, the citizens are provided with a choice of multiple delivery channels 24 hours a day and 7 days a week. In other words, they are no longer required to conduct transactions at agency branches and utility offices; they can do so anywhere, at their convenience. To make the services more user-friendly, multiple language capabilities for each access device have also been introduced. The implementation of the project has resulted in significant improvements in public service delivery, apart from ease and public convenience. It has encouraged users to be more responsive in paying their bills (Karim 2003, page 196).

⁶ This is intended to integrate the various elements of the e-Government with the Accountant-General (AG)'s Department. Such an integration is considered necessary as an end-to-end solution for electronic payment processes and procedures under e-government projects.

⁷ The agencies involved in this case are the Road Transport Department, the Ministry of Health, Tenaga Nasional Bhd, Telekom Malaysia Bhd, and the Police Department.

e-Perolehan (e-Procurement)

Since the Government of Malaysia is a major purchaser of goods and services from the private sector, spending a total of RM35 billion annually, the e-Procurement project has been launched with the objective of ensuring value for money, as well as transparency and accountability in public procurement. The project seeks to reengineer and automate the existing manual procurement system in the public sector to transform it into an online marketplace for suppliers and government agencies. Under the project, begun in 1999 and implemented in phases, the Government and suppliers are allowed to conduct procurement activities electronically. Suppliers may present their products on the Internet; receive, manage, and process purchase orders online; and eventually receive the payment from government agencies, also through the Internet. Government agencies may approve and submit the purchase orders, and also select items to be purchased and initiate the approval process—all electronically. Thus, the e-Procurement system supports the entire procurement cycle, from the submission of tender or contract to approval and payment, including alert notifications to the potential bidders. For the Government, the system will lead to cost savings through a shortened procurement cycle (made possible by the electronic retrieval and submission of quotations) and the creation of centralized products and supply databases across agencies. It will also enable the Government to be a smart buyer, as well as improve control and accuracy in ordering and billing. The suppliers—small or large—will also benefit from increased transparency and faster and accurate payment through electronic fund transfers (Karim and Khalid 2003). With the creation of an electronic catalogue with internationally recognized product classifications, suppliers will also be able to reach new customers on a global scale.

Electronic Labor Exchange

The Electronic Labor Exchange (ELX) was launched in 1999 as a new e-government pilot project that is aimed at serving as the country's single source of labor market information for government agencies, businesses, and the public. The three applications of ELX—Job Clearing System, Labor Market Database, and Office Productivity System—permit the registration of job seekers and employers, job matching and the generation of profiles of candidates for prospective employment, the consolidation of labor market data from various sources, and a variety of other functions. Thus, the ELX serves as a one-stop center for labor market information, facilitating the sharing of such information by various parties, both locally and overseas. Such

availability of information enables Malaysian students studying overseas to make informed decisions about their career, and potential foreign investors, about their investment. It also helps improve the mobilization of human resources and optimize manpower utilization through systematic matching of job seekers and job vacancies (Karim 2003).

Government Multipurpose Card (MyKad)

The Government Multipurpose Card, commonly known as *MyKad*, is one of the major innovations promoted by MSC. With the introduction in 2002 of MyKad (which is to replace the old identity card), Malaysia has become the first country in the world to have a multipurpose smart card that facilitates transactions with government agencies and private organizations. The single smart card contains the owner's identity code and electronic signature in a plastic card with an embedded microprocessor chip. The national identification document and driving license are combined into one card that serves as a key to managing access to many other services. Instant passport information facilitates the efficient exit and reentry of Malaysians at immigration checkpoints. Health information available on MyKad is found to be extremely useful as instant source of personal health data during emergencies and general treatment. E-cash facilities enable cashless financial transactions at government agencies, restaurants, clinics, bookshops, and gasoline stations throughout the country. With additional facilities now being added, MyKad is expected to serve as a vehicle of convenience in all aspects of the lives of Malaysians (Karim 2003).

Telehealth

One of the major flagship projects of MSC, the Telehealth project is aimed at promoting Malaysia as a leading regional center for telemedicine. It also seeks to widen public access to health-care facilities, as well as their knowledge of health care. A key element of the project is linking rural clinics with medical experts in the city and renowned clinics worldwide using new tele-instruments for remote diagnosis (Karim and Khalid 2003). Thus, the project is essentially geared toward developing an efficient and user-oriented health-care system. Both public and private health-care agencies will be involved and connectivity will be ensured via Internet access and call centers. Thus, once completed, the project is expected to transform the country's health-care system to ensure integrated, accessible, and high-quality health-care services to the citizens. Four pilot projects are now being implemented in areas ranging from the provision of health information and education to the public, to

long-distance health-care consultation and referrals. It is expected that the full implementation of this project will allow individuals to manage their own health and eventually lead to an integrated and user-oriented health-care system.

Since e-government is high on the agenda of the Government, it has received strong financial, institutional, and legal support. The massive revised allocation made for the development of ICT and e-government projects to the tune of RM7.7 billion under the Eighth Malaysia Plan (EPU 2003) clearly reflects the Government's commitment to develop this sector. The Government has also developed the necessary institutional framework and coordination mechanisms for e-initiatives. At the highest level is the powerful e-Government Steering Committee (EGSC),⁸ responsible for providing policy directions, approving e-government programs and activities, and monitoring their implementation. The Malaysian Administrative Modernization and Management Planning Unit (MAMPU) serves as the secretariat of the EGSC, besides acting as the central agency in planning and devising e-government initiatives. Also, there are IT councils at national and state levels. The National IT Council (NITC) represents the highest forum that acts as a think tank advising the Government on relevant strategies. At the agency level, the post of chief information officer (CIO) has been created, with the task of overseeing the implementation of the ICT agenda in the various agencies. The CIO is also to determine the strategies for achieving the vision and business needs of the organization, provide leadership and direction, coordinate and allocate resources, and keep abreast of new knowledge and continuous change in the field of ICT (MAMPU 2000).

Malaysia has taken a holistic approach to the implementation of e-government, encompassing elements such as applications, networks, security, process engineering, operations and support, change management, and skills and knowledge (see Karim and Khalid 2003). Four guiding principles have been identified, namely, collaboration between the public and private sectors, sharing of data and information, customer satisfaction, and data and information security (UNESCO 2002). To keep pace with developments in ICT infrastructure and use, the Government has also introduced legislation to curb abuse in the new digital environment. The laws cover such issues as

⁸ Chaired by the chief secretary to the government, the committee draws its members from the Economic Planning Unit; the Implementation and Coordination Unit; the National Institute of Public Administration (INTAN); the Treasury; the Ministry of Energy, Communication and Multimedia; the Malaysian Administrative Modernization and Management Planning Unit (MAMPU); the Office of the Attorney General; the Public Service Department; and the Multimedia Development Corporation.

information security, integrity and confidentiality, legal recognition of online transactions, and the protection of intellectual property rights.⁹

Since the development of adequate infrastructure is critical in realizing the full benefits of the ICT revolution and the vision of e-Government, the Malaysian Government has made continuous efforts to develop and strengthen the necessary infrastructure in the country. The Government Integrated Telecommunications Network (GITN) is a major step toward this end. The Civil Service Link (CSL), established in 1994 as a tool to disseminate government information to the public, has since been upgraded and renamed the Malaysian Civil Service Link (MCSL). Further improvements are now under way to replace it with the Malaysian Government Portal, or myGOV, which will serve as a single gateway for gaining access to all government services and making online payments. Continuous efforts are being made by the Government to encourage agencies to create and use their Web sites as a means of diversifying public service delivery mechanisms. At present, virtually every agency in the public sector maintains its own Web site displaying some key information. Evidence shows that not only have there been improvements in the quality of Web sites and the types of information available, but an increasing number of people have also visited these Web sites (Nair 2002).

The pervasive nature of ICT and the demand for skills and knowledge in the emerging technology have posed a serious challenge to governments worldwide. The Smart School flagship project of MSC is intended to address the critical challenge of manpower needs. Equipped with multimedia technology, the smart schools are to prepare students for the ICT era and develop a new generation of graduates who are creative, innovative, and capable of using ICT to leverage the wealth of information and knowledge in the information age. With the same aims and objectives in mind, a new Multimedia University has also been established. The Government is investing heavily in a high-quality and comprehensive education system to meet the demands of the evolving workplace. Training institutions like the National Institute of Public Administration (INTAN) have made sustained efforts to equip public servants with the relevant knowledge, skills, and attitudes. As an organization responsible for creating a critical mass of ICT users to support e-government initiatives, INTAN has undertaken various other programs. The Government is also aware of the widening gap between IT haves and have-nots within the community, and between the urban and rural areas, and the potential dangers

⁹ Some of the laws are the Digital Signature Act of 1997, the Copyright (Amendment) Act of 1997, the Communications and Multimedia Act of 1998, the Telemedicine Act of 1997, and the Computer Crimes Act of 1997.

it poses. Therefore, programs like Medan Infodesa, Internet Desa, and Pondok Harmoni and the establishment of e-Services kiosks at community and public areas have been launched to bridge the digital divide. While Medan Infodesa provides training and hardware to rural communities, Internet Desa and Pondok Harmoni entail the supply of PCs and Internet access to rural communities.¹⁰

e-Government and Service Delivery: Achievements and Limitations

Malaysia has made concerted and sustained efforts to ensure the successful implementation of e-Government. Apart from the implementation of various e-Government flagship projects, Malaysia has developed and put in place institutional frameworks and coordination mechanisms, all of these supported by the necessary guidelines and ICT policies and legislation. The Government has also embarked on various novel initiatives to reinvent itself and its service delivery, empower state and local authorities to implement ICT applications, and set up special committees to oversee the implementation of e-Government initiatives. It has also adopted various strategies and schemes to enhance ICT literacy and skills in the society, in an attempt to support the application and diffusion of ICT. The Smart School initiative under the MSC project responds to the need for manpower and skills to make the transition from an industrial to a knowledge-based economy. Since much of the e-initiatives are still either in the process of pilot testing or at the initial stage of rollout, it is too premature to make any definitive judgment about their impact. However, initial indications suggest that they have quite a favorable impact on governance and service delivery.

In line with the objective of providing efficient and high-quality services to the public electronically, various government ministries and agencies have, as noted earlier, introduced Web sites. Virtually every agency in Malaysia has a Web site, which displays its vision, mission, objectives, charter, services available, and a host of other useful information for its clients. As more and more information is being posted, the citizens also increasingly find the Web sites to be useful sources of relevant information. Since such Web sites often allow the public to express their views and opinions about the quality of services provided and lodge their complaints and grievances, these sites also serve as effective tools for public consultation and engagement (Khalid 2004). Some agencies have gone beyond this stage by offering online services, thereby

¹⁰ In 2001–2003, a total of 16 Internet Desa and 15 InfoDesa were established nationwide. These now function as one-stop centers of information and government services (EPU 2003).

allowing the public to use their facilities and services in a far more convenient manner than before. The e-portal of the Ministry of International Trade and Industry (MITI) is a case in point. It has not only enhanced the sharing of trade-related information and resources, but has also expedited the approval of licenses and permits. The potential entrepreneurs can now obtain useful information and guidelines on how to start a business and get it registered, all online (EPU 2003). Similarly, the introduction of self-assessment and e-calculation systems by the Inland Revenue Board allows taxpayers to access online information, perform self-assessment, and submit their tax returns in a more convenient way. Such initiatives are said to have helped modernize and streamline tax administration and contributed to an increased level of income tax compliance (Aziz 2003).

Thus, e-Government initiatives have led to a new mode of governance whereby the conventional method of offering services at office counters is being increasingly replaced by new methods. The provisions for online services have been particularly convenient, as the citizens are not required to make transactions over the service counter of an agency; they can now make such transactions online using the Internet, multimedia kiosks, and other channels. The integration of services offered by multiple agencies means that the customers are no longer required to visit each agency to access their services; a single agency is able to provide all these services in a more convenient and hassle-free manner. Therefore, the public now gets better services, which are often streamlined and integrated with other services offered by government and private agencies. As elaborated earlier, under the e-Services system, the clients of several public and private agencies can access multiple services at one point. Moreover, the availability of services 24 hours a day and 7 days a week means that services are available without any loss of time. In some cases, long queues at service counters have now become a thing of the past. Even those members of the public who are not electronically connected at home may conduct business with government agencies at community-based centers or kiosks. While the customers and businesses enjoy the convenience and ease of accessing multiple services at one point, such networking of services has also relieved the departments and agencies of excessive workload. They can now focus on control and data integrity while leaving the onerous job of direct delivery of services to a network of providers.

Similarly, the Telehealth project marks a new chapter in the country's health-care system, especially in rural and remote areas. Now available in 41 clinics, the program offers remote diagnosis and consultation as well as continuous medical training through the use of virtual resources (EPU 2003). Patients from these areas are no longer required to make expensive and often

troublesome trips to major urban centers and even overseas to seek consultation and medication from specialist physicians; such facilities are now available locally for their benefit. Likewise, the National Registration Department's MyKad, already issued to more than 15 million Malaysians (*New Straits Times*, 25 April 2005), has become truly a vehicle of convenience in a variety of areas. While information like personal identification, driving license, and health and passport details facilitate a number of functions related to government, with cash, "touch-n-go," and ATM facilities cardholders can also make transactions with private agencies.

e-Government initiatives are contributing significantly as well to enhancing the efficiency of public agencies in service delivery, and the benefits are enjoyed by citizens, businesses, and the government alike. e-Procurement by government ministries is not only reducing the government's procurement costs but also making the operations faster and steadier, contributing to the satisfaction of all parties. For private contractors, the introduction of e-Procurement has meant a significant increase in overall efficiency, since the system has reduced the time between application for registration and approval of supplies from 36 days to 20 days. The number of lost supplier registration documents has fallen from 5% to 1% (Karim 2003). Similar improvements have been reported elsewhere. It now takes the Immigration Department just 2 days to issue an international passport; before the introduction of e-Government, the same task used to take 8 weeks (Aziz 2003). e-Government has also considerably improved the efficiency of port authorities and the Customs Department. The electronic data interchange (EDI) enables port authorities across the country to process applications for import and export in a nearly paperless environment.

Despite such gains in service delivery and governmental efficiency, however, the overall impact of e-Government in Malaysia has remained limited. e-Government has promised a lot, but for most of the population, the promise has not been realized because of some serious constraints and limitations.

While the potentials of ICT in general and e-Government in particular are enormous for both government and the citizens, the unlocking of such potentials requires sufficient ICT infrastructure, including computers and telecommunications capacity in terms of wireless and broadband networks, among others. Therefore, the lack of such infrastructure, or inadequate infrastructure and capacity, will seriously hamper the delivery of services through the Internet. Although Malaysia fares well in ICT infrastructure, its facilities, when compared with those of the rest of the region (Karim 2003) and other developing countries in general, are still poor overall. This is clear when Malaysia's position is compared with that of the regional leaders. As

Table 1 shows, in terms of most vital infrastructure like ownership of personal computers (PCs), access to the Internet, and telephone connections, Malaysia lags far behind Republic of Korea, Australia, and neighboring Singapore. Consequently, Malaysia's score on the Global e-Readiness Index and its e-Readiness rank have been notably poor, although it has made significant progress over the years.

Table 1: E-government Readiness of Malaysia and Selected Countries in Asia Pacific Region

Country	E-Gov't Readi- ness Index	E- Readi- ness Rank	Internet Users (per '000)	PCs (per '000)	Population Online per '000)	Tele- phones per '000)	Mobile Phone Sub- scribers per'000)	TV Sets (per '000)
Rep. of Korea	0.8575	5	551.9	558.8	538.0	488.6	679.9	363
Australia	0.8377	6	481.7	565.1	543.8	538.6	639.9	731
Singapore	0.8340	8	504.4	622.0	518.4	462.9	795.6	300
Malaysia	0.5409	42	319.7	146.8	251.5	190.4	376.8	201

Source: United Nations (2004).

Despite governmental initiatives and strong emphasis put on multimedia, broadband use has remained relatively low (Yong 2003). In fact, apart from the corporate sector and government departments and agencies, only a few households in Malaysia have broadband connections. This explains why the Internet penetration rate has been slow and the proportion of the population receiving benefits from e-Government initiatives has not been high. There are also regional variations and variations across socioeconomic groups. Because of inadequate ICT infrastructure, the Internet facility is not easily and widely accessible to all. While services are generally accessible in Klang Valley and in major urban centers, those from other areas and especially in geographically isolated regions do not have access to many of the online services. Moreover, the poorer groups and people with economic and social disabilities have neither the capacity nor the ability to use online technologies. Programs like InfoDesa and Internet Desa are yet to bring a significant proportion of the rural population under their coverage. In some areas, problems with electrical power make the job even more difficult (Yong 2003).

A study on the adoption of ICT in the public sector and its impact on service delivery in Malaysia has observed that in most cases ICT has been deployed in internal processes, or what is known as backroom operations.

These activities remain invisible to the public although they directly affect the services provided to them. The study further noted that the delivery of services through special kiosks is highly limited and so is the delivery of services via the Internet (Abdullah and Ahmad 2001). Although things have certainly improved since then, evidence shows that the progress has been rather slow especially with regard to the online delivery of services. Still, many agencies use ICT more to facilitate their internal operations than to augment online delivery and transactions. Consequently, a large majority of services continue to be offered through traditional methods. Even in information access and dissemination between government and the citizens, Malaysia is still considered inadequate (Karim 2003). This is also evident in Malaysia's overall level of e-government maturity. As the following table shows, compared with the e-maturity of world and regional leaders in e-government, Malaysia's e-maturity has been particularly low. While it comes as no surprise that countries like Australia, Singapore, and Republic of Korea have higher e maturity scores than Malaysia, it is noteworthy that even India (53.6) and Thailand (50.4) are ahead of Malaysia (46.4). A close look at the table also shows that Malaysia has been bogged down between stage 2 and stage 3. This basically suggests that while government Web sites provide some useful information and some online services, the scope for transactions between citizens and government and for service delivery in a seamless fashion is extremely limited. Therefore, more robust policy initiatives are called for, to tackle that challenge and improve public access to services significantly.

Table 2: E-government Maturity Index

Country	Total	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
USA	94.5	100.0	100.0	100.0	92.7	77.8
UK	92.0	100.0	97.7	94.0	92.7	77.8
Singapore	91.6	100.0	95.4	98.8	85.4	77.8
Rep. of Korea	89.4	100.0	100.0	100.0	70.7	68.5
Australia	78.5	100.0	93.1	91.7	61.0	44.4
India	53.6	100.0	73.6	70.2	17.1	16.7
Thailand	50.4	87.5	79.3	50.0	0.0	37.0
Malaysia	46.4	100.0	67.8	53.6	17.1	14.8

Source: United Nations (2004).

Despite all the improvements and continuous efforts that are being made, it is not uncommon to find Web links that are either nonfunctional or under construction or have not been updated for a long time. In some cases, no multilingual options are available, despite professed policy in this regard. The Road Transport Department's Web site available only in Bahasa Melayu, is not user-friendly especially for those not adept in local language. The Inland Revenue Board's e-Payment is yet to be functional; the Immigration Department provides only downloadable forms with no provision for e-lodgment of new passports or the renewal of existing ones. Likewise, the benefits of e-Procurement cannot be fully enjoyed by either the government agencies or the suppliers since a very small fraction of total government contacts are managed online. Only 1,000 out of the total 4,288 government agencies now use e-Procurement. Likewise, out of more than 35,000 suppliers nationwide, only 500 have been IT-enabled, i.e., equipped with smart cards that allow them to do transactions electronically (Yong 2005). One may find a host of other anomalies and limitations in the present e-Government programs.

Conclusion

Malaysia is among the leading countries in the developing world in the implementation of huge e-government programs. The unwavering support from the leadership of the country and generous allocations for the development of the ICT sector in general and e-government in particular has helped build necessary e-government infrastructure and facilities. The various e-government and MSC projects that are currently being tested and rolled out have shown enormous promise in different spheres. The provision for online services has made a fundamental difference in public access to government information and facilities. The distance between the government and the citizens has been reduced and the public is able to obtain services conveniently without any loss of time. Thus, the programs signal a new relationship between government and the citizens. The old relationship characterized by rigidity, long delays, unnecessary complexity, and public distress is being replaced by a new relationship, which is characterized by speed, better public access, reduced cost, and public ease and convenience. The e-initiatives have helped the agencies become not only more efficient and effective in their operations but also more responsive to the needs of their clients. The Web sites maintained by most public agencies not only provide information about their activities and programs, many of them also offer feedback options, thereby allowing the public to express their views, needs,

and problems. Though it is difficult to ascertain the impact of such feedback on government policies and decisions, the mere presence of such provisions indicates an increasing public orientation on the part of the agencies.

However, as this paper shows, despite such promise and positive trends, the overall impact of e-government in Malaysia has remained limited because of a plethora of infrastructure constraints and the slow pace of implementation. At present, Malaysia is behind many other developing countries in e-readiness and e-maturity levels. Broadening public access to ICT significantly and bridging the digital divide in the society represents a major challenge for the Malaysian leadership. Recent policy measures initiated by the Government allowing Employees Provident Fund (EPF) contributors to withdraw a portion of their savings to purchase computers, and civil servants to get interest-free computer loans are steps in the right direction. Likewise, the initiatives to enhance community access to the Internet in both urban and rural areas through publicly provided facilities are bold attempts to level the access gap. However, much more needs to be done to widen public access to e-government and Internet facilities in other remote areas. While infrastructure is critical, people also need awareness, skills, and motivation to use such facilities. Training in e-technology is necessary for senior citizens in both rural and urban areas so that they can make use of e-kiosks and other new channels.

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Innovative Tools in the Governance of Public Services and their Implementation in a Developing Country, Cambodia

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Introduction

While governance originated in Anglo-Saxon corporate culture (Meisel 2005), the evolution of the concept and its appropriation by national³ and international⁴ public institutions calls for a review of its effect on public service management.

Looking into governance is a complex task because of the abundance of opinions, papers, and studies on the subject. In addition, governance—or good governance, according to the terminology of international institutions—is more often decried because of the Western values it carries (Charvin and Cassen 2001, page 28), being imposed on countries that do not share the same referents. However, the transformation wrought in the international community by economic globalization requires in-depth changes in states' modes of action. In that capacity, governance highlights contradictions in this transformation movement, and entails a global review of public affairs management.

From a political standpoint, governance is in fact the way in which governments manage the social and economic resources of a country. Therefore, “good” governance would be the various levels of government exercising power in an effective, honest, fair, transparent, and responsible way. There are some principles clarifying the concept and giving it a more concrete framework. However, these concepts vary noticeably according to the international institutions that shaped them and imposed them on governments. In this instance, being interested in the type of governance developed by an Asian

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³ Among numerous national Web sites dedicated to good governance, see the Canadian Web site Institute on Governance at <http://www.iot.ca>

⁴ The International Monetary Fund, the World Bank, the European Union, and many other international institutions make available countless works on governance regarding the Asian region. The Asian Development Bank's Web site is a good source of information on the subject, at <http://www.adb.org/Governance/default.asp>.

country, Cambodia, we will focus on four criteria identified by the Asian Development Bank: accountability, participation, predictability, and transparency.⁵

In a developing country like Cambodia, good governance understandably becomes a political priority and is at the heart of government reform. Numerous international institutions—including the European Union, the United Nations Development Programme, the International Monetary Fund, ADB, and the World Bank—have made good governance a core element of their development programs. The political strategy of the Cambodian Government (2004–2008), which has been called a “rectangular strategy,” has incorporated this requirement:

For the Royal Government, good governance is the prior and sine qua non condition to sustainable economic development, characterized by equity and social justice. To reach the objectives of good governance requires the active participation of all spheres of society, more extensive sharing of information, accountability, transparency, equality, integration and the rule of law (Council for the Development of Cambodia 2004).

Exceedingly political, good governance cannot fail from having repercussions in the legal arena.

Thus, in this study on public services, viewed as activities identified by the state as required to meet the public interest—generally speaking, public services cover two types of activities, regalian and economic, but we will concentrate on economic services—governance occurs in the development of tools whose status and workings lessen the nature departing from ordinary law, of which public services are traditionally the subject. Thus, the government structure gets reshaped through the emergence of an independent authority charged with the regulation of a sector. Regulation and governance are therefore bound and form the new paradigms of state reform. “Good governance concern has thus become the development vehicle for independent authorities” (Chevalier 2003, page 216).

In accordance with these precepts, Cambodia does not escape this universal tendency and is also subjected to regulation requirements. But does such a pattern meet the needs for solidarity, cohesion, and development of this country, and does it allow the implementation of innovative tools for public service management that could meet those expectations?

⁵ See: http://www.adb.org/Governance/gov_elements.asp.

In order to comprehend these issues, a first look at the types of public service regulation viewed as legal embodiments of good governance will take us, with more markers, on the path of developing-country regulation.

Public Service Control: Legal Embodiment of Good Governance

Public services liberalization and, as a result, their opening to competition have led in developing countries to an increase in the number of independent institutions being charged with controlling and overseeing public services, which falls under the heading of regulation. These sectoral structures provide a relevant field of analysis with regard to the principles introduced by the concept of good governance, and they encourage their implementation. As a factor for the evolution and revitalization of the classic institutional framework, regulation leads to the emergence of practices that, indeed, underlie the implementation of precepts that good governance claims to follow.

Theoretical Foundations of Public Service Legal Regulation

Unfortunately, regulation does not have a precise legal definition. Therefore it is described in its most simplified form, or, following one's point of view, as an "action to regulate a phenomenon (Cornu 2000).

At this stage, it seems difficult to be satisfied with such an approach, even though one can already emphasize the *regulatory* nature of regulation, as well as its overall nature.

The absence of a specific and formalized definition is tackled in the considerable literature on the subject produced in the various fields of economics and social sciences. Regulation is a predominant issue in scientific debate, and especially in the legal arena (Clam and Martin 1998, du Marais 2004). Still, constant elements emerge from these varied researches that stress the legal transformation logic embodied in the regulation designation. From the viewpoint of crisis in modern law and of the monistic notion according to which the state would be the exclusive source of legal standards (Chevalier 2003), regulation would offer a new type of standard whose institutional and functional aspects constitute the central theme of our research.

Generally speaking, regulation should make it possible to compensate for weaknesses in society's two major players, the state and the market, to answer legitimate questions regarding the workings of institutions (Timsit 2004). It then serves as the balance point between two standards, the spontaneous standard of the market and the imposed standard of the state.

However, contrary to an approach that seems to be spreading, this does not mean

the disappearance of the Third party figure, the characteristic figure of legally constituted State. It suggests on the other hand that this Third party, whether it is the State, a judge or international organizations, does not have the monopoly in regulation decrees anymore, since these also derive from a balance of power process (Supiot 2001).

In the field on which we are focusing, that of public services, the balance of power is set through state and market interaction in the first phase, but must integrate user-consumer interest in the second phase.

Consequently, with regard to opening these services to competition and consequently to the progressive disappearance of a legal system departing from common law, regulation becomes a renewed type of public service management, corresponding to “the whole intervention of the authorities⁶ aimed at implementing competition—as much as needed—in a sector in which it did not exist or hardly did, and at reconciling honest competition practice with the mandate of public interest with which public service networks are invested (Bergognoux 2000, page 212).

Regulation therefore meets a double phenomenon: on one hand, public services’ liberalization, and, on the other hand, a redefinition of the state’s role in the management of these services. Public service regulation is seen as a way of setting up free and fair competition in the market and of keeping this compatible with the public interest mandate linked to public service activities.

The issue of regulation is thus symbolized by its ability to make the two phenomena—free trade and the public interest—at first seemingly contradictory, coexist. However, if one refers to theoreticians of the public service school of thought, such as Hauriou, “The nature of public service does not mean monopoly to the benefit of government authorities and their representatives.” Actually, “as long as opening to competition does not constitute an end in itself but a way meant to ensure public interest’s greatest satisfaction (Duguit, cited in Quiot 2002), contradictions disappear.

In order to fulfill this double mission, some regulatory authorities have been established in diverse legal systems, whether they come under common law or Roman-Germanic law. US independent regulatory agencies, British

⁶ “The public intervention needed when competition is introduced can be classified in several important categories: to harmonize, control remaining monopoly sectors, promote fair competition in these sectors while guaranteeing public service mandates and protecting consumers’ interests.”

independent administrations, and also French independent administrative authorities—regulatory—authorities use various methods and have helped for a long time to ensure “regulation of some of the sensitive sectors” and to look after “the respect of some of the constituents’ rights (Gentot 1994, page 16).

However, worldwide dissemination of the regulation concept is proving to be much more recent and shows the advent of a new approach to public service regulation, in particular the establishment of independent regulatory authorities adopting operating procedures based on good governance as defined by the international community.

Practical Implications of Public Service Legal Regulation

Regulatory authorities have various responsibilities according to the sectors they regulate. However, some general characteristics emerge. Those authorities are usually involved in competition regulation and service access, and equipped with regulatory, decision, consultative, inquiry, information, arbitration, and sanction powers. At these different stages, the implementation of transparency, participation, and accountability principles must be handled by the regulatory authorities.

Transparency constitutes the most significant aspect of regulatory authorities’ operations. On one hand, as far as the publication of deeds is concerned, whether it is notices or decisions, most regulatory authorities have developed procedures enabling access to information. Web sites, information newsletters, and annual public reports, which give an account of activities and regulatory and legislative implementation measures, are widely used communication tools (Law n° 2000-108, article 32).

On the other hand, through assessment to check that for the purpose of checking that public interest tasks entrusted by public powers have really been accomplished, regulatory authorities provide relevant information on whether public services are fulfilling their mandates. In fact, as the European Commission (2003, page 30) stresses, “a global assessment increases transparency and allows for better political choices as well as for a firmly sustained democratic debate.” In this regard, assessment must take into consideration the interests and the opinions of all interested parties: users-consumers (especially the vulnerable and marginalized groups), social partners, and other parties. Thus, it is important to determine what those parties consider good performance and what their expectations are for the future.

It is therefore through a participatory process that an assessment can legitimately reach its objectives. Participation proves to be a means of achieving transparency, mostly through its consultation and consulting aspects.

Public service assessment, public inquiries, and the creation of user committees in contact with regulatory authorities constitute the most common forms of users' participation. For example, the activities of French Telecommunications' Regulatory Agency (TRA) were based on an ongoing consultation process with users and the market's players. For J. M. Hubert (2000), the agency's director general, "public consultation, the working groups and experiments were extremely useful working tools." More recently, the French Agency for Communications and Post's Regulation (ACPR) has planned to hold episodic meetings for consultative authorities, and to organize regular hearings, meetings, and public consultation chiefly to request comments.

And yet, participation remains the most sensitive and ambiguous element. Its implementation is not a new notion and its limitations are numerous. Nevertheless, recent regulators' practices show a will to include users-consumers in the decision process and to collect their complaints. In Great Britain⁷ but also in Western countries, the creation of consultative councils working with regulators has become common practice, mostly because of strong lobbying of regulators by consumers' associations. Similarly in the United States—a precursory country in liberalization terms—regulatory authorities, especially in the electricity sector, have been undergoing major restructuring in order to give consumers a "definite majority position in these authorities watching markets of the utmost importance" (Greene 2000).

As the report of the French General Plan Commission points out, it seems desirable "to make it compulsory to submit to these [consultative] councils cases in which decisions will directly effect consumers' interests or, in broader terms, citizens', and conversely to allow these representatives to refer to regulators any problem they detect" (Bergougnoux 2000, page 226).

This last point brings up accountability demands, and documents regarding the implementation of these regulatory authorities provide some substantial elements on the subject.

This usually must make a regulator's duties incompatible "with any professional activity, any elective local council, departmental, regional, national or European mandate, any public job and any direct or indirect holding of interest in a firm in the sector" (Law n° 2000-108, article 28). Then, a double control can be put in place: judicial control, for example, through appeals lodged against ACPR's decisions depending on the case;⁸ and political control,

⁷ An audit conducted in 1997 by the National Audit Office, at the Labour government's request, emphasizes the democratic deficit in the workings of regulatory authorities.

⁸ The ACPR's mandate and competence, at <http://www.art-telecom.fr>

making it mandatory for the authority to submit accounts of its activities at parliamentary committees' request. Finally, the obligation of supplying opinions and *explanatory* proposals constitutes a last defense against arbitrary power.

At different levels, regulatory authorities take part in the implementation of principles embodied in the concept of good governance, opening the way for more lawful public service management with regard to users-consumers' needs. But is such an approach compatible with a developing country's reality? When simply talking about access to service, how to integrate notions such as quality, which is nevertheless a major users' demand in developed countries? The development of regulatory authorities in developing countries has, in any case, become a reality. Through the example of Cambodia, we will attempt to bring up issues for discussion on this institutional and legal transposition that recalls similar practices in other fields.

Public Service Regulation: The Reality of Good Governance Put to Development Test

Regarding the process of administrative reform and public service development in Cambodia, the diffusion of good governance practices in public affairs management has become a significant priority. It applies to all public activities without sparing the public service sector. And one finds again similar types of regulation, following the example of what has been put in place in Western countries.

The Electricity Authority of Cambodia (EAC) is the first regulator of Cambodia's public service. In spite of recent practices, it is already possible to glimpse its limitations and prospects in view of Cambodia's political, economic, and cultural society, whose references and operations clearly differentiate themselves from Western models, and in which economic development dictates choices and is confronted with realities often difficult to face.

A Regulatory Model: The Electricity Authority of Cambodia

Electricity is an important sector for Cambodia's development. It has suffered the harmful effects of decades of war. Its opening to privatization marks the transition from a centralized system to a liberalized economy. The law on electricity in Cambodia (Kram n° NS/RKM/0201/03) passed in 2001 by the Cambodian Parliament, was adopted with the goals of reinforcing the autonomy of the service management structure by avoiding recourse to grants; promoting private sector participation in financing and networks and production-tool development; improving minimum service access for most

of the population; and instituting a sector regulatory structure. With this law, the first regulatory authority for a public service in Cambodia⁹ was created.

The EAC regulatory authority has the mandate¹⁰ of ensuring, as far as consumers' rights are concerned, access to electricity, and of safeguarding public interest by issuing licenses and guaranteeing reasonable rates. For that purpose, it consists of three members appointed by the executive power. At this stage, this authority's institutional terms meet the general standards adopted by public service regulatory authorities in developed countries. But what about the implementation of good governance principles—do they play a role in this regulatory system?

First, the accountability of this authority seems to be accepted to some extent. If one may deplore the absence of parliamentary control, political control can, however, be exercised by the executive power. In addition, an appeal procedure for the public service's operations is available to users at the regulatory authority, whose decision can be appealed before a court of competent jurisdiction. These measures are complemented by numerous requirements for transparency. Thus,

In accordance with the Electricity Law of The Kingdom of Cambodia, EAC has the duty to collect the main data and relevant information from licensees for preparing the Annual Report on Power Sector of the Kingdom of Cambodia. This report is for dissemination to the Royal Government, institutions, investors and public desirous to know about the present situation of the power sector of the Kingdom of Cambodia.

In addition, a great deal of information is available at the regulatory authority's Web site;¹¹ its decisions and notices are explained and published; and users' appeal procedures can be openly obtained. In this regard, the regulatory authority seems to meet transparency requirements as mandated.

⁹ However, a national regulatory authority for the new information communications technology has existed since 2000—the National Information Communications Technology Development Authority—with the mandate of promoting information technology development and regulating projects implemented in the Kingdom of Cambodia. And yet, at the present time, this authority does not seem to perform its full functions of regulator.

¹⁰ According to the law, the four key responsibilities of the Electricity Authority of Cambodia are to (i) establish a legal and reasonable environment in the power sector for promoting fair competition in electric power business, promoting long-term efficient and quality investment, and motivating the private sector to play a role as to promoting economic growth; (ii) protect the right of the user to receive continuous, qualitative, and adequate electric power supply at a reasonable tariff; (iii) establish competition where it can be done in the power sector; and (iv) establish the conditions so that the supply and use of electric power will be efficient, qualitative, continuous, and transparent.

¹¹ <http://www.eac.gov.kh>.

However, this set of measures, which comply with the implementation of the principles of good governance, fails in one area, that of users' participation. The constitutional framework of 1993 does not provide for citizens' participation. Moreover, the social organization does not legitimize a participative system because of the preeminence of family ties and the solidarities they engender (Jennar 1997, Gaillard 1994). In addition, the Cambodian civil society remains rather unstructured and users-consumers' representation is virtually nonexistent. Lastly, "their main concerns are acceding to a service...that will pave the way for modernity" (Carlier, Gay, and Conan 2001), which remains very far..." which remains very far from the expectations of quality or respect for the environment voiced by users in developed countries.

In view of this, no form of participation is foreseen as part of the regulatory authority's operations.

However, we notice numerous citizens taking part in the authority's fulfillment of one of its public service tasks through the acquisition of electricity licenses. In recent years, there has been an increase in the number of independent power companies whose activities are regulated by the regulatory authority. This increase in the number of players-suppliers does not necessarily involve a recognition of users-citizens' needs and does not meet the logic for the service. It marks a strong commercial approach that is not motivated by public interest satisfaction.

Exclusion linked to poverty and the quality of the service remain sensitive issues that economic logic alone is not in a position to change. One of the regulatory authority's roles is therefore to create an environment favorable to private investors in order for them to meet public service mandates.

Limitations and Prospects for Public Service Regulation in Cambodia

Beyond the absence of participation, some intrinsic limitations prevail, notably the characteristic of the financial and human cost they generate. Actually, the establishment of a regulatory authority involves the recruitment of skilled persons and financial means to guarantee its independence.

However, this independence does not seem to correspond with the political reality, especially in relation to the executive power. Consequently, we turn to the concept of impartiality developed in the report of the French General Plan Commission (Bergougnoux 2000, page 214), which highlights three elements for the achievement of the regulatory mandate achievement. First, the regulatory authority must have "sufficient means" at its disposal to complete its task successfully. Second, its powers "do not have to be arbitrary, and therefore the authority must be answerable." Lastly, the tasks exercised by

this authority are “inside a framework that exceeds a single regulation, and that the authority can legitimately establish.”

In a country like Cambodia in which human resources are still insufficient, an increase in the number of regulatory authorities would face a recruitment problem and also a lack of funds. These limitations hinder the development of Cambodia’s institutions, and make one wonder about the country’s prospects.

Creating an environment for healthy and fair competition and ensuring equitable access for most of the population are necessary conditions for the development of public services in Cambodia. Good governance principles should lead to the success of the process in which the regulatory authority has a key role to play. But the transposition of operating approaches based on Western models does not make it possible to overcome difficulties specific to a developing country, in which recourse to justice, users’ representation, and also Internet access are far from similar.

Therefore, do principles embodied in good governance remain of interest in the Cambodian context, and, furthermore, is there still room for participation?

While it is a fact that fundamental freedoms and economic and social rights asserted in the constitution encourage the emergence of a civil society, which is widely politicized, this does not seem at the present time to really produce a fertile breeding ground for users’ participation.

But in a society in which preference for conciliation is declared by a political or social authority (Crouzatier 2001, page 149), participation adopts different forms, less characterized by the formality and representation so dear to Western models.

In this context, assessment constitutes a modality for participation better adapted to Cambodian society premises. With the prospect of a developing country with institutional and legal mechanisms still distant from the citizens, the possibility of having recourse to a mediator or of simply lodging a complaint enables the laying of foundations for a public service assessment process. Through its complaint mechanism, the EAC authority is likely to provide indicators on public interest satisfaction. Through a synthesis of dissatisfied users’ comments, the regulatory authority could create an assessment model for public service mandates. Thus, control methods could give users ways to take part in the workings of public services. Users’ satisfaction and the public services’ performance then become closely linked.

The people's office¹² constitutes in this context a complementary initiative to regulatory authority work and its activities could extend to complaints on all public service operations. Initiatives like paying attention to the problems of users with few means, or assessing their public service needs and expectations, maintain an ongoing political dialogue and establish true user-consumer participation in public service assessment.

In good governance, the regulatory authority makes it possible to support private investors by supplying them with transparent information and the possibility of lodging appeals, for which the law creating EAC has made provision. But it must also guarantee citizens a minimum level of service. The recourse to mediation on a local and national scale for problem cases enables an assessment of public service tasks, and also supports the development of a more harmonious society.

In this instance, the implementation of good governance standards does not appear sufficient to guarantee public interest satisfaction, especially because of the arduous application of the participation principle. The standards seem more geared toward the satisfaction of private players' interest and the smooth functioning of the market. The protection of public interest seems to require the definition and implementation of a regulatory authority based on standards other than those embodied in good governance.

¹² Article 12 of Decision n°47 of 11 June 2003 of the Royal Government of Cambodia on the structure and administration of Battambang district, Battambang province, and Siem Reap district, Siem Reap province, states: "to enhance good governance, each of the districts shall set up a 'people's office' which is tasked to receive complaints from and provide information to the locals, companies, enterprises and civil organizations regarding the irregularities and shortcomings carried out by staff at the district administration.

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Building a Harmonious Entrepreneurial Ecology: An Understanding Based on the Emerging Experience of the People's Republic of China

Li Guojun¹

Evolution of Entrepreneurship in the People's Republic of China

Entrepreneurship research is an emerging field that is gradually integrating several other disciplines. Low and MacMillan (1988) defined entrepreneurship as the “creation of new enterprise” and proposed that entrepreneurship research seek to explain and facilitate the role of new enterprise in furthering economic progress. By this definition, we can say that the entrepreneurial activities of the People's Republic of China (PRC) started at the end of 1970s, with the PRC's reform and opening that was begun in December 1978 by the Third Plenary Session of the 11th National Congress of the Communist Party of China (CPC). Generally speaking, the evolution of entrepreneurship in the 27 years since then can be divided into three stages.

The *initiating stage* covered the years from 1978 to 1984. Before the reforms, almost all of the enterprises in the PRC were uniformly owned by all the people, that is, they were state-owned and state-run. A small number of collectively owned enterprises did exist, but their managerial system was not essentially different from that of state-owned enterprises. Enterprises of any other ownership did not exist at all. State-owned enterprises are not enterprises in the real sense, but are administrative institutions under the control of the CPC and the Government. These so-called “enterprises” are merely production units that are neither independent nor creative. Starting from this basic reality, the Government put forward the idea of “delegating power and sharing profits” with enterprises for carrying out reforms, while gradually establishing in the countryside a household contract responsibility system with remuneration linked to output. The economic responsibility system confirmed the responsibilities and rights of the State, enterprises, and farmers, allowing enterprises and farmers to have at their disposal a certain amount of financial resources and economic benefits. In October 1984, the Third Plenary Meeting of the 12th National Congress of the CPC passed the Resolution on Reforming

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the Economic System, which called for “the whole people, collectives and individuals to go all out,” and encouraged all sectors of the economy, whether owned by the whole people, the collectives, or individuals, or with foreign funds, to cooperate with each other by establishing contractual joint ventures, equity joint ventures, or associations. Small state-led enterprises were allowed to be “let out” or “contracted” to collective or individually owned enterprises. During this stage, four different entrepreneurial models arose in eastern and southern PRC: the WenZhou model, in the “rushing market” style adopted by farmers with limited resources (Fei Xiaotong 1986, Shi Jinchuan et al. 2002); the SuNan model, based on the township and village enterprise tradition and technology from Shanghai industry (Fei Xiaotong 1983); and the ZhuJiang and JinJiang models, patterned after overseas models (Gong Weibin 2000, Xie Jian 2002).

The *exploring stage* covered the years from 1985 to 1991. Starting from the Third Plenary Session of the 12th National Congress of the CPC, the central emphasis for reforming the PRC's economy shifted from rural areas to urban areas, and the reform of state-owned enterprises was identified as the central link in the reforms. During this period, reforms in state-owned enterprises, as their most prominent feature, distinguished between the roles of government and enterprise, and separated the right to own from the right to run. To this end, the Government promoted the responsibility system of contracted operation, and implemented the system of leased operation in some small state-owned enterprises. The 13th National Congress of the CPC in 1987 further proposed that the joint-stock system be tried out as one form of property organization. The property rights of small state-owned enterprises could now be transferred to collectives or individuals in exchange for remuneration. In December 1986, the Standing Committee of the Sixth National Congress passed the Enterprise Bankruptcy Law (Trial), which stipulated that insolvent enterprises could apply for bankruptcy. In April 1988, the First Session of the Seventh National People's Congress passed the Enterprise Law. This was the first law for state-owned enterprises since the founding of the PRC. In addition, to protect the non-state-owned sector and provide legal guarantees for its development, policies, rules, and regulations were successively issued. Among these were the Interim Regulations for the Administration of Urban and Rural Individual Industrial and Commercial Businesses, the Law of Foreign Invested Enterprises, and the Provisional Regulations of Private Enterprises. The non-state-owned sector made significant breakthroughs during this period. Between 1985 and 1991, state-owned industry output grew by only 8.3% yearly on average, while the output of non-state-owned industry grew by as much as 23.9% yearly. Compared with state-owned

enterprises, non-state-owned enterprises were on the whole independent market entities, possessing relatively independent market rights and pursuing relatively independent economic benefits. In addition, the ZhongGuanCun entrepreneurial model, representative of technology entrepreneurship, arose in Beijing (Xie Jian 2002).

The *expanding stage* began in 1992 and extends up to the present. In November 1993, the Third Plenary Session of the 14th National Congress of the CPC passed the CPC Central Committee's Decision on Several Issues for Establishing a Socialist Market Economy System, which stated that the "market was to play a fundamental role concerning the resources under the macro control by the State"; that "the State was to create the conditions for all sectors of the economy to participate in the market competition on an equal footing, and enterprises from all sectors would be treated indiscriminately." In 1997, the 15th National Congress of the CPC further stated that "the non-public sector is an important component part of this country's socialist market economy." This statement was incorporated into the Constitution when it was amended in 1999. The status and the role of the non-state-owned sector, especially the private sector, in China's economic structure were officially confirmed. In 2003, the Third Plenary Session of the 16th Central Committee of the CPC, in a break from non-state economic theory and policies, decided to actively guide the development of the private sector. The Constitution amended in 2004 stated that "the lawful private property of citizens is inviolable." In 2005, the State Administration of Industry and Commerce reformed its registration system to better serve private enterprises. In addition, the transformation of state-owned enterprises, aimed at establishing a modern enterprise system, was implemented in 1994. While the transformation was continuously pursued, an exit mechanism for state-owned enterprises was gradually taking shape. According to a survey done in 2002, 25.8% of private enterprises had been transformed from state-owned enterprises. The confirmation and protection afforded by the policies and laws of the State to the status of non-state-owned enterprises as market entities encouraged the rapid development of the sector. Entrepreneurial activities, even including home entrepreneurship, are expanding all over China (Wang Xiyu et al. 2003).

To sum up, even as the PRC's reforms and development enterprises have made the transition to a market economy, entrepreneurship has continuously been on the rise. According to statistics from the departments in charge of small and medium enterprises (SMEs), there were around 10 million SMEs (14.8% of them state-owned) in 2004, accounting for 99% of all registered enterprises in the country, 60% of the national industrial output value, and 40% of national revenue, and employing 75% of the labor force.

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Entrepreneurial Ecology: Features and Problems

Entrepreneurial ecology refers to the entire entrepreneurial environment. In the PRC, it normally refers to the development environment. The term was first used by local administrators in their efforts to further local economic development, and later became an approach to deepen reform and advance development. The Decision on Several Issues for Consummating a Socialist Market Economy System, passed in 2003 by the Third Plenary Session of the 16th Central Committee of the CPC, transformed the role of government to that of serving market agents and creating a good development environment. The Decision on Strengthening the Party's Governing Capacity, passed in 2004 by the Fourth Plenary Session of the 16th Central Committee of the CPC, pointed out that the Party's governing capacity embodies, first of all, the Party's ability to lead development, and that one of its most important aspects was to serve market agents and build a good development environment. In this paper we use "entrepreneurial environment," "development environment," and "entrepreneurial ecology" interchangeably. Gnyamali and Fogel (1994) defined the entrepreneurial environment as a combination of factors that play a role in the development of entrepreneurship. First, it refers to the overall economic, sociocultural, and political factors that influence people's willingness and ability to undertake entrepreneurial activities. Second, it refers to the availability of assistance and support services that facilitate the start-up process. Using this definition, we may view the evolution of entrepreneurial ecology in the PRC as follows.

First, the widening of entrepreneurship is related to the Party's ideological and theoretical rebuilding. During the era of the planned economy, private property was viewed as the root of all evil. But under the leadership of Deng Xiaoping, from the late 1970s, the Government put forward a plan to develop private companies in order to adapt to the people's pursuit of personal wealth. Indeed, these policies have become a driving force behind the PRC's economic growth. On the macro level, the most fundamental characteristic of economic reform in the PRC is the transition from a planned economy to a market economy through the dual-track system—developing the elements (or sectors) of a new system side by side with the old unreformed system, and then, if things go well, reforming the old system in line with the positive developments emerging from the new components of the economy. This reform strategy may not justify itself by "eliminating efficiency loss" or "minimizing the implementation costs" of the reform, but may reduce the costs of political conflict the reform may generate in the real world. On the micro level, ownership reform is at the core of economic system reform in the PRC. For example, the State Statistical Office used to present data for seven different

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classes of enterprise ownership: individual ownership, private ownership, foreign ownership, joint ownership, shareholding corporations, collective ownership, and state ownership. Theoretically, the PRC's economic reform cannot completely succeed until major reform of the ownership structure is undertaken in the state sector, and the sooner and more aggressively actions are taken to improve the conditions for conducting ownership reform, the lower the costs of the transition. However, ownership reform will not only encounter strong resistance but also be technically difficult to implement. Even today, the ownership reform of state-owned enterprises still evokes extensive discussion but with less insightful measures (Lang Xianping et al. 2004).

The ideological and theoretical rebuilding is helped along by policy practices that directly drive entrepreneurial activities. So the entrepreneurial opportunities are uneven. Among the typical models of entrepreneurship, the ZhuJiang, ZhongGuanCun, and JinJiang models, and even the SuNan model,² are opportunity-driven and based on favorable policies or resource accessibility, while the WenZhou model is a model of survival-driven entrepreneurship. In general, the socialist planned economy was a quiet life where everything was "fixed." The right to decide was concentrated in the hands of a small group of people; most of the people did not make many choices for themselves, and even for those who were decision-makers, most of the work was routine since the environment was stable. There was little need for initiative, creativity, and innovation. People who have lived for decades under such a system cannot easily adjust to a market economy, where everyone needs to make his or her own choice in an uncertain environment. It takes time for them to learn how to deal with price fluctuation, uncertainty, a range of choices, and competition. An entrepreneurial society takes time to emerge (Drucker 1984), as the PRC is finding out.

Second, entrepreneurial ecology in the PRC has been dominated by local government. PRC's economic reform has been an experimental process (Zhang Weiying et al. 2005), with reform experiments based in regions (typically cities), sectors, or even firms. If a reform program succeeds in the selected regions, sectors, or enterprises, it is implemented in other regions, sectors, or enterprises; if it fails, it is stopped. Experiment is used not only for single reform programs, but also for comprehensive reform. Decentralization was one way of governance reform by the central leadership (Shi et al. 1993). So government entrepreneurship at the local, even grassroots, level is an important

² In the PRC, place-names are used to define the different regional models of development. ZhuJiang is in the south; ZhongGuancun is in Beijing; JinJiang, SuNan, and WenZhou are in the east.

feature of the reform process. Many reform programs started by local governments or at the grassroots level were later recognized and adopted as national policies by the central Government. This was the case with agriculture reform in Anhui Province, industry reform in Sichuan Province, and the development of stock exchanges in Shanghai and Shenzhen. In fact, local governments and the grassroots are important inner-system forces against the more conservative central ministerial bureaucrats. This does not necessarily mean that local governments act contrary to the will of the central leaders, but the local governments have greater flexibility and can influence actions taken on a larger scale. Local governments dismantled much of the central planning system. Many are far ahead of the national leadership in reforming the economy. Reform has been both a top-to-bottom and a bottom-to-top process (Chen et al. 1992).

The entrepreneurial efforts of local governments have reaped broad gains in economic development and public administration reform. On the one hand, local economic development is the main force pushing local administration reform, since political reform lags behind economic reform as a whole. On the other hand, local administrators have a strong impetus for development because their performance is assessed mainly on the basis of gross domestic product (GDP). Chongqing, a young municipality, struggled mightily on the way to the "economic center of the upper reaches of the Yangtze River" while directly under the central Government. But in 2000, Chongqing launched a "comprehensive renovation activity for development environment" with the aim of becoming within 3 years one of the best areas in entrepreneurial ecology in western PRC. It sought efforts from "everybody, every time, for each action, and everywhere." So the city planned measures, called "10 passels," for each of the 3 years. In 2002, the "10 passels" comprised measures for coping with entry into the World Trade Organization, boosting consumption, administering more capably, stopping makers of counterfeit goods, sprucing up tourism destinations, invigorating trade in farm products, developing specialty markets, eliminating safety hazards in production, clearing up pollution, and burnishing showcase areas. Growth pressures and expectations may, however, lead local governments to take shortsighted actions, such as land or mine exploitation to maximize revenue.

Given the local differences in resource endowments and policy opportunities, entrepreneurial activities have exhibited wide regional variations. In the late 1980s, some coastal areas such as Guangdong Province became quasi-market economies, while most inland areas were still dominated by central planning. The level of entrepreneurship mirrors the level of economic development. Take the private-owned enterprises as an example. There were

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3.44 million of these in 2004, and eight provinces or municipalities (Jiangsu, Guangdong, Zhejiang, Shanghai, Shandong, Beijing, Liaoning, and Sichuan) each had more than 1 million private-owned enterprises, all accounting for 63.24% of the national total. These same eight provinces or municipalities contributed more than half of GDP. As for the entrepreneurs, those from the coastal areas are opportunity-focused, while their counterparts from western PRC are necessity-driven, according to Zhang Yuli et al. (2003).

Third, entrepreneurial ecology now faces many problems. Reform with the approach of “groping for stones to cross the river,” or dealing with the problems one by one, is inevitable. Surveys done in recent years on the development profiles of private-owned enterprises described the evolution and the main problems that beset entrepreneurial ecology. The Basic Units Census in 2001 indicated the challenges faced by private-owned enterprises: standardizing the criteria for market entry, ensuring fair taxes and fees, regulating contracts between government and enterprises, providing finance and credit guarantees, making procedures more transparent and stable, building a credit system, and safeguarding property rights. Another survey organized in 2002 by the United Front Work Department of the CCP Central Committee, the All-China Federation of Industry and Commerce, and the Society of Private Economy Research revealed that social security, barriers to entry, fair competition, fee standardization, accessibility of financing, and access to overseas markets were the main problems of private-owned enterprises, and that unfair competition was a heavy barrier to development. In 2003, the China Entrepreneur Survey recognized that entrepreneurs running the private-owned enterprises were looking for streamlined bureaucratic procedures, the rule of law, more transparent policies and procedures, reforms in the financial system, fewer barriers to financing, a reduction in monopolies, and reforms in the earnings tax system. In 2004, the Corporation Survey of the State Statistical Office revealed that the five main problems of non-state enterprises were low access to financing, undisciplined public servants, policy distortions during implementation, lack of provisions for social security, and inadequately trained human resources.

Development of Entrepreneurial Ecology: An Emerging Understanding

Although the development environment concept in the PRC arose in the special context of a country in transition, studies on entrepreneurial ecology date back to earlier entrepreneurial research in the West. Pennings (1982) investigated how human ecology and the quality of urban life influenced frequency variations in organizational start-ups in 70 urban-metropolitan areas

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in the United States. Specht (1993) combined two streams of research and theory development, resource dependence and population ecology, to develop a model of relationship between organization formation, on the one hand, and environmental munificence and carrying capacity, on the other. "Environmental munificence" refers to the degree of resource abundance. "Carrying capacity" is related to the density or number of organizations competing for the same resources in a niche. So Specht (1993) came up with a five-dimension model comprising the social, economic, political, infrastructure, and market emergence dimensions. The social dimension refers to social networks, support of social-political elites, and cultural acceptance. The economic dimension refers to capital availability, aggregate economic indicators, unemployment, etc. The political dimension refers to support from government. The infrastructure dimension refers to quality of life, education system, transportation and communication system, nature of the local labor market, information accessibility, etc. The market emergence dimension refers to niche emergence and technological innovation. Gnyawali and Fogel (1994) developed a framework for understanding the environmental conditions conducive to entrepreneurship. This framework consists of five dimensions linked to the core elements of new-venture creation—developing opportunities, enhancing entrepreneurial propensity, and promoting entrepreneurial ability. The five dimensions are government policies and procedures, socioeconomic conditions, entrepreneurial and business skills, finance support, and non-finance support. Armington and Acs (2002) examined the role of human capital, training and education, and entrepreneurial environment in new-firm formation in 394 labor market areas in the United States. As a result of the study, the authors attributed variations in firm birth rates to industrial density, population, and income growth.

Li Shaomin et al. (2004) used data on 30 provinces, 566 cities, 2,612 counties, and more than 20,000 townships in the PRC to empirically analyze the variations in the ownership structure of new firms. Their findings indicated the following:

- The more developed the legal and physical infrastructure in a region, the greater the frequency of privatization among its new enterprises. A more developed physical infrastructure, such as road, transportation, power supply, and communication networks, will facilitate business operation and enhance the ability of businesses to compete in the market and be profitable. The establishment of a better legal system, including an independent judiciary and the supremacy of common-

law courts, substantially improves the security of property rights and lowers transaction cost.

- The greater the degree of government intervention in a region's economy and the greater the opportunities for "rent seeking," the lower the frequency of privatization among new enterprises. The opportunistic behavior of government and its preferential treatment toward different types of businesses tends to discourage the "birth rate" of private firms.
- The lower the level of government that is responsible for the approval and control of new establishments, the greater the frequency of privatization among new enterprises. The level of government to which an enterprise reports affects the competitive position of the enterprise.
- The greater the degree of privatization in a region, in neighboring regions, or in the industrial sector, the greater the frequency of privatization among new enterprises. The frequency and prominence of a particular behavioral pattern in a region strongly affect the propensity to imitate.

Four Aspects of Entrepreneurial Ecology Building in the PRC

Ecological justice	Equal treatment, procedural justice, interaction justice, etc.
Ecological support	Physical infrastructure, socioeconomic development, ability, information, etc.
Ecological cost	Economic cost, institutional cost, moral cost, etc.
Ecological modeling	Entrepreneurial atmosphere, learning models, cultural acceptance, etc.

To integrate the problems, frameworks for understanding, and empirical research findings mentioned earlier, we can construct four salient aspects of today's process of entrepreneurial ecology building in the PRC, as shown in the table. Social justice is now an important challenge in the PRC, owing to the large differences between city and countryside, between the eastern and western parts of the country, and between income classes. The latest issue of the State Council's "Some Opinions Regarding the State Council's Encouragement and Support of the Development of the Non-state-owned Economy" recognizes the need to "provide the non-state-owned economy with an environment of competing on equal footing; a system based on the rule of law; and a policy and market environment and policy measures that encourage, support and guide the development of the non-state-owned economy." Since private-owned companies have faced discrimination in various areas, it is significant that the Government has made clear its intention to grant them "national treatment." Ecological support is what entrepreneurs have been

striving for and it is never enough. However, the means of support should change somehow, for support is firstly dominated by justice. Ecological cost includes not only economic cost, but also institutional cost and moral cost. After 1992, local governments mostly paid more attention to “hard” environment building, and focused on economic cost. For example, they competed with one another in selling land at lower prices to attract capital investment. Today, the Government shall put more efforts on the “soft” and “deeper” part of entrepreneurial ecology building. Ecological modeling is the basic way for entrepreneurs to become more socially aware and extend their entrepreneurial activities.

Entrepreneurship is crucial for the efficiency of a market economy. Entrepreneurship is also a basic precondition of economic growth (Piazza-Georgi 2002). After 27 years of reform, the PRC's private sector economy is becoming a force to equal the state-owned economy. Future economic development in the PRC depends on the dissolution of the dual economic structure in which a vibrant private sector coexists with a lethargic state-owned sector. As Premier Wen Jiabao (2005) asserted when discussing “Some Opinions Regarding the State Council's Encouragement and Support of the Development of the Non-state-owned Economy”:

Not only does encouraging, supporting and guiding the development of the non-state-owned economy help promote the economic prosperity in urban and rural areas and increase fiscal revenue, it is also beneficial in creating new jobs, bettering the lives of the people, improving the economic structure and accelerating economic growth. It also has important strategic significance in realizing an all-round well-off society and in pushing forward the process of socialist modernization.

Entrepreneurship in the non-state-owned economy will intensify. Hu Jintao (2005) writes about the harmonious society—where there is democracy and nomocracy, justice and equity, honesty and fraternity, energy and vitality, stability and orderliness, and concordance between human and nature—as the social target for socialism, PRC-style.

Toward the goal of entrepreneurial ecology building, which by its very nature is a process of learning by doing, the PRC has now reached the fourth stage of entrepreneurship—the normal, everyday stage.

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Performance-based Budgeting in China: A Case Study of Guangdong

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Introduction

Performance-based budgeting (PBB) refers to a systematic effort that integrates performance information with program goals and objectives to assist budgetary decision making (Cope 1995, Grizzle and Pettijohn 2002, Willoughby and Melkers 2000). It is intended to shift the focus of budgeters and policy makers from internal control and input to the efficiency and outcomes of programs, so that performance information is used to enhance the quality of budget deliberations and decision making and so that resources are allocated more effectively to meet the expectations of politicians and the public (Schick 1966, US GAO 2001).

The 1990s were a golden era for PBB reform. The US Congress passed the Chief Financial Officer Act of 1990 and the Government Performance and Results Act of 1993, which together laid down the legislative foundation for PBB reforms in recent years. The George W. Bush administration also initiated a performance rating scheme that ties agency performance to program funding requests (Peckenpaugh 2002). In addition to reforms at the federal level, many US state and local governments introduced their own version of PBB in the 1990s (Berman and Wang 2000, NASBO 2002, Poister and Streib 1999, Willoughby and Melkers 2000).⁴ Despite criticism from skeptics about the results of these efforts, the momentum of reform has remained strong.

PBB has also advanced rapidly in other countries in the Organisation for Economic Co-operation and Development (OECD) over the past decade because many politicians see it as a way to make government more competitive and cost-efficient and a possible response to cynical taxpayers who demand

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⁴ By the end of the 1990s, 47 of the 50 US states had some sort of performance-oriented budgeting requirements, 31 had legislated how the process was to be conducted, and 16 had specifically tied the reform to budget guidelines or instructions (Willoughby and Melkers 2000).

more accountable government spending. Many have expanded the practice of PBB and introduced new legislation that requires performance measurement and benchmarking (Helgason 1997). For those countries that have been using performance measurement for a number of years, many have also begun to shift their focus to reporting outcome and to building a stronger link between performance measurement and budgeting (OECD 2002, Perrin 2003).

PBB initiatives have not been introduced solely in developed countries over the past decade. India, Malaysia, Philippines, Sri Lanka, and Thailand, for example, have all introduced their own versions of PBB (Dean 1986, OECD 2002, Straussman 2005). Some of these countries have adopted the reform to reduce waste, enhance government efficiency, and increase public satisfaction with public programs. Others have adopted PBB because of external pressure from donor countries and international organizations, which have begun to demand more transparency in recipient countries to demonstrate how grant resources are used and what results foreign aid has brought.

Regardless of the motivation for reform, there is little doubt that PBB has become more widespread among both developed and developing countries today than it was a decade ago. Its worldwide popularity, however, does not imply that it always offers a quick fix for many governmental problems. Quite the contrary, the decades-long experience of Western countries in PBB reforms shows that PBB tends to create many new challenges for policy makers and requires tremendous time and resource commitments in implementation.

This paper examines these challenges in the context of the People's Republic of China (PRC). In 2003, Guangdong became the first provincial government in the PRC to initiate PBB reform. Through personal interviews with Guangdong officials and documentation analyses, we evaluated the implementation process and analyzed the administrative and political challenges that Guangdong reformers may face in the future. In the following discussion, we first review the reform experiences of developed countries, primarily the US, to highlight some of the factors critical to the success of PBB reforms. Then we apply the framework to an analysis of the recent PBB reform in Guangdong.

Critical Factors in PBB Success: Western Experiences

In the past few decades, many studies have been done to evaluate the significance, challenges, and impact of PBB in the US and other developed countries. The general consensus is that, if implemented effectively, PBB can help improve the communication between the legislative and executive branches and the communication between the budget office and departments (Lee 1997, Willoughby and Melkers 2000). It can also encourage stronger accountability

and customer focus, and better strategic planning to guide program decisions and management (Broom and McGuire 1995, Barrett and Greene 2002, Hatry 1999, US GAO 2000, GASB 2002, Melkers and Willoughby 2001).

However, these potential benefits cannot happen in a vacuum. A close examination of Western experiences, particularly in the US, shows that an organizational, technological, and cultural infrastructure has to be present to make PBB work. These fundamental success factors include the following.

Top Leadership Support, Emphasis, and Legislative Mandate

Top leadership support is critical in any governmental reform. If the top leadership is enthusiastic and shows full support for the reform, the lower hierarchy of the organization is more likely to take the reform seriously and implement it faithfully. Legislative mandate can often help to reinforce the political urgency and importance of the reform. Passing performance measurement requirements as law and specifying how government officials should follow the requirements gives government officials the legal responsibility to implement the reform and makes them accountable if they fail to do so. The Government Performance Results Act (GPRA) of 1993 of the US federal Government is an example of legislative-mandated reform (Radin 2000). Many PBB reforms in US state governments are also initiated and required by state legislatures to make sure that the executive branch will follow through (Willoughby and Melkers 2000). New Zealand has likewise relied on legislation, including the Public Finance Act of 1989 and the Fiscal Responsibility Act of 1994, to guide the progress of PBB reforms.

A Solid Foundation of Cost Accounting in Government

A key performance measure is cost-efficiency. However, to accurately account for cost-efficiency, a government must first build a reliable and accurate cost accounting system for all government programs and budget items (Breul, forthcoming; US GAO 2003). The system must cover all direct functional expenses, such as salaries, benefits, and supplies, as well as overhead costs, such as administrative overhead, rent and physical building costs, and utilities. In addition, a clear methodology must be developed for allocating these costs not only to departments, but also to various programs within each department, so that the program cost data can be compared with the output and outcome data to determine cost-efficiency and effectiveness.

A Clearly Defined and Well-organized Budgeting Structure

A budgeting structure is the fundamental infrastructure of PBB reform. At the very least, a government should have a well-defined line-item budget for all departments and programs, so that government managers and policy makers can hold departments accountable for financial management results.

However, to truly implement PBB, the line-item budget must be reorganized by program, which can be multi-departmental, and aligned with a clearly defined structure of strategic goals and targets. This allows government officials and policy makers to see more clearly what social and economic goals they are trying to accomplish, how much resources are budgeted to accomplish these goals, and what results these resources have achieved at the end of the fiscal year. This alignment exercise can be very difficult, costly, and time-consuming. In the US, for example, the federal Government has spent decades to align the goals of many federal programs, but has made significant progress only in recent years (US GAO 2002).

An Effective Administrative Mechanism for Budgeting

Having a budgetary structure is not sufficient. Someone must enforce and monitor the use of the structure and rules, and use the information to improve the performance of government programs. In the US, this responsibility falls primarily on the executive budget office within each department. Successful PBB reform often requires giving these budget offices sufficient manpower, legal authority, and analytical capacity to help program managers analyze and use performance results effectively (Lee, Johnson, and Joyce 2004).

Equally important is the central budget office, which oversees all departmental budget requests. It is often responsible for providing budgetary guidelines and priorities to departments and agencies. It also helps compile and analyze departmental performance information so that the information can be integrated into the executive's budget requests.

A Well-defined Strategic Plan and Goal Structure for Agencies to Define "Performance"

Another success factor is having a well-defined strategic plan and goal structure with which performance measurement can be aligned. Previous studies on PBB show that the reform can help program managers see more clearly what they are trying to accomplish and rethink how they can accomplish those goals more effectively (Ho, forthcoming; Willoughby and Melkers 2000; US GAO 2004). However, these benefits can be realized only if there is a

strategic planning process that defines the long-term and short-term goals and the performance targets of public programs.

Competent Budget Analysts and Program Managers to Handle Program Evaluation

PBB also requires the presence of many competent and well-trained budget analysts and program evaluators within each department and at the budget office. These analysts need to understand not only program operation and budgeting, but also evaluation methodology and different types of performance measurement (Melkers and Willoughby 2001). They may require training not only in cost accounting, statistics, and budgetary analysis, but also in program evaluation, policy analysis, and other public administration skills.

Organizational Capacity to Handle Program Evaluation

Personnel capacity is just one of the building blocks of successful PBB reform. A government also needs to build other administrative capacity, for data collection and analysis, among other things (Newcomer and Scheirer 2001). The use of modern information technologies can offer tremendous help and time savings. Many city governments in the US today use a computerized system that tracks the time they receive an emergency call for police or fire assistance, the type of assistance needed, and the amount of time it takes for the police or fire department to arrive at the scene. Without these information technologies, performance measurement would be very costly and difficult to implement effectively and accurately.

Positive and Negative Incentives for Workers to Focus on Performance

Positive incentives are important because they reward government officials who perform well and encourage them to enhance public program efficiency and effectiveness. These positive incentives may include financial rewards, such as performance bonuses, faster and better promotion, and higher salaries. They can also be nonfinancial, such as public recognition of the accomplishments of a program or a department.

Disincentives can also be used, but more cautiously, because they tend to generate opposition to the reform and insubordination. Disincentives may include delays in promotion or salary raise, and public shaming of the people who are in charge of a poorly performing program.

Cultural Shift to “Results-oriented” Management

For PBB reform to succeed, officials must also be helped to understand that the old ways of managing programs and budgets are no longer enough, and that the government needs to develop a new organizational culture that emphasizes public accountability and results. PBB is not just about data collection and reporting. It is a cultural transformation that requires government officials to think and work differently (Wholey 2002).

Time for the Reform to Sink In and Make a Difference

Finally, the Western reform experience shows that a successful PBB system takes a long time to evolve and happens incrementally. In the US, the first systematic PBB reform, the planning, programming, and budgeting system (PPBS), was introduced in the federal Government in the late 1960s. It was later followed by zero-based budgeting, management by objectives, and national performance review. Today, the US federal Government has an elaborate system that links performance information with strategic goals and budgetary information. However, after four decades of implementation and experimentation, the federal Government still struggles with many technical and administrative issues in performance measurement and needs more time and effort to refine its current system (US GAO 1997).

Performance-based Budgeting in Guangdong Province

Background

The lessons from Western countries provide a useful framework for analyzing and evaluating some of the potential challenges faced by PBB reforms in developing countries, including the PRC. In recent years, several subnational governments in the country have paid close attention to the development of performance measurement and performance budgeting in developed countries and have introduced their own versions of PBB reform to rationalize and systematize their budgeting. These reforms include departmental budgetary reform, zero-based budgeting, procurement management, and treasury management (Ma and Niu, forthcoming). Several local governments, such as those of Hebei City, Shenzhen City, and Guangdong Province, are often recognized as pioneers among their peers (Niu 2005).

In 2003, Guangdong Province became the first provincial government in the PRC to launch PBB reform. The province, located in Southern PRC, is well known for bold economic and political reforms. In the late 1970s, it was selected by the central Government as the first experimental area for market-oriented reforms. Since then, the province has transformed its economy and

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experienced rapid economic growth. In 2003, Guangdong's per capita gross domestic product (GDP) reached CNY17,310.84, one of the highest among subnational governments in the PRC. Its revenues of CNY131,551.51 million that year amounted to roughly 13.4% of total local government revenue and its expenditures of CNY169,563.24 million made up about 9.8% of total local government expenditure—the largest share in both cases.

The finance department of Guangdong Province initiated and coordinated the PPB initiative. In preparation, the department sent officials to Canada, France, the United Kingdom, and the US. It also secured support from key government and party officials, the local congress, and the Chinese People's Political Consultative Conference (CPPCC). Even though no formal legislation was passed with respect to PBB, legislative support for the reform was widespread and strong.

To promote the idea further among department officials, the finance department publishes the yearly *Guidelines for Expenditure Performance Evaluation in Guangdong*. In addition to updated regulations and guidelines for the reform, the publication contains public speeches of key officials, including the president of the Guangdong Communist Party, the governor and vice governors, and the director of the finance department, to emphasize the political significance of the PBB reform. The publication also includes expert opinions from the central Ministry of Finance, the local congress, and the Guangdong finance, audit, and supervision departments to demonstrate the broad support behind the reform initiative.

Furthermore, the department created a new division, the performance evaluation division (PED), chiefly to (i) compile and analyze financial statistics, and (ii) organize and conduct the performance evaluation of provincial programs. The PED has eight employees, three of whom are responsible for statistical analysis. The other five employees are divided into two groups: one person is in charge of basic performance evaluation, and the other four are in charge of specified or focused program evaluation. Basic performance evaluation, also called self-evaluation, is the first stage of PBB evaluation. It is conducted by agencies with the help of guidelines from the finance department, and the results are submitted to PED (see self-evaluation form in the Appendix). On the basis of the information it receives, PED organizes and conducts focused program evaluation to examine selected programs and agencies.⁵

⁵ The focused evaluation is done by public officials from the finance department and experts in related issues and topics. The finance department is responsible for maintaining an expert inventory of scholars, public officials, and agents, whose opinions may be solicited for focused program evaluation.

Overview of PBB Implementation

In the first year, the finance department launched six pilot projects in performance evaluation (see table). The selection of these programs was a top-down, centralized decision by the finance department.⁶ The programs that were chosen were those that (i) drew the attention of the party president or the governor; (ii) were believed to have the capacity to implement PBB; (iii) had a large appropriation and fiscal significance;⁷ or (iv) were under agencies with strong incentives to support PBB. Most of these programs were also included in the long-term strategic plan of Guangdong Province and had relatively well-defined program goals and performance targets. Only the tourism department, among the agencies in the experiment, had had a performance evaluation program, a year before the PBB experiment. This department is discussed in greater detail later on in this paper.

PBB Pilot Projects in Guangdong, 2003

Pilot Program	Responsible Agency
Science and Technology Park for Private Enterprises	Science and Technology Department
Reconstruction of Elementary Schools for Mountainous and Old Areas in 16 Cities	Accelerating Commission for Development of Revolution and Old Areas; Education Department
Highroad Construction for 16 Poor Areas	Transportation Department; Road Department
Basic Construction for Universities in the Tenth Five-Year Plan	Education Department
Asset Reorganizations of Commercial and Enterprises Group	Commercial and Enterprises Group
Supporting Poor Areas with Tourism Development	Tourism Department

Source: Finance Department of Guangdong, 2004.

After selecting the six pilot projects, the finance department notified the responsible agencies. It also organized a working committee, chaired by the director of the finance department and having members drawn from the different divisions of the department, to guide PED in performance evaluation.

The working committee then designed a self-evaluation form for the pilot programs. After the forms had been accomplished and sent back to PED,

⁶ Since 2004, all long-term programs (more than 5 years) and programs with a budget of more than CNY5 million have had to carry out performance evaluation.

⁷ The Highroad Construction Program for 16 Poor Areas, for example, received annual funding of CNY250 million.

the performance review process began. It consisted of four major steps. First, PED checked for information completion and data errors in the basic data review. Second, the division conducted fieldwork evaluation and site visits, and asked program managers and agency officials to present performance information and respond to questions from PED and its group of experts about the programs. Third, PED analyzed the data and site visit information and produced performance reports. The final step was to disseminate the results. An early draft of the evaluation report was circulated among the relevant expert groups and agencies for feedback. On the basis of the feedback, PED revised the report and sent the final results to the responsible agencies and other relevant organizations and individual officials.

Two Case Studies

To better understand the challenges and accomplishments of the PBB pilot project, PED conducted site visits in the fall of 2005 and held interviews with budget officials and staff of the Guangdong finance department and two of the departments that were included in the pilot implementation, namely, the tourism and transportation departments.⁸ The tourism department was chosen because it had the longest history of performance measurement among the six pilot programs and was highly supportive of PBB. It was also a functional agency with relatively more autonomous authority in its daily operation and management. The transportation department, on the other hand, was new to the idea of PBB and did not volunteer to participate in the pilot phase. Because of these differences in background, capacity, and attitude toward PBB, the following case studies should provide an interesting comparison that highlights some of the daunting challenges and barriers to implementing PBB.

A Case Study of the Guangdong Tourism Department. The tourism department began to conduct program performance evaluation in 2002, a year before the PBB pilot project. The department evaluated 14 programs in 2002 and 35 in 2003. One of its programs, Supporting Poor Areas with Tourism Development, was selected by the finance department for the PBB experiment. The program has an annual budget of about CNY30 million.

Because the tourism department has had an internal history of performance measurement, it has shown strong support for the idea of PBB and has been very proactive about it. The promotion of tourism development in poor areas is among its strategic goals (interviewee D). It has also arranged

⁸ The following were interviewed: two budget officials of the PED (interviewees A and B), a budget analyst of the PED (interviewee C), a budget analyst of the tourism department (interviewee D), and a budget analyst of the transportation department (interviewee E).

for representatives of the local congress and CPPCC to visit these poor areas to improve their understanding of the importance of the program and its accomplishments.

The tourism department created a working committee to assist in the implementation of PBB. The deputy director of the department, who is also vice president of the branch committee of the communist party in the department, headed the committee. The committee members came from the various divisions of the department and represented different areas of expertise, such as natural resource extraction, tourism program management, and tourist management. In addition, the department developed a vertical reporting structure and required tourism departments at the city level to create their own working committees if they had tourist programs in poor areas. Mayors often headed these working committees, showing the political significance of the performance evaluation.

To align its internal performance evaluation with the PBB pilot project at the finance department, the tourism department broke down the Supporting Poor Areas with Tourism Development program into subprograms, prepared financial plans for each subprogram, and submitted these plans with the budget request to the finance department. The PBB pilot project evaluated investment in public facilities such as restrooms and sidewalks, as well as security and tourist product development. But it did not review entertainment projects in scenic spots, because these projects are usually done with private investment (interviewee D).

Since the National Tourism Bureau had not started any performance measurement reform, the Guangdong tourism department did not have much prior experience to draw from and had to rely on its own thinking and research to define and measure performance. The key performance measures collected and used by the department were: (i) number of tourists; (ii) increase in local employment, hotels, and restaurants; (iii) increase in local resident income; (iv) amount of matching private investment; and (v) amount of matching investment from local governments. The department also determined whether scenic spots were open to the public (availability measure) and whether local residents had started paying attention to protecting natural resources, and evaluated the quality of communication between residents and tourists.

However, because of lack of experience and data, some of the measures were still primitive and the data were not comprehensive. Also, no significant change was made in the line-item budget structure to make it more oriented toward performance. Interviewee D admitted that the current accounting system could not provide adequate information for financial analysis. Also, most of the budget analysts and program managers of the department still

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lacked the necessary experience and analytical capacity to define, measure, and analyze “performance.” As a result, “the tourism department used mostly qualitative evaluation” (interviewee D).

Despite these limitations, the performance measurement effort has stimulated innovative thinking and has had a positive effect on program management. It has led to more discussion between the tourism department and the agriculture, fishery, and forestry industries about facilitating development in poor mountainous areas. It has also raised policy makers’ awareness of the need to improve highway and highroad development and to develop long-term economic development and environmental protection measures.⁹ Furthermore, budget analysts and program analysts were trained to use performance information more effectively. Although there were some complaints about the workload associated with the PBB program, departmental staff were generally supportive (interviewee D). The management also helped in reducing staff resistance to PBB by linking program performance with employees’ performance evaluations and paying public compliments to high-performing employees. Moreover, well-performing programs were offered financial incentives, such as continuous funding and easier budget approval.

Finally, PBB has contributed to a cultural shift within the tourism department. Public officials and program managers today have become more aware of the importance of public accountability and pay closer attention to the results of public spending. PBB has also raised the significance of the program within the department. The success is directly linked to the attitude of the top leadership. As interviewee D commented, “top leaders’ acknowledgement is very important for PBB implementation. Many times in public, they reiterated the importance of tourism development in supporting poor areas so that the voice of tourism could be heard and be taken seriously.”

A Case Study of the Guangdong Transportation Department. In contrast to the experience of the tourism department, the PBB initiative at the transportation department took a very different development path. First, even though one of its programs, Highroad Construction for 16 Poor Areas, was selected as a PBB pilot project in 2003, the department itself did not start using PBB until 2004. It also had limited capacity to handle performance measurement tasks and had to rely on the finance department to do most of the data work for the pilot project in 2003.

⁹ However, interviewee D also admitted the shortsightedness of tourism development policies: “Programs cannot be too long. Two or three years is OK. Otherwise, private investors or local governments would not like to invest.”

“Highroad” refers to the road system that connects highways and rural roads. Highroad construction is an important item in the Guangdong Province Tenth Five-Year Plan (2001–2005) for Supporting Poor Areas. According to this plan, CNY250 million would be invested annually in highroad construction for 16 mountainous poor areas from 2001 to 2005, and by 2009, Guangdong would build 48,000 more kilometers of highroad to meet transportation demand in the province.

The program has not only economic but also political significance. According to interviewee E, highways are built for public officials who like to get credit and national attention for their accomplishments. Rural roads, on the other hand, are built for the public, especially in poor areas, to improve the quality of life. Highroads, linking these two road systems, are critical to politicians because they help realize the full potential benefits of both types of infrastructure investment (interviewee E).

However, the results of the first 2 years of spending on highroad programs in poor areas was not satisfactory, and this was probably one reason why the program was selected as a PBB pilot project by the finance department (interviewee B). Since the transportation department itself had no previous experience with performance measurement reform, support for the PBB experiment was weak (interviewee E) and the pilot project was done only to satisfy the demands of the finance department.

From the beginning of the project, there were many technical hurdles to overcome. Since there was no unified accounting system within the transportation department, it was almost impossible to provide all the details for program evaluation and cost analysis (interviewee E). Performance measurement in the department was further complicated by the fact that multiple providers and funders were involved. The department had more than 30 programs, with a total budget of about CNY400 million. However, this was just part of the financial picture, as the department often required matching funds from local governments and private investors.¹⁰ Because external parties were involved, the performance of the department in road construction was more difficult to measure because it depended not only on the effort of the provincial government but also on the cooperation of the external entities.

The transportation department was also highly constrained in staffing the management of performance measurement tasks. Its financial division had nine employees: the director, the deputy director, the internal auditor, the cashier, three internal accountants, an accountant responsible for managing

¹⁰ One of the performance measures in the PBB pilot project was whether the department had successfully secured matching funds for projects.

business with the central Government, and, finally, an accountant responsible for managing business with the provincial government. All of them were already heavily occupied and could not commit much time to performance evaluation. Since individual departments had no fiscal or administrative authority to add and hire for new positions, the problem could not be resolved easily (interviewee E).

In addition, because of the diversity of its programs, the department found it difficult to define the goals of the programs and develop reliable and valid measures for program evaluation. For example, determining how the effectiveness of environment protection or the social benefits of building a new road should be defined and measured was a serious challenge. As a result, the department kept track of only very simple performance data, such as whether roads were open or closed. It also relied mostly on qualitative analysis in the evaluation process. As interviewee E remarked, the department could focus only on very raw performance measures and its ultimate goal was to ensure that people could have efficient access to roads for basic daily needs and emergency purposes.

This is not to say that there was no benefit from the PBB pilot project. It is believed to have contributed to better strategic planning and helped shift the budgeting focus from input to results of programs. However, with its highly constrained staff and administrative capacity, the transportation department was not enthusiastic about the PPB pilot project. In reviewing the situation, interviewee E agreed that the involvement of a third party, such as a private agent funded by the finance department, might have helped the situation and increased the financial transparency of the transportation department. Also, the department needed more incentives to encourage voluntary cooperation. Interviewee E remarked:

The finance department is responsible for developing an incentive system to increase agencies' initiatives to implement PBB. For example, the finance department can simplify the budgetary request process for agencies that have better performance. This will help reduce the workload of these agencies. In addition, the finance department can publicize the PPB results and give nonfinancial acknowledgment to agencies that implement PBB well. This will further motivate not only agencies that have good performance but also agencies that have poor performance. Financial incentives could work, but if more resources were given to programs with better performance and less resources to poorly performing programs, this may contradict the principle of fiscal administration and reduce the efficiency of budget allocation.

Lessons from the Guangdong PBB Experience

Accomplishments

The review of the pilot projects showed that Guangdong Province had to, and will need to, surmount many hurdles in implementing PBB. However, the province should be complimented for its progress so far and its realistic approach to implementation. The Guangdong experience, when compared with the decades-long experience in Western countries, confirms the fact that the success of PBB reforms depends on several critical factors.

Securing top leaders' support is important. Like the Western experiences, the Guangdong case study shows that strong commitment and support from the top leadership is a key to the successful implementation of PBB. From the very beginning of the reform, the finance department carefully secured political support for reform. The finance director introduced PBB to the president of the communist party in Guangdong, Dejiang Zhang, and to Guangdong Governor Hua Huang and received their full support. Careful selection of the six pilot projects and the ability to demonstrate accomplishments to top leaders helped the projects win further political support. President Zhang complimented the department thus: "The [Guangdong] finance department has done a great job in the performance evaluation of the Science and Technology Park for Private Enterprises program. I recommend that the department draw lessons for others from this pilot" (Guangdong Finance Department 2005, page 2).

Patience is necessary; the reform must be given time to evolve. The Western experiences show that PBB reform may take decades of experimentation to evolve and succeed. Therefore, the Guangdong reformers set a modest goal at the early stage of the reform: to "enhance understanding of performance evaluation."¹¹ They did not expect to make drastic changes in the system. Instead, they focused on learning, education, experimentation, and information dissemination to help officials understand better the importance of PBB. As interviewee A said, "We will not introduce PBB in all agencies until people have very good understanding of PBB. The challenges in PBB implementation in Guangdong are more political than technical."

Focusing on the cultural shift is important. Guangdong officials realized that even though many technical and administrative conditions were not fully ready for a comprehensive PBB reform, they could start working on the necessary cultural shift and create a different managerial mentality in the

¹¹ This is the first principle of Guangdong's PBB, published in *Guidelines for Performance Evaluation* (2005) (Guangdong Finance Department 2005, page 227).

bureaucracy. They wanted all provincial officials to understand that PBB was a necessary and inevitable step in reform. “We must show results where we spend money” (interviewee B). They also wanted to make sure that all budget officials in the finance department understood the importance of PBB as the driving force for the result-oriented reform in the future (interviewees A and E).

Future Challenges

Despite these accomplishments, tremendous hurdles still confront the Guangdong finance department. These challenges include the following.

How to define “performance.” The first technical challenge is how to define “performance” for different departments. The finance department needs to develop an inventory or a knowledge base of performance measures, quantitative as well as qualitative, for different departments. This is especially important at the early stage of reform, when many departments lack experience and understanding of which measures are appropriate, reliable, and quantifiable.

How to benchmark “performance.” After performance measures are defined, the finance department and program analysts in the different departments still need to know whether performance is acceptable or not. Currently, there is no benchmark for the PBB pilot projects. As a result, PED has had difficulty evaluating and analyzing their performance.

How to expand the pool of expertise in performance evaluation. Currently, the finance department is the primary source of expertise in performance measurement and budgeting, and within the department, PED specializes in performance evaluation. However, PED originated from the statistics and evaluation division, which primarily evaluates state-owned assets, not programs. Hence, if PBB is to cover more programs and agencies, the finance department will have to provide more training and staff development to reorient its analysts. In addition, it may need to rely on external experts in related fields. Unfortunately, the progress in establishing an expert inventory has remained unsatisfactory. This may create a bottleneck for the future expansion of PBB reform in Guangdong.

Need for complementary personnel reforms to support PBB. As the Western experiences have shown, PBB is an intensive data exercise and demands much time and resources from departments. The special software programs created by PED to reduce the reporting workload of departments have helped only the basic data exchange between agencies and the finance department. Time and people are still needed to collect and analyze data. Unfortunately, hiring decisions are outside the control of the functional departments and the finance department and are in the hands of the Staff Administration

Commission (interviewee B). If the commission fails to recognize the mounting hiring needs of the finance department and other agencies, this will only create more work stress among staff and ultimately resistance to reform.

Need to create stronger departmental support for PBB. The case studies above show that the different departments have varying degrees of understanding and support for PBB. The finance department apparently has the strongest support and motivation to implement the reform. The tourism department also got solid support for PBB from its director, the party president, and the governor. The transportation department, however, has been less enthusiastic about the reform. Diverse opinions about PBB can be expected. However, if not managed carefully, those opinions may create significant political roadblocks in the way of reform.

Need for accounting and financial management reforms. The current focus of the Guangdong PBB reform is on performance measurement and program evaluation. Not much has been done to link performance information to cost information and budgetary requests, which are the focus of PBB reform in Western countries today. To fully link budgeting and performance measurement will require major reforms in the accounting system of the Government to improve the cost analysis of programs. However, the Ministry of Finance at the national level, and not the provincial finance departments, manages government accounts. Hence, how the accounting system reforms can be accomplished remains a puzzling intergovernmental question.

In addition, the current PBB reform in Guangdong focuses only on individual programs without considering the full operation and personnel costs of an agency, and hence does not give a full cost picture of programs. Under the current budgeting structure, budget expenditures are divided into three major categories: personnel expenditures, operation expenditures, and program expenditures. "Personnel expenditures" are payments made to agencies' employees, including basic salary, allowances, subsidies, social security and retirement benefits, education stipends, health insurance, and housing subsidies. "Operation expenditures" are amounts spent on daily operations, such as business travel, supplies, maintenance and repairs, reception, and other business-related spending. "Program expenditures" go to the repair and purchase of large facilities, basic construction, renovation, and the provision of products and services. If future PBB reform is to include other expenditures in the analysis, significant changes in the accounting and budgeting system will be needed.

Issues of power distribution between the finance department and the budget offices of functional departments. The finance department currently plays a significant role in initiating and coordinating the PBB reform in

Guangdong. But it has to work closely with the executive budget offices within the functional agencies, which are responsible for financial management and budgeting at the agency level. Because of lack of understanding of PBB and miscommunication between the finance department and these budget agencies, however, agencies sometimes fail to meet the reporting requirements set by the finance department. Some agencies also play “word games” with the finance department and fail to submit the necessary information. How the power structure between agencies’ budget offices and the finance department should be reshaped in the future is another major challenge and may create political hurdles for PBB reform.

Realignment of responsibilities between divisions in the finance department. As mentioned above, PED is a new division in the finance department, with responsibility for performance evaluation and PBB implementation. However, other functional divisions in the finance department monitor departmental budgets. How PED should coordinate with these divisions has remained a challenge (interviewee B). Before the implementation of PBB, these functional divisions were authorized to review budget requests from agencies and provide suggestions. Under PBB, after division review, all program budgets must be sent to PED for performance evaluation. This can sometimes be regarded as a challenge to the authority of functional divisions and can create political resistance to the reform. The problem is further complicated when PED is short of expertise in specific fields and when agencies complain that PED guidelines are unhelpful or are misinformed. These problems may require more careful examination of the administrative structure of the Guangdong finance department, which may need to evolve toward the model of the Office of Management and Budgeting of the US federal Government.

Difficulties in aligning strategic planning and performance measurement. As shown in the Western countries’ experiences, strategic planning is an essential element of PBB. Program objectives should be the basis for developing performance measures, and performance measurement should be used to evaluate whether program goals have been met. Ideally, program goals, objectives, and performance measures should be aligned. However, the institutional setting in the PRC may not allow this to happen easily. First, strategic planning is a top-down process. Public policies and goals are often set by the central and provincial governments, and departments have little flexibility in establishing their own strategic goals and performance targets. Even if a program is found to be ineffective and inefficient, a department may still need to continue its operation if the program is mandated by a

higher level of government. Situations like this may frustrate program managers and performance analysts who believe that PBB is meaningless and futile.

Performance incentives. As in the Western experience, the creation of positive incentives is critical in encouraging compliance and support for PBB reforms. In the current PBB system, there is no formal incentive policy to reward high-performing agencies or punish poorly performing programs. However, according to interviewee B, the finance department has informal rules for giving agencies incentives to perform. It tends to give higher priority to the budget requests and concerns of programs and agencies that have performed well in previous years. “This does not mean that programs that were not done well will get budget cuts,” said interviewee B. “Budget allocation should serve public policy and strategic plans, but we have considered accommodating agencies that have done a very good job.” Under this strategy, “the better the agencies spend their budget, the easier it is for them to have the next year’s budget approved” (interviewee E). These rules seem to be reasonable and are highly consistent with the PBB practices in many Western countries. In the future, the finance department might formalize these rules and make them more transparent to program and agency managers so that they can respond positively to the PBB reform. Also, they might extend the incentive system to personnel management and reward managers that help organizations become more effective and efficient.

Conclusion

This paper analyzes the recent PBB reform in Guangdong Province, PRC. Our analysis shows that reformers in Guangdong face technical, administrative, and political challenges that are very similar to those in other countries. The common core questions seem to be how “performance” should be defined and measured, how performance information should be aligned with budgeting and strategic planning, and how the reform should be implemented within a political system.

Our analysis also implies that the future success of the Guangdong reform will depend not only on the improvement of its administrative and technical capacity, but also on the political will of the leadership to tackle some sensitive questions, such as the role of the finance department and its relationship with functional departments, the power distribution between divisions of the budget office, intergovernmental relations, and the responsibilities of the executive and the legislative branches. In the PRC, the role of the Communist Party in the budgetary process and in other governmental decision making is also a fundamental issue that deserves special attention. Whether PBB can indeed

rationalize the budgetary process and enhance government performance depends in part on whether the communist party is willing to let go of part of its administrative control of the bureaucracy and let government managers manage according to the principles of cost-efficiency and effectiveness.

Hence, PBB is not just an idea for technical, administrative reform. It also challenges policy makers and reformers to rethink some of the fundamental questions of governance, such as who should have what power in the decision-making process, and when they should be granted the power. Perhaps one reason why PBB reforms in many Western countries often took decades to evolve is that the answers to some of these questions are not easily resolved. If any lesson can be drawn from the Western experience with PBB, it would be the prediction that the reform by Guangdong is just the beginning of a long journey that may take decades to complete.

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Appendix: Self-Evaluation Report of Guangdong Provincial Departments

1. Cover Page:

Report of Program Performance Self-Evaluation in Guangdong (recommended)

Type of Evaluation: ☐ Evaluation of implementation process ☐ Evaluation of program results

Title of Program: _____

Program Code: _____

Program Legal Representative Code: _____

Agency Code: _____

Expenditure Code: _____

Program's Official Seal: _____

Agency's Official Seal: _____

Date: _____

2. Contents

Name of program principal		Telephone			
Program manager's address				Zip code	
Category of program	<input type="checkbox"/> 1. basic construction <input type="checkbox"/> 2. special fund <input type="checkbox"/> 3. long-term program <input type="checkbox"/> 4. others				
Program expenditure category					
Program start date					
Selected performance measures					
Selected evaluation method					
Total budget		Provincial fiscal investment		Other investment	
Investment		Provincial fiscal investment		Other	
Expenditure		Provincial fiscal expenditure		Other	
Program introduction					
Performance measures					
Program execution					
Self-evaluation of program performance					

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Role of E-governance in Tackling Corruption: The Indian Experience

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R. S. Prasad²

Introduction

Corruption is a complex phenomenon. A vast literature is dedicated to defining the term. This paper defines corruption as the “use of public office for private gains” (Bardhan 1997). A similar definition is given by Rose-Ackerman (1999, page 3), who describes corruption as a symptom that something has gone wrong in the management of the state. Institutions designed to govern the interrelationships between the citizen and the state are used instead for personal enrichment and the provision of benefits to the corrupt. The price mechanism, so often a source of economic efficiency and a contributor to growth, in the form of bribery, undermines the legitimacy and effectiveness of government.

The work of Rose-Ackerman (1978, 1994) and Klitgaard (1995a, 1995b) is especially pertinent here. Professor Klitgaard’s and Rose-Ackerman’s corruption framework is succinctly summarized in the following equation:

$$\text{Corruption} = \text{Monopoly} + \text{Discretion} - \text{Transparency (in governance)}$$

Corruption reflects poor governance and erodes the moral fiber of society (TII and CMS 2005). Corruption is anti-poor: the poor, the downtrodden, and the underprivileged are its worst victims. Corruption in any form affects societal harmony and all the institutions of civilized society. It affects human dignity, freedom of speech, equity, equal opportunities, social development, prompt redress of grievances and injustice, uniform distribution of wealth, rule of law, transparency, and accountability in governance. To create a more harmonious society, corruption must be eliminated or reduced.

E-governance, on the other hand, is defined as the use of information and communication technology (ICT) to bring about simple, moral,

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accountable, responsive, and transparent (SMART) governance (Budhiraja 2003, Rajashekar 2002, Heeks 2001, Harris 2004). The objective of e-governance is to support and simplify governance for the community of citizens, civil society organizations, private companies, government lawmakers, and regulators (Tapscott and Agnew 1999). E-governance includes citizen-to-government (C2G), government-to-citizen (G2C), business-to-government (B2G), government-to-business (G2B), and government-to-government (G2G) transactions.

India is one of the few countries that have taken up projects to harness the potential of ICT for better governance. Different e-governance projects in India have had different objectives. Many of these projects have been very successful, whereas others have not been as successful and some projects have failed to achieve the objectives. But all the projects have succeeded in reducing corruption to some extent.

This study examines the relationship between successful e-governance and reduced corruption by analyzing some successful e-governance initiatives in India.

Corruption in India

After gaining independence, India opted for a parliamentary democracy. Democracy was supposed to bring good governance. But, though India has proved to be a stable democracy, it has not had good governance. The most important reason for this is pervasive corruption. Former Prime Minister Rajiv Gandhi observed that for each rupee spent on antipoverty programs only 15 paise reached the beneficiary: 40 paise was spent on overhead and 45 paise was lost to corruption.

India ranked 92nd among 159 countries in the Corruption Perception Index of Transparency International (TI) for 2005. On a range of 0 (highly corrupt) to 10 (very clean), India's score was a poor 2.9. India ranked 72nd in the 2001 version of the index, 73rd in 2002, 83rd in 2003, and 91st in 2004. In other words, corruption in the country is perceived to be increasing from year to year. It is no consolation that all the other countries in South Asia also rank poorly.

In the India Corruption Study 2005, Transparency International India (TII) studied the corruption that common citizens face daily in 11 public services in 20 major states of India. The public services were grouped into (i) need-based services, comprising income tax, municipalities, judiciary, land administration, police, and rural financial institutions; and (ii) basic services, comprising schools, water supply, public distribution system, electricity, and government hospitals. Corruption was found to be greater among need-based

services. According to the study, to avail themselves of the 11 public services, citizens had paid bribes totaling Rs210.6 billion (\$4.57 billion) in 2004. The most disturbing finding of the study was that even the judiciary is plagued by corruption. Sam Piroj Bharucha, former chief justice of the Supreme Court, said that up to 20% of all judges in India are corrupt. TII's study put the value of corruption in the judiciary at Rs26.3 billion (\$0.5 billion) yearly. The study also reported that three fourths of the citizens feel that corruption is increasing (TII and CMS 2005).

The study did not include political and business-related corruption or grand larceny, where billions of rupees are paid as bribes or siphoned off. If those figures were to be included, the magnitude of corruption in India would be mind-boggling. According to TI (2004), in government procurement alone, \$400 billion a year is lost to bribery worldwide. The loss due to all forms of corruption could well run into trillions of dollars yearly. India contributes a major chunk as one of the world's largest economies—and also one of the most corrupt.

Types of Corruption in India and Contributing Factors

Bhatnagar (2003c) differentiates between administrative corruption, collusion, and extortion. Administrative corruption involves delaying or denying service until a bribe is paid. Collusion, where both parties gain at the expense of government, involves favors, lowered taxes, waived penalties, and tampered government records. Extortion involves unreasonable demands by law enforcement authorities or tax collectors to extract bribes. Corruption in India can be classified into petty bureaucratic corruption at lower levels, administrative corruption involving senior public servants, and political corruption. Common corrupt practices are kickbacks, bribes, nepotism and misuse of office, misuse and abuse of public funds, unfair decisions in public procurement, and unethical and unfair award of contracts for personal gain.

The factors contributing to corruption are many: political patronage, politician-bureaucrat connections, politician-police-criminal connections, lack of transparency in government and bureaucratic functioning, lack of accountability, complex administrative procedures, discretionary powers of executive and administrative authorities, absence of effective corruption reporting mechanisms, lack of deterrents, poor conviction rates of the corrupt, corrupt judiciary, poor economic policies, black money, inadequate training of officials. Unfortunately, Indian society seems to have accepted corruption as a way of life, and the cost of being corrupt in India today is much less than the cost of not being corrupt (Sondhi 2000, Vittal 2004).

Effects of Corruption

The Supreme Court of India has compared corruption to cancer, plague, HIV/AIDS, and also royal thievery. On the effects of corruption, the honorable court said (AIR 2000):

The socio-political system exposed to such a dreaded communicable disease is likely to crumble under its own weight. Corruption is opposed to democracy and social order, being not only anti people, but also aimed and targeted at them. It affects the economy and destroys the cultural heritage. Unless nipped in the bud at the earliest, it is likely to cause turbulence shaking of [the] socioeconomic political system in an otherwise healthy, wealthy, effective and vibrant society.

According to Peter Eigen, TI chairman, “corruption is a major cause of poverty as well as a barrier to overcoming it” (TI 2005). Corruption makes public investment more expensive, reduces government income and its capacity for investment, retards the country’s growth potential and the growth of its gross domestic product, results in poor public infrastructure, shifts investments from priority sectors (socially important areas) like education or health and social welfare projects for the underprivileged sectors of society to large investments with the capacity to provide illegal earnings like defense purchases. Corruption restricts the access of citizens to public services they are supposed to get freely, generates black money, which in turn generates corruption, and increases the rich-poor divide. The costs of corruption to the country also include personal losses, loss of time, development cost, political cost, decline in the work ethic and degradation of values, and cost to the economy (TI 2001b). Politically, corruption increases injustice and disregard for the rule of law (Sondhi 2000). Corruption also affects foreign direct investment and foreign aid. Among the factors that contribute to poverty and its persistence, corruption is the most significant. Everyone suffers because of corruption, but the poor and developing countries, and the poorest people in these countries, suffer the most. Corruption keeps the society, the government, and the economy underdeveloped, in the process creating social tensions and disharmony.

Combating Corruption with E-Governance

N. Vittal, India’s former chief vigilance commissioner, suggested a three-point formula for combating corruption: simplified rules and procedures, greater transparency and empowerment of the public, and effective punishment for the corrupt (Vittal 2004). In an opinion poll by Cho and Choi (2004),

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84.3% of the respondents said that the OPEN system (for “online procedures enhancement”) for civil applications, set up by the Seoul metropolitan government to fight corruption, had made the city administration more transparent, and 72.3% said that they were happy with the administration. Another survey by Fuliya and Bansal (2005) showed that providing a wide range of citizen-friendly services in one place through e-governance did away with middlemen, reduced corruption, and improved service delivery.

ICT offers benefits not found in conventional information management systems that make these reforms possible. As Colby (2001), Chaurasia (2003), Budhiraja (2003), and Millard (2004) point out, ICT allows greater accessibility, wider reach, instant communication and spread of information, automatic record keeping, systematic classification and recovery of data, better knowledge management, and sharing of information. Those responsible for particular decisions or activities are readily identified and administrative actions are more transparent. These characteristics can transform public administration and the relations between government and citizens, and make ICT a powerful tool in combating corruption in public administration.

According to Bhatnagar (2003b, 2005), e-governance introduces transparency in the data, decisions, actions, rules, procedures, and performance of government agencies. It simplifies processes and rules, takes away discretion by automating processes, builds accountability, introduces competition among delivery channels, standardizes documentation for more effective supervision, centralizes and integrates data for better audit and analysis. Citizens no longer have to bribe officials because the chances of exposure are high. The result is greater civic engagement and less corruption, leading to good governance.

E-governance upholds honesty and integrity in public administration, Yisheng (2002) puts in, adding that e-governance, in helping to prevent corruption, helps to promote democracy and the rule of law.

“Transaction governance capacity” can thus be created, Prahalad (2005) says. The citizens are empowered, no longer information-poor, able to participate, no longer obliged to wait in long queues for services that are their due, and, above all, no longer exposed to the social and economic consequences of corruption.

“[In India] e-governance initiatives have begun to cut through the web of bureaucracy,” notes Sing (2003). “Some states in India have begun to provide service delivery on line. And government web sites sometimes provide practical information on how to confront complaints about corrupt acts.” A study of 21 successful e-governance projects in India by Skoch consultancy services (Kochhar and Dhanjal 2004) brought out the marked decline in corruption as a result of the projects. According to the study report, 81% of the respondents

reported a reduction in corruption. The findings of that report are summarized in a table in the appendix.

A survey of 4,500 citizens from five cities (Hyderabad, Delhi, Mumbai, Kolkata [Calcutta], and Chennai) by the Center for Media Studies (*Economic Times*, 19 January 2004) showed that e-governance has brought down corruption in India. The study covered basic services, electricity, municipal corporations, urban development, transport, civil supplies, hospitals, water supply, and railways. Between 2000 and 2004, corruption went down from 63% to 27% in Hyderabad, from 51% to 19% in Kolkata, and from 38% to 18% in Chennai. But the level of corruption stayed about the same in Mumbai and even spurted from 40% to 49% in Delhi. The decline in corruption in Hyderabad, Kolkata, and Chennai was attributed to the successful functioning of e-governance projects.

E-Governance Projects leading to Reduced Corruption

For this study, we analyzed e-governance projects that, according to most studies of e-governance projects (including Dataquest 2003, and Kochhar and Dhanjal 2004), succeeded not only in achieving their stated primary objectives but also in reducing corruption.

Bhoomi

Bhoomi, a G2C e-governance project in Karnataka, a state in southern India, is a noteworthy example of how ICT can help reduce the discretion of authorities, improve accountability and transparency, and reduce corruption. Farmers in Karnataka who apply for a bank loan, verification, or a government pension have to present land deeds—known as records of rights, tenancy, and crops (RTCs). Before this e-governance project, 9,000 village accountants (VAs) managed all the land records. These were not subject to scrutiny and there was no accountability or transparency in providing the service. The VAs enjoyed many discretionary powers. Mostly these village accountants were inaccessible and they delayed or withheld the service until bribes were paid. It used to take 3 to 30 days to get an RTC, depending on the bribe paid. The bribes ranged from Rs100 to Rs2,500 (\$2.1 to \$52.1). Similarly, requests to amend land records to reflect sale or inheritance first had to be verified by the VA, who then forwarded the applications to the revenue inspector for the changes to be made. The process used to take up to 2 years, again depending on the bribe paid. It was not uncommon for these officials to tamper with government records to provide unfair advantages to people who paid bribes. VAs used to get bribes of around Rs10,000 (\$220) for writing ambiguous reports.

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For Bhoomi, the Karnataka government set up computerized land record kiosks (Bhoomi centers) in *taluk* (subdistrict) offices to provide the service to the farmers. The Bhoomi project automated 20 million land records affecting 6.7 million farmers. Now in less than 10 minutes and for only Rs15 (\$0.30) a farmer can get a copy of an RTC online from any of the 180 computerized kiosks. A touch-screen facility allows easy access. Bhoomi has totally eliminated the discretionary powers of officials by providing for online change requests. Accountability has been built in, as the kiosk operators have to provide the service within a given time, and so has security of data, transactions, and procedures. The operator of the system is accountable for decisions. Improved accountability has resulted from the deterrents imposed by the system: it tracks all database changes, documents all objections, gives the citizens easy access, and enables them to back their complaints with evidence.

Service is no longer delayed or withheld, as the transactions occur in a public place and follow a simple first-in-first-out procedure, and the people are becoming more aware that they do not have to pay bribes. According to an empirical assessment made in 2004 by the Public Affairs Center Bangalore under the World Bank-funded Governance Knowledge Sharing Program, 78% of system users found it easy to use and simple and 66% could use the kiosks without help. Seventy-nine percent did not have to meet any officials except the kiosk operator, whereas in the manual system 19% had to meet at least one official and 61% had to meet two to four officials. Errors in documents had gone down from 64% to 8%. Ninety-three percent of users who received documents with errors sought to have them corrected, compared with 49% in the manual system. The cost of service to the farmers had gone down considerably, as 84% of the users surveyed had to make only one visit to get the service. The implementation of change requests had improved by 85%. The most important benefit was that corruption had gone down from 66% to less than 3%. The Bhoomi project has saved the farmers Rs806 (\$17.5) million in bribes and Rs66 million (\$1.43) in wages yearly (2002–2003) (Lobo and Balakrishnan 2002, Narayan 2004, Bhatnagar and Chawla 2001).

Computer-aided Administration of Registration Department (CARD)

CARD is a major success story of e-governance in Andhra Pradesh, one of the most IT-savvy states in India. The conventional procedure of registration was cumbersome. It involved 13 steps, among them, ascertaining the value of the property, calculating the stamp duty, writing the legal document, having it verified by a sub-registrar, copying the document, posting entries into the register. Even a person selling a small piece of land had to go through stamp vendors, document writers, registration agents (middlemen), registration

offices, and other agencies. In Andhra Pradesh the 387 registration (sub-registrar) offices were all loaded with work, as registrations ran into 120 million documents a year. Each step and each person in the process caused and contributed to corruption. The entire process was shrouded in secrecy. The procedures were very complex, rigid, and incomprehensible to ordinary citizens. There was total lack of transparency in the evaluation of stamp duty, a major source of revenue to the state government. Although guidelines were available, the procedure gave much discretion to the officials and led to a considerable amount of corruption. Dishonest citizens exploited this weakness by paying bribes. Honest citizens, who would not pay bribes, were assessed a higher stamp duty or had to endure slow service. There was no accountability. Ordinary citizens had to seek the help of middlemen, who colluded with the officials and served as conduits for bribes.

The aim of the CARD project was to purge the corruption-ridden registration system by demystifying the process, introducing transparent and easily understandable valuation, speeding up the process, and improving efficiency and the citizen interface with an electronic document writing and document management system. The idea of automating the functioning was conceived in 1988 but met with little success at the time. A second study in 1996 led to a pilot project in September 1997, which had more success and was extended to 212 registration offices. At present, CARD operates in 387 sub-registrar offices throughout Andhra Pradesh. The service levels for various services have been established and prominently displayed in the offices. Registration now takes only 1 hour (instead of 1–7 days under the old system), encumbrance certificates are issued in 10 minutes (instead of 1–5 days), certified copies are released in 10 minutes (instead of 1–3 days). Document writing, which used to take several days, can now be completed in 30 minutes, and valuation certificates, which used to take a whole day to issue, can now be obtained in less than 10 minutes. Within 6 months of operation, 80% of CARD transactions were carried out electronically. CARD has brought transparency in property valuation, and citizens themselves can calculate the duty. Officials are now responsible for providing the service within the specified service levels. CARD has established the accountability of officials and greatly reduced discretion. Now the system handles on the average 5.7 million documents, 3.6 million encumbrance certificates, and 2 million market valuation slips annually. The most significant achievement of CARD has been eliminating middlemen and organized corruption. Corruption is down by 90%. In the absence of bribes, the savings to the citizens amount to more than Rs1 billion and more revenue goes to the treasury (Satyanarayana 2001).

Computerized Interstate Checkpoints in Gujarat

Gujarat, a state in the western part of India, has an extensive road network. The national highway links the Indian capital of Delhi with Ahmedabad and allows the passage of goods between the northern and western states. One of the largest seaports, Kandla port, is in this state. For these reasons, there is heavy movement of vehicles carrying interstate goods on Gujarat highways. It is estimated that more than 25,000 interstate transport vehicles ply these roads every day. More than 70% of these vehicles were found to be overloaded, posing grave danger to other road users. The truckers overloaded their trucks to earn more (and the manufacturers of goods avoided sales tax and central excise duties), as the normal practice was to calculate weight or size by the truckload.

The Gujarat government has 10 interstate checkpoints managed by road transport officials of the Gujarat motor vehicles department, which controls road transport activity in the state. The officials check whether the interstate vehicles have paid the required road taxes or not, have all the required documents (like insurance and permits), and are not overloaded. They can also impose penalties for headlights that are broken or not working and for nonstandard license plates.

These checkpoints were notoriously corrupt. Officials were known to pay Rs10 million (\$0.21 million) to purchase jobs at especially lucrative checkpoints. In 1999, out of 137 officials in the department, 27 were under suspension for corrupt practices.

Under the old system, suspect vehicles had to wait in line at the checkpoint. The average waiting time was 46.6 minutes. The official (inspector) examined each vehicle and, if he wanted its accurate weight, he sent it to the nearest weigh bridge. After inspecting the documents, the inspector calculated the penalty depending on the overload and issued a penalty notice. This process took 22.4 minutes on the average. The driver paid the penalty and then drove away. Documents were verified manually and the penalties imposed were arbitrary and discretionary. The old system also had other shortcomings. Only a few vehicles could be checked in a day, so that revenue was lost to the state. Truck drivers were normally held up for several hours and were forced to pay speed money (bribes) to the officials. Collusion between the officials and truck operators was not rare; in fact, some officials were known to be on the payroll of large transport companies.

To speed up the service and to ensure full inspection, the government of Gujarat implemented computerized interstate checkpoints. In this automated system, all vehicles were checked at the checkpoint, in the order they arrived. Each vehicle was weighed on an electronic weigh bridge, and the weight was

automatically transmitted to the computer in the checkpoint office. At the same time, the license plate was digitally scanned and the information was sent to a video server, where it was converted into text form. The weight and license number of the vehicle were transmitted to a control room in Ahmedabad, the state capital, over dedicated communication lines. At the control room, the particulars of the vehicle and details like road tax payment were checked with the help of license plate tracking software. If the vehicle was not yet included in the system, the details were added to the database. If taxes had not been paid, a message to that effect showed up on the computer screen at the checkpoint. The permissible weight and actual weight were also displayed. The software computed the penalty automatically and a system-generated receipt was issued to the driver for the necessary payment. To ensure transparency, all these details were also displayed on an electronic board outside the checkpoint office for the benefit of the driver. The driver paid with a prepaid card and was required to make good any other aspect noted on the computer, like repairing broken headlights, before exiting the checkpoint, as only then would the automated barrier let the vehicle through. The entire process now took only 2 minutes, despite the thorough check.

Checkpoint officials could no longer be arbitrary or collude with erring truck drivers. As a result, the annual income of the checkpoints quadrupled from Rs627.75 million (\$13.6 million) to Rs2.6 billion (\$0.05 billion). The increase in revenue itself indicates how prevalent corrupt practices were in the system. A study team from the Center for E-Governance of the Indian Institute of Management (IIM)–Ahmedabad conducted a survey on the effectiveness of the project 1 year after it was first implemented. According to the survey report, revenues had gone up tenfold and the \$4 million investment had been recovered in just 6 months, increasing the revenue of the state. This project succeeded in eliminating corruption. However, it was later abandoned for reasons unrelated to the functioning or efficiency of the system. This project was conceived in 1998 by a former transport commissioner of Gujarat state and implemented with support from the Gujarat government. Many road transport officials saw the project as a threat. However, it was implemented smoothly and ran well for a year, under the former commissioner. After his transfer to another post after that year, monitoring mechanisms fell into disuse, maintenance and service contracts were not renewed on various pretexts, and the service provider therefore withdrew his people. This gave the road transport officials the opportunity to misuse the system and revert to old practices (CEG-IIMA 2002, UNDP-APDIP 2005). This case amply demonstrates how important it is for the project champion and the government to give sustained support to e-governance projects that root out corruption.

Saukaryam

Like all other municipal organizations in India, the Visakhapatnam Municipal Corporation in the state of Andhra Pradesh was known for inefficiency, corruption, complicated procedures, and poor service. Even simple services like getting a birth certificate or property tax assessment used to take several days—and bribes from citizens. Building plan approval was not transparent, took an inordinate length of time, and bred corruption. Marked by secrecy, bids and tenders for public works and procurement by the municipality were also traditional sources of corruption.

Saukaryam (“comfort or facility” in the Telugu language) is a pilot e-governance project aimed at bringing transparent municipal services to the citizen’s doorstep. It is also the first project in the country that is based on public-private participation in e-government. This project covers the whole gamut of online service provision. Citizens can access the Saukaryam through its Web site, through kiosks in civic centers, or through a network of banks. With Saukaryam, citizens can check and pay their tax dues, apply for building plan approval and track the status of approval, get birth and death certificates instantly, and register their complaints—all online. They can also get redress of problems regarding taxation, water supply, and works management, as well as information about town planning and leases of municipal property online. Hospitals can forward birth and death information online. With the Saukaryam project, the Municipal Corporation has started publishing all information about bids and auctions, tenders, and procurement decisions on its Web site. Interested parties can apply online and follow the progress online. The result of all this is transparency.

Another salient feature of the project is the citizen’s charter, which lays down the standards of service to citizens, thus ensuring and improving accountability. The rules and procedures are prominently displayed on the Saukaryam Web site. The utility-driven site serves every need of citizens around-the-clock and has done away with the need for a personal visit, which used to present an opportunity for corruption and harassment of citizens at the hands of corrupt officials. This project also provides an online citizen’s forum, where citizens can discuss problems and vent their grievances.

Every day more than 3,000 citizens use this facility, and the Web site has more than 25,000 registered users. Services have improved many times over, in quality and speed, and corruption has largely been eliminated. This can be seen from the increase in municipal tax collections. The Municipal Corporation, which had run up debts of Rs350 million (\$7.6 million), has earned a surplus of Rs1.0 billion (\$21.7 million) since the project was implemented. The names of tax delinquents have been published on the Web

site. In 2001 and 2002, 37,000 birth certificates were issued online and 17,000 of 18,000 complaints received were answered. After 5 years in operation, Saukaryam and the city of Visakapatnam have become inseparable (Jaju 2003, www.saukaryam.org, www.stockholmchallenge.se).

Customs Online

This is an e-government initiative of the central Government. Customs used to be perceived as one of the most corrupt departments and was known for slow service. Like any other government department, it had quite complex rules and procedures, with 18 stages of processing for exports and 15 for imports. The authorities had vast discretionary powers and no accountability.

The Government of India has introduced online functioning in all 23 customs offices all over the country. The process has been reengineered and the number of stages of processing has been reduced from 18 to 6 for imports and from 15 to 5 for exports. Digital signatures and payment gateways have been brought in. The e-filing of customs documents for imports and exports is in place and remote filing through an electronic gateway became functional in January 2004. Now 95% of all documents are filed online and 100,000 people visit the customs Web site daily to file papers or to check their status. On 1 April 2005, the customs department started accepting the electronic payment of duties. Users can now pay through designated banks.

Various studies on the effectiveness of the new system have found it to be simple, transparent, fast, and on the whole a great success. The reduction in corruption is estimated in billions of rupees. In the absence of detailed data it is difficult to quote exact figures. But there is ample evidence that online functioning has brought down corruption substantially, increased transparency in functioning, and improved services to the citizens (www.nasscom.org).

Vijayawada Online Information Center (VOICE)

The Vijayawada Online Information Center (VOICE) was an e-governance initiative launched in 1999 by the Vijayawada Municipal Corporation. Municipal corporations are well known for corrupt practices and Vijayawada Municipal Corporation was no exception. Citizens, who depended on it for services had to make a number of visits to the municipal office and pay bribes. The speed of service depended entirely on the bribe paid.

To bring the services closer to the citizens, five kiosks connected to the central server were opened in the town, eliminating the need for personal visits by the citizens. Some information was also provided on a voice response system. After implementation, VOICE provided efficient services to the citizens

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in a transparent and speedy manner. Citizens could get most of the services as well as information online, including building approvals, payment of taxes, public health, and engineering, municipal budget allocations, tax payment, grievance registration and monitoring, birth and death certificates. Rent for advertising space was calculated automatically, removing discretion and introducing transparency. In just one year, 2002, the system issued 15,000 birth and death certificates, 2,100 building approvals, and 224,000 demand notices for taxes. Of the 7,700 grievances that were registered, 97% were resolved. This project has reduced corruption, made services more accessible, and improved the finances of local governments (Kumar and Bhatnagar 2001, www.worldbank.org, CMC Limited 2004, Government of Andhra Pradesh 2005).

Karnataka Valuation and E-Registration (KAVERI)

KAVERI is a Karnataka government e-governance project aimed at speeding up property registration and the delivery of documents to citizens through fully automated registration. The maladies of the registration system were similar to those in Andhra Pradesh (CARD project): no transparency, complicated procedure, discretionary powers, presence of middlemen and insensitive officials. Corruption flourished. In addition to paying bribes, the people found that the process also took a large toll of their time. Earlier attempts by government to improve the system through automation did not produce the desired results. Various studies on the functioning of the old system clearly indicated that unless all the processes were reengineered, the project might not achieve the stated aim. Also, large amounts of funds were needed to automate 201 registration offices.

The government of Karnataka overcame this problem through public-private participation, whereby private parties run the front-end operations (interactions with citizens) through kiosks and the registration department handles the back-end process. The private partners provide the hardware, office furniture, and manpower needed for front-end operations like data entry, scanning, and archiving. They are expected to recover their costs from the service fee charged to the users. The registration department provides the software, completes the registration, and issues the certificates. The project became fully operational in 2003 and is a success. A survey by Skoch International in Bangalore found the project user-friendly, simple, and fast in delivering service. A major finding of the survey was that corruption had gone down by 80%. Respondents rated the reduction in corruption at 8 on a scale of 0 to 10 (Murthy, Mujibshiekh, and Patil 2002) (see Appendix).

Central Vigilance Commission (CVC) Web Site

By any standards, the CVC Web site is the most innovative experiment in e-governance by a government department with the responsibility of controlling corruption in the government. CVC was made a statutory body in 1988 at the direction of the Supreme Court of India. Under the leadership of the then Commissioner N. Vittal, CVC had the idea of propagating zero tolerance of corruption. It launched a Web site to share information about corruption with the general public. This Web site is unique in many aspects. It gives information about the role, responsibilities, and strategies of CVC for fighting corruption. It guides the citizens on the procedure to be followed in lodging complaints without fear of reprisal. Other information on the Web site includes a list of nominated officers from different departments who are responsible for taking the complaints, and corruption statistics. The most important feature of the Web site is the published list of Indian Administrative Service and revenue service officers who have been charged with corruption or punished.

The easy procedure of making complaints against corrupt government servants, and the likelihood that the names will be published on the Internet, has been an effective deterrent to corruption. The initiative has generated much resentment among senior officials but has been well received by the public. A public survey by the *Economic Times* on the effectiveness of this experiment showed that 83% of the respondents believed that naming the officials charged with corruption would have a deterrent effect. In a separate study by the *Hindustan Times*, 90% of the respondents welcomed the move. Some officials tainted with corruption were found to be in sensitive posts, which they should not have been occupying in the first place. The Web site also enables the mass media to transmit important information to the public, offsetting the problem of low computer and Internet density in India. The site is undoubtedly a bold attempt to make information available to the general public and discourage corruption (Bhatnagar 2003a, Vittal 2004, www.cvc.nic.in).

e-Seva

The aim of e-Seva ("electronic service") is to provide services to citizens under one roof. The e-Seva project, first implemented by the Andhra Pradesh government on 25 August 2001, allows citizens to pay their utility bills and taxes, register births and deaths, obtain birth and death certificates, apply for passports, file sales tax returns, and pay bills to telecom companies, all under one roof. Previously, the citizens availed themselves of these services at many different offices, in the process going up against petty bureaucratic corruption,

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and generally wasting much time. Now e-Seva provides a one-stop shop for more than 66 G2C and B2C services. Many more services like railway reservations are in the pipeline. Forty-six e-Seva centers, with 400 service counters, are spread over the twin cities of Hyderabad and Secunderabad, and also Ranga Reddy district, and any citizen in these areas can access the services at an e-Seva service center. The centers are open from 8 a.m. to 8 p.m. on working days and 9 a.m. to 3 pm on holidays (second Saturday and Sunday of each month). Payments can be made by cash, check, or demand draft, with a credit card, or on the Internet.

This project is a tremendous success and has been extended to other parts of the state, including the rural areas. It cost Rs360 million (\$7.82 million). In August 2001, collections amounted to a modest Rs 4.3 million (\$0.093 million); by 2004, they had reached Rs2.5 billion (\$0.54 billion). eSeva centers now collect revenues of Rs3 billion (\$0.06 billion) monthly and serve 3.5 million citizens. eSeva has succeeded in providing all services to citizens under one roof and in making the processes transparent and eliminating corruption (www.esevaonline.com, Raghuveer 2005).

Discussion

An analysis of the above cases amply demonstrates that e-governance can be very effective in reducing corruption or eliminating it altogether.

Corruption flourishes where there is no transparency in government functioning. The availability of high-quality information about governance enhances transparency. Most of the e-governance projects studied above have increased transparency by making available information about the functioning of government and its officials to the citizens around the clock or on demand by using technologies like the Internet. The Saukaryam project, for example, provided total transparency in awarding public works contracts by publishing all the relevant information on the Web. This transparency in operations and decision making has greatly eliminated corruption. The more transparent the system of governance, the less the opportunities for corruption.

Most e-governance projects brought governance (services) to the citizen's doorstep. Under the old system, for every service the citizen had to go to the department concerned and hand over the applications for the service to officials. This face-to-face contact gave the officials the opportunity to extract bribes, which most citizens felt compelled to pay to speed up the service and not have to make another visit. With e-government projects like Saukaryam, Bhoomi, and Customs Online, citizens and businesses can get now services without meeting any officials. Thus, e-governance projects strike at the root of corruption by eliminating opportunities to commit it.

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Complex and ambiguous rules and cumbersome procedures give officials discretionary powers, which are the root cause of corruption in many organizations like the customs, income tax, and road transport departments. In Gujarat, the road transport officials enjoyed unquestioned discretionary powers in checking vehicles or setting the penalties levied on truck operators. The computerized interstate checkpoint project has taken away the discretionary powers of road transport inspectors by making innovative use of technology and simplifying the process. The fivefold increase in state revenue proves how effective the e-governance project has been in eliminating corruption.

As the government is the sole provider of many services to citizens, the officials used the government monopoly to commit corruption by delaying or denying services to the citizens. In the manual system in Karnataka state, no one could get an RTC from the village accountant within a reasonable amount of time without paying a bribe. In the Bhoomi project of Karnataka, CARD, and other e-governance initiatives, technology helped overcome the problem of monopoly by setting service levels. Government agencies or officials could no longer delay the service for want of bribes.

The e-governance projects discussed above made the government and its officials accountable for their actions. Unlike the manual processes, the computerized systems allow all actions to be traced back to the source. Responsibility for inappropriate actions or incorrect decisions can thus be determined. Citizens can track their applications and complaints, and bring any delay to the notice of higher authorities. Unlike the paper-based systems, the computerized systems enable superiors while working online to monitor the progress and retrieve electronic documents. The publication of budgets, performance indicators, and citizen's charters also helps improve accountability and reduce corruption.

In most cases, the reduction of corruption is a by-product of a primary objective like enhancing the speed of delivery of services to citizens. But as the CVC Web site experiment proved, such e-governance initiatives can be used to declare war on corruption. Despite strong objections from many quarters, the CVC persisted with the initiative, which awakened the consciousness of the society. Many corrupt officials had to face the ignominy of finding their names in the published list.

Successful e-governance systems standardized rules and procedures, and reengineered processes to eliminate discretion. The design of the systems did not permit any deviation from the established procedure, and nonconformance was reported. Similarly, features contributing to accountability and transparency were deliberately built into the design of the systems. However,

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e-governance systems also need continuous monitoring and assessment. The governments cannot afford to be complacent after the initial success. Once the employees understand the new system, some of them can develop new ways to circumvent the system or they can contribute to the project's premature demise through other means. Gujarat's interstate checkpoint project is an example of this.

To fight corruption, e-governance projects must be selected from areas where opportunities for corruption are high, and the citizens must be involved right from the design stage. The design should be based on what the citizens want rather than what the government thinks they want (the traditional approach). But the use of ICT alone will not guarantee the success of an e-governance project in achieving its objective and eradicating corruption. The processes must be examined thoroughly and reengineered, as using ICT with outdated processes only increases corruption by providing opportunities to perform corrupt practices faster.

Most of the e-governance projects discussed above (including Bhoomi, Saukaryam, and CARD) have also improved government revenues and paid back the investment in a few months of their operation. E-governance projects like Bhoomi, VOICE, Saukaryam, and e-Seva have generated employment opportunities for the poor. These projects have also proved that problems like illiteracy and the digital divide can be tackled through innovative use of ICT; the Bhoomi project is a clear example of this.

Much research has been done on corruption and e-governance. But not many studies have focused on the impact of e-governance on corruption. Well-designed citizen feedback surveys can be of immense help in improving the e-governance projects and are urgently needed.

Conclusion

Corruption destabilizes society by creating social tensions. Corruption also indirectly increases the crime rate and violence in the society. Rampant corruption in government has pushed many young people into extremist groups. The e-governance projects discussed above have made governing transparent, taken away arbitrary and discretionary powers of government servants, and made these government servants accountable. The citizens now have more say in governance and feel empowered. The e-governance projects have showed that innovative use of ICT not only improves services to citizens but also reduces corruption and improves government revenues, which can be used for socially relevant areas like health, education, eradication of poverty, and the uplift of the downtrodden. The e-governance projects have also generated employment especially for the rural poor. All the citizens share equal

opportunities; no one is more equal than others. E-governance alone may not be enough to eradicate corruption, but it certainly can complement other efforts. Conversely, the elimination of corruption results in good governance. In the light of the Indian experience, we conclude that e-governance has the potential to tackle corruption effectively and usher in societal harmony.

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Appendix: Skoch E-Governance Report 2004 (Summary)

State	Project	Ease of Use	Speed of Delivery	SLAs	Simpli-city of Procedure	Time Savings ^a	Afford-able Cost of Service	Reduc-tion in Corrup-tion
Assam	TIMS	7	9	9	8	10	10	8
Assam	AAMAR SEWA	9	7	9	9	9	9	8
Assam	CIC	8	7	9	9	9	7	10
Uttaranchal	Aarohi	10	10	10	10	10	10	10
Uttaranchal	Land Records	7	9	9	10	8	10	7
Delhi	Passport	4	5	7	2	3	10	5
Delhi	Driving License	3	6	9	5	9	10	6
Center	Agmarknet	4	2	7	7	9	10	10
Center	TIN	7	8	8	7	9	7	9
Center	Railways	9	9	9	10	9	10	9
Center	Customs	7	7	7	6	7	10	3
Center	Kissan Call Centers	7	6	3	9	9	10	10
Andhra Pradesh	CARD	8	9	9	9	9	10	8
Andhra Pradesh	e-Panchayat	8	9	9	9	9	10	8
Andhra Pradesh	LR-MIS	9	9	9	9	9	9	8
Bangalore	Kaver-e-com	9	9	9	9	9	10	10
Bangalore	Kaveri	9	9	8	9	9	10	8
Tamil Nadu	Tamil Nilam	9	9	9	9	9	10	8
Tamil Nadu	Rural Delivery System	9	9	9	9	10	7	10
Maharashtra	Sarita	10	8	8	9	9	10	7
Maharashtra	KDMC	10	8	8	9	9	10	8

^a Compared with manual system.

CARD = Computer-aided Administration of Registration Department; CIC= Community Information Center; KMDC = Kalyan Dombivli Municipal Corporation; LR – MIS = Land Record Management Information System; TIMS = Tax Information management System; TIN = Tax Information Network

Note: The projects were rated on a scale of 0 (least effective) to 10 (most effective).

Innovations in Governance and Public Service: The Case of Andhra Pradesh State in India

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R.K.Mishra²

J. Kiranmai³

Introduction

Innovations in governance and public services have led to societal harmony in developed countries. Similar reforms are being carried out in many Asian countries. This paper discusses the participatory governance reforms that have been introduced in the Indian state of Andhra Pradesh to boost societal harmony.

Scope of the Study

The paper starts by discussing the concept of stakeholder participation in governance in Andhra Pradesh and then goes on to discuss innovative programs based on the concept. The programs reviewed here are the Janmabhoomi (serve the motherland) Program, water users' associations, watershed development program, and *vana samrakshana samithis* (community forest management groups).

Methodology Used

An impact evaluation exercise was undertaken to gauge the effectiveness of these schemes in the light of suitable parameters. Achievements in the core areas were compared with the status of the core programs in 2000 and milestones to be achieved in 2010 and 2020. Policy makers, government officials, and other stakeholders were interviewed. A pre-designed and structured questionnaire was used in the interviews.

Free veterinary camps organized in five districts of Andhra Pradesh as part of the Janmabhoomi Program were evaluated in detail. First, 599 livestock owners in 42 villages in the five districts, 59 departmental staff and nodal officers, and 46 people's representatives were interviewed. Then qualitative

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information was obtained through observations and detailed discussions with people's representatives, village functionaries, and district officials.

The innovations have fundamentally transformed the government-people interface. But implementation has been far from perfect. Some critical aspects, such as transaction cost, change management, and institutional reform, have not received the required attention from government, such that the achievement of the objective of societal harmony has been undermined. The survey findings indicated, for instance, that veterinary services have indeed been brought closer to the local people, as planned. But those surveyed also felt that the program must be strengthened and sustained. The veterinary camps were seen to be constrained by inadequacy of personnel, drug supplies, and logistical support.

The Janmabhoomi Program

The Janmabhoomi Program was launched in the state of Andhra Pradesh on 1 January 1997. This people-centered participatory development process reportedly evolved out of the experience gained in the implementation of the Prajara Vaddaku Palana (taking administration to the people) and Sharmadan (volunteer labor for development) programs and micro-level planning in the state from November 1995 to December 1996. The program was deemed necessary because of uneven and inequitable development, and the wide gap between the people's aspirations and their fulfillment, particularly for the poorest of the poor. The people's participation in formulating and implementing development schemes had not been effectively harnessed; they had become mere beneficiaries instead of partners in development.

The Janmabhoomi concept envisions public participation in all aspects of development. Everyone is encouraged to internalize the time-tested values of sacrifice, hard work, diligence, discipline, honesty, self-respect, and the quest for excellence, and every institution, the principles of participation, equity and equality, transparency and accountability, organizational excellence, and sustainability. As the village develops, so will the wider area, the district, the state, the country, and the people as a whole.

Objectives and Interventions

The interventions contemplated under Janmabhoomi are sensitization and values education, promotion of grassroots people's institutions built around specific interests (such as women's thrift and credit groups, youth groups, and watershed committees), institutional strengthening of local bodies through decentralization and participatory planning, training and orientation for all those involved in program implementation, and administrative reforms.

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All activities of public bodies are subjected to social audit, and each department has a citizen's charter, which sets standards for the services to be provided to the citizens. Emphasis is given to awareness building through the spread of knowledge and information.

Core Areas

The core areas of the Janmabhoomi Program are community works, primary education, primary health care and family welfare, environmental conservation, and responsive governance.

Community works under Janmabhoomi are taken up to provide basic services to the people, strengthen social and human development infrastructure, and give sustained employment to the unemployed and the underemployed. These community works are categorized into priority, permissible, and restricted work. The priority work includes supply of drinking water, sanitation and access to primary health care and education. The permissible work includes the construction of community halls and link roads. The restricted work includes construction of marriage halls, open air theaters, high school buildings. The people (except for scheduled castes and scheduled tribes) contribute 30% of the costs in priority work, 50% in permissible work, and 100% (no counterpart funding from government) in restricted work. Except for the scheduled castes and scheduled tribes, which constitute the weaker section of society, in all other cases the contribution has to come in the form of funding. The scheduled castes and scheduled tribes are completely exempt from funding the Janmabhoomi programs.

The focus in the core area of health and family welfare is on providing effective, accessible, and affordable basic health care and family services to ensure child survival, development, and protection, and equal status and opportunity for women.

Program Goals

The goals to be achieved in the core area of primary health care and family welfare in 2000, 2010, and 2020 are presented in Table 1.

Environmental Conservation

The community activities in the core area of environmental conservation are campaigns for clean and green villages, clean and green towns, sanitation maintenance (a weekly drive), construction of individual sanitary latrines suited to the local conditions, planting of trees, and popularization of nonconventional energy sources like biogas and smokeless *chullahs* (stoves), solar energy, and windmills.

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Table 1: Primary Health Care and Family Welfare Goals of the Janmabhoomi Program

Area	Indicator	As of 1 January 1997	2000	Goal 2010	2020
Population and Health	Crude birth rate (%)	24	19	15	13
	Crude death rate (%)	8.4	7.5	7	6
	Total fertility rate (%)	2.60	2	1.5	1.5
	Infant mortality rate (%)	66	45	30	15
	Maternal mortality rate (%)	3.8	2	1.2	0.5
	Life expectancy at birth (years): Male	61	63.5	66.5	69
	Life expectancy at birth (years): Female	63.7	66	70	73
Child Survival, Development, and Protection	Incidence of low birth weight (%)	33	20	16	8
	Children 6–9 months receiving food supplements (%)	48	55	75	100
	Fully immunized children (%)	40	80	100	100
	Preschool children receiving vitamin A dose (%)	42.4	70	100	100
	Early detection and rehabilitation of disabled children (%)	0	25	50	75
Women's Empowerment	Literacy rate among females aged 7 and above (%)	32.7	40	75	100
	Enrollment rate of females (%): Primary school	42.4	61	85	100
	Women getting married below 18 years (%)	53	45	30	10
	Anemia prevalence among women (%)	60	40	25	10
	Skilled work force among women (%)	<10	10	30	60
	Women's participation in organized sector (%)	14	30	50	50
	Reservation for women local – self government institutions (%)	33.3	33.3	50	Nil
	Access to cheap credit (%)	<10	30	50	>80
Household	Consumption of iodized salt (%)	60	70	85	100
	Access to basic sanitation (%)	<10	50	80	100

Source: Janmabhoomi Operational Guidelines, Government of Andhra Pradesh, 1997, page 30.

Institutional Arrangements

Teams of Janmabhoomi volunteers headed by social activists are formed in every habitation to encourage participation in the core areas. Among other activities, the team members assist in house-to-house surveys. An official of the village or *gram panchayat* (village governance unit; the lowest unit of local governance) is designated as habitation officer (in the rural areas) or ward officer (in the urban areas), and convenor of the habitation or ward committee. At the *mandal* level, there is a *mandal* committee consisting of the *mandal parishad* president (the member-convenor), the *mandal* development officer, and the nodal officer. A *mandal parishad* is the assembly of elected representatives of the various villages constituting a *mandal*. The members of the state legislative assembly are ex-officio members of the *mandal* committees in their jurisdiction. The *mandal* committees meet once a month to supervise and monitor the implementation of all the core area activities under the program at the *mandal* level. A *mandal* (lowermost institutionalized tier of the state administration) constitutes a population ranging from 35,000 to 500,000.

Monitoring

The information system developed by the planning department is used in monitoring the implementation at all levels of the core area activities under Janmabhoomi. The habitation committee and the nodal officer maintain two registers at the *mandal* level, namely, the community works register and the register of felt needs, which are updated during the weekly review meetings. The state monitoring cell in the planning department makes the Janmabhoomi information systems operational at the habitation, slum, *mandal*, municipality, district, and state levels.

Veterinary Camps

The aim is to organize veterinary camps in all *gram panchayat* headquarters and major habitations with focus on free vaccination against foot-and-mouth disease for graded buffalos and jersey cows, and free deworming of sheep. The veterinary camps also offer periodic health checkups and treatment. Thus, the camps cover both the preventive and curative aspects of animal health care.

The animal husbandry department of Andhra Pradesh with its 5,004 field establishments and institutions has been serving the needs of the 28,465 *gram panchayats* and major hamlets. It has received a much-needed boost from the Janmabhoomi Program of veterinary camps with its emphasis on reaching cattle and cattle owners in remote villages, bringing in the concept of preoperative provision of animal health care and the assurance of better funding.

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Table 2 shows the number of animals vaccinated and sheep dewormed in the veterinary camps in the last five (fourth to eighth) rounds of the Janmabhoomi Program. The eight rounds were conducted in all the 43,058 habitations and 3,392 municipal wards in the state with a population of more than 200. About 86,233 community works, valued at Rs19.30 million,⁴ were established; 102,074 of 117,207 nonfinancial needs of the community, and 1.59 million of 1.80 million individual family needs, were met.

Table 2: Achievements of the Last Five Rounds of the Janmabhoomi Program, 1997–1998

Program Round	Date	No. of Camps	No. of Cases Treated (million)
Fourth	1–7 Oct 1997	20,333	4.02
Fifth	1–7 Jan 1998	24,780	6.95
Sixth	1–7 May 1998	32,645	15.77
Seventh	1–7 Aug 1998	64,041	25.19
Eighth	3–9 Oct 1998	40,930	19.43
Total		182,729	71.36

Source: Department of Information and Public Relations, Government of Andhra Pradesh, July 2003.

Water Users' Associations

Andhra Pradesh is the first state to implement reforms in the irrigation sector. These reforms are seen as vital to both the welfare and the economic development of the state. They are also seen as inevitable, given the history of the irrigation system, the shrinking command area, and the increasing inability of government to manage and run the large canal systems. There are bottlenecks in the irrigation structure. Hundreds of thousands of acres of land have been deprived of water. On the one hand, the weather has its vagaries; on the other hand, the water facilities do not reach the parched lands. Hence, for the fields to yield good produce, irrigation management has to be reformed.

The irrigation reforms and the establishment of water users' associations (WUAs) in Andhra Pradesh are steps in the right direction. The reforms aim to achieve high production, increase efficiency and equity, and build the land and water management capacity of the new institutions.⁵ These reforms assume that the transfer of rights from the irrigation department to the

⁴ Rs45 = \$1 as of 31 March 2005.

⁵ At the initiative of the government of Andhra Pradesh, the Government of India has also issued guidelines to all states for earmarking funds for the forestry sector under Environmental Assistance Scheme and Jawahar Rojgar Yojana.

WUAs will improve the management of the system, through the collective action of the members.

The main functions of the WUAs are to repair the canals and supervise water distribution, settle conflicts, and raise enough funds to sustain their operations on their own. The Andhra Pradesh WUAs have taken up the following activities extensively:

- Irrigation system surveys
- Planning for cropping pattern
- Water management and water budgeting
- Resolution of disputes among farmers
- Operation and maintenance works with collective participation
- Maintenance of accounts
- Financial and social auditing
- Training and motivation

The recognition earned by WUAs in the state has helped make the experiment a success. The ideals that prompted the Andhra Pradesh government to form the societies have been achieved. Farmers have been given full control over the management of irrigation canals, and they have done yeoman service to achieve results.

Efficient and Equal Distribution of Water

Irrigation System Development and Management by Farmers. As of March 2003, the WUAs had completed about 52,500 works for about Rs5,790 million and provided irrigation water to about 404,700 hectares of tail-end lands.

Timely Supply of Water and Early Planting. The WUAs have made it possible for water to be supplied on time, resulting in a 10% increase in yield.

Increase in *Ayacut* (Cultivable Land). Because of the desilting of canals and drains by the WUAs, the tail-end lands now get water. Irrigation now reaches up to 200,700 hectares more of land, as of March 2003. Channel silt removal has been undertaken on a wider scale. Hundreds of thousands of farmers have enthusiastically participated in the repair works. These silt removal operations are perhaps the first of this magnitude. Eliminating contractors reduces the cost of works by 20%. Moreover, because of the well-repaired canals, higher income can be obtained from agricultural lands. Every additional *ayacut* that comes under irrigation fetches about Rs7,500 million. Other benefits resulting from the formation of WUAs are:

- Resolution of disputes
- Improved drainage and execution of minor drains; capacity building
- Reforms in irrigation administration
 - Merging of irrigation and drainage wings
 - Merging of construction, operation and maintenance, and command area development and administration (CADA) wings
 - Rationalization of staff distribution
 - Closure of mechanical units
 - Direct contracting

The management of canal and irrigation projects has empowered the farmers, but it has also produced a few negative results. Without proper training for WUA members and with funds in short supply, operation and maintenance is not up to professional standards. Further, the associations are becoming politicized and disputes among farmers have arisen in some places.

Watershed Program

The watershed program is not a technology but a concept that integrates the conservation, management, and allocation of rainwater through discrete hydrological units. In 1997, the government of Andhra Pradesh initiated a massive watershed development program that involved the development of wastelands, degraded lands (dry lands being cultivated under rain-fed conditions), and degraded reserve forests. The approach, as it is evolving, enables the identification of wastelands along village boundaries. Community participation has also been mobilized throughout the state. The main activities of the watershed development program are given below:

- Entry-point activities
- Soil and moisture conservation
- Water harvesting structures
- Social forestry /Agro forestry
- Pasture development
- Biogas and smokeless *chullahs*
- Self-employment revolving fund for thrift groups

Vana Samrakshana Samitis (Community Forest Management Groups)

“Save the tree and it will save you.” So the age-old saying goes. A tree gives precious service to mankind, delivering Rs1.8 million in direct and indirect benefits over its lifetime of 50 years. Timber and firewood are direct

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benefits, and oxygen production, soil conservation, water storage, bird and animal shelter, and pollution control are indirect benefits.

Forests are necessary for human survival. The cultivation of forests will enhance environmental conservation and human life. In Andhra Pradesh, 23.2% of the land is forest, but only 11% is dense forest.

The National Forest Policy of 1988 provides for the people's involvement in forest management, as did a circular issued on 1 June 1990. The government of Andhra Pradesh, acknowledging the need for the people's cooperation in this regard, formed the *vana samrakshana samitis* (VSSs) to establish a strong bond between the people and the forest department. The VSSs have had a commendable role in saving the forests and preventing the smuggling of timber. The citizens and the government have carried out this program with the help of a World Bank loan.

Andhra Pradesh is in the forefront of the community forest management program. While other states reserve only 25% of the rights over forest produce to the VSSs, such rights in Andhra Pradesh are 100%. For newly grown timber and bamboo, VSS members have sole rights, subject to certain conditions.

The following benefits accrue to the VSSs:

- Except for timber, all the forest produce belongs to the VSSs, and all the income from the produce is enjoyed by the villagers.
- VSSs that cooperate in containing the theft of forest produce receive 25% of the penalty for the theft.

So far, 1.2 million villagers have benefited from this program. As of 31 March 2003, 6,575 VSSs were looking after 16.25 million hectares of forest lands.⁶

Table 3 shows the growth of the VSSs and the extent of their coverage.

The progress over the years shows the enthusiastic participation of the people in community forest management in Andhra Pradesh state. This success is due to the unique features of the program, as follows:

- People are given full rights over the forest produce, unlike in many other states where the sharing is limited to 25%.
- For transparency in VSS operations, funds are channeled through a joint account, supported by management committee resolutions, and progress reports are presented quarterly to the general body.

⁶ Half of the net revenue from Beebi leaves collected in the area goes to the VSS.

Table 3: Progress of Vana Samrakshana Samitis, 1994–2000

Year	No. of VSSs Formed	Area Covered (million hectares)
1994–1995	133	.07
1995–1996	447	.25
1996–1997	1,722	.64
1997–1998	3,812	.93
1998–1999	6,527	1.55
1999–2000	6,575	16.25

Source: Principal Chief Conservator of Forests, Government of Andhra Pradesh, Hyderabad.

- Fully half of the membership of VSSs, and at least 30% of management committee membership, is reserved for women.
- Nongovernment organizations are involved in strengthening the VSSs through motivation, extension, training, and other support activities.
- Scheduled castes and scheduled tribes are automatic members of VSSs. This is to ensure that the weaker sections of the society are not left out.
- Medicinal plants growing in forest areas, which the VSS members can harvest and market, have been identified.
- The requisite funds for implementation are made available by mobilizing resources from employment assurance schemes, centrally sponsored schemes, and the World Bank.

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The Proper Role of Government in Natural Resources Management in Indonesia

Mulyadi Sumarto¹

Introduction

Lack of awareness of the complicated environmental problems caused by economic development has been the subject of serious debate on economic development for decades (Martinuzen 1997, page 143; Weaver, Rock, and Kusterer 1997, page 237). People do not realize that unhealthy economic growth through exhaustive natural resources extraction, without considering the future of society, imperils the ecosystem. Instead, they are confident that the technological development accompanying high economic performance will solve the problems. The report *Limits to Growth* published by the Club of Rome in 1972 confronted the optimism critically. It concluded that international development was destroying the environment far beyond the level predicted by previous studies, threatening continued economic development. The Earth Summit in Rio de Janeiro in 1992 tried to achieve a win-win situation by increasing production and at the same time upgrading the environment as well as the capacity for long-term development (Martinuzen 1997, pages 149–152).

Developing countries react to the debate differently from developed countries. They face different environmental problems from different economic circumstances. Indonesia and other developing countries cope with the scarcity and depletion of natural resources simply because their economies rely on natural resources extraction. The decentralized political system in Indonesia reveals more plainly the significance of natural resources to the economy. Natural resources extraction is the major source of revenue in many autonomous districts throughout the country, especially those outside Java. Only a few regions, mostly in Java, derive local revenues from industry and trade. During the centralized regime, the central Government subsidized all districts uniformly. In the decentralization period, they have to be self-governing. When the idea of decentralization was first talked about, local governments were apprehensive about their local revenues. Most of them did not feel that they could get enough income on their own (Dwiyanto 2003,

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page 35). They started to think about where and how they could get local revenues. Most of the resource-rich regions, such as Kutai Kartanegara, now get most of their revenues from natural resources extraction.

How to govern the extraction of natural resources is therefore critical. Inappropriate governance leads to conflict. There are at least two types of conflict: conflicts between local government and the central administration, and conflicts between the local people, the private sector, and local government. In the New Order period, most local governments with abundant natural resources felt they did not benefit from revenue sharing. For this reason, many provinces such as Papua tried to separate from Indonesia or to become self-governed. This type of conflict has died down with decentralization. But the second type is still raging, and the Indonesian Government has not found a comprehensive solution to the conflict.

Many studies (Aman 2002, CPPS and UNDP 2003, Sumarto 2003, Walhi n.d.) show that natural resources management in Indonesia is laden with this second type of conflict. The extraction of natural resources generates externalities manifested in environmental problems (Stiglitz 2000, page 215) that eventually cause conflict. This conflict has a long history. Since the 1980s, there have been conflicts between local communities and business because of land issues. Dayak Benuaq and Tonyoi, traditional communities in East Kalimantan, have opposed gold mining by PT Kelian Equatorial Mining in their areas. Dayak Siang, Murung, and Bekumpai, conservative communities in central Kalimantan, have tried to protect their traditional land rights from illegal occupancy by PT Indomuro Kencana (Aurora Gold), which is digging gold on their land. A traditional community in Paser Regency, East Kalimantan, has struggled for its rights over traditional land against PT Kideco Jaya. In still another case, Amungme, an indigenous tribe in Papua, has been wrangling with PT Freeport Indonesia over its traditional rights for several years (Aman 2002).

The Freeport dispute is one of the most controversial. Over the last three decades, the company has had major conflicts with various parties over environment, land, and human rights issues. It was sued by Amungme for environmental and human rights abuse (Sari 1998, page 10). With the help of the Government and the armed forces, Freeport violently suppressed civil disobedience by Amungme, as well as Komoro; many local people died (Sari 1998, page 11; Walhi n.d., page 21). Walhi, an Indonesian nongovernment organization (NGO) concerned with on environmental issues, also accused the corporation of environmental deterioration (Walhi n.d., page 21), saying that the company has caused physical destruction to the environment, and contaminated 35,820 hectares of land and 84,154 hectares of ocean area.

However, Freeport has denied any responsibility. It claims that it applies the best mining practices (Walhi n.d., page 24).

The conflicts arise because the Indonesian Government cannot enforce a comprehensive system for responding to the externalities. The contract to excavate is signed by the mining corporation and the central Government. Those affected by the externalities, i.e., the local government and the local people, are not involved (Sumarto 2003, page 6). The corporation believes that it complies with government requirements. The local government and the local people believe that they are entitled to compensation. Each side sticks to its claims in its own way, in line with its interests.

In fact, there are regulations for figuring out and dealing with the externalities. After signing the contract, the corporation is required to carry out a community development program to empower the local people living around its plant. Most local communities are poor and need social assistance. The program also provides compensation for the externalities. To protect the environment, the corporation has at least two obligations: install a facility to contain toxic waste and reduce its effects, and restore the ecosystem after extracting natural resources. But many corporations do not comply. Moreover, they are not subjected to significant sanctions. All this is due to rent seeking (see Clark 1991, page 108).

The situation is complicated by asymmetric information: the local people have no access to information about toxic waste and its impact, especially with the corporation doing its best to conceal the information (Sumarto 2005, page 4). As the local community lives close to the business, it is in a position to control the extraction. Ideally, if the control mechanism worked, governance would be more transparent, asymmetric information and rent seeking could be restrained, and externalities could be dealt with more easily. But the people are not aware of the damage wrought or of the importance of environmental protection. A meaningful way to develop such awareness is by attacking this issue in the education system.

This paper discusses the conflicts in natural resources management, the role of government in natural resources extraction, and the need to build a common consciousness of peaceful and sustainable environmental governance.

Economic Development and Natural Resources Management: The Role of Government

The analysis of links between environmental protection and economic development shows a major incongruity (Martinuzen 1997, page 147). The main concern is how to achieve high economic performance without causing harm to the environment. But there is often a trade-off between these two

objectives (Clark 1991, page 258). If the extraction of natural resources is not regulated, production will increase but the ecosystem will be at risk. On the contrary, regulations that are too tight may protect environment but will also discourage investment. To guarantee sustainable growth, a proper role is needed for government.

The theory of government, and, in a broader context, state theory, has stirred thoughtful discussion among scholars. Jessop (1990, pages 2–4) systematically maps the shifts in state theory. In the 1970s, the theory was dominated by Marxism. The assumption was that the state functioned within the class struggle. In the 1980s, sociopolitical scientists lost interest in the theoretical debate and concerned themselves with empirical studies. A major cause of this shift was globalization. As the globalization discourse spread, academics saw a reduced role for the state in formulating public policy.

Marxism rejects the notion of a “proper” role for government. In a capitalist system, according to the Marxists, government stands for the interests of the bourgeoisie and facilitates the accumulation of capital. Heightened conflict between the classes could lead to a revolution by the workers, who seize power and establish a government that embodies their collective interests—what Marx called the “dictatorship of the proletariat” (Clark 1991, pages 111–112). In contrast, economic liberals view government as providing wider room for private interests to expand their economic activities. The less the government intervenes in the market, the better (Clark 1991, page 106).

But in a democratic society, neither capitalists nor workers prevail. A democratic government is a constitutional elective government based on law and representing the aspirations of all the people. The proper role of government in a democracy is mediating the competition between the classes (Jessop 1990, pages 171–174).

Similarly, society is assumed to be pluralist. It encompasses various groups or classes with different interests. While they may contend with and try to control one another, no one group or class dominates the society. The state is therefore seen as an arena of conflict between interest groups, and the policy-making process as political bargaining between conflicting groups. Government must regulate conflicts in society so that they are resolved peacefully (Smith 1995, pages 209–227).

Since interest groups and classes compete against one another, the state represents a variety of group pressures (Smith 1995, page 211). In fact, although the legitimate government takes authority through legal means, i.e., election, the process involves many compromises among interest groups. This implies political contracts between the government and the interest groups that

supported it in the election, obliging the government to protect those interests. In a country in which corruption is high, such as Indonesia, giving government a central role in controlling natural resources management is risky. Natural resources management must be transparent. Civil society should be empowered so that it can watch how government administers natural resources extraction.

Decentralization and Conflicts related to Natural Resources

Decentralization is generally associated with political-economic values. It brings government close to the people so that accountability, efficiency (Smith 1985, pages 4–5), and transparency are reinforced. At the same time, public services improve (see Bailey 1999, page 44). Political-economic reform leading to a decentralized system in Indonesia is still chaotic and the desired values have not yet been achieved. The reform has been carried out in the general political euphoria as political aspirations, stifled during the Suharto administration, can now be spontaneously expressed. In the transition, the new system is unable to make the proper adjustments, anarchy seems to reign, and conflicts tend to escalate (see Dwiyanto 2003, page 59).

The complexity of the conflicts can be discerned from their variety and the stakeholders involved. According to a study on governance and decentralization in 20 provinces in Indonesia (Dwiyanto 2003, pages 62–70), the conflicts encompass disputes between political party supporters, land disputes, conflicts related to natural resources management, and violence. They take place among local governments, between local government and the people, between labor and management, and among ethnic as well as religious groups.

Corporations, local governments, and local communities behave differently with one another (Sumarto 2003, pages 5–8). Conflicts between local communities and corporations, which were latent in the New Order period, have escalated in the decentralization period. Local people are pressing corporations to pay damages. Local governments are requiring businesses to hire local people for their plants, and also to assess environmental impact. Moreover, corporations are expected to support local governments in providing social services to local people. The corporations have no choice but to comply with these demands to diminish the threat of conflict, which to them is a risk to production. They allocate funds for local government and they carry out community development programs.

Unocal, a private petroleum mining company that has been operating in Marangkayu, East Kutai, East Kalimantan, since the 1970s, began conducting community development programs in 2002, after the Marangkayu community protested against the pollution caused by the company. The conflict turned violent—a demonstrator was shot by military troops hired by the

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company to secure the plant—and the case was brought to court. Unocal was compelled to implement the community development programs (CPPS and UNDP 2003, pages 44–45).

Caltex Pacific Indonesia (CPI) has also been operating in Indonesia for decades, but it began to conduct community development programs only in response to local demands (CPPS and UNDP 2003, page 71). One CPI case was quite complicated. The Duri community, living near a CPI plant, complained of health and economic problems caused by the expansion of CPI's oil exploration activities. The extension narrowed the distance between the company premises and the residential area to only about 150 meters. Artesian wells in the community began to dry up and the supply of potable water became a serious problem. Fishponds also dried up. The Duri community, through the local legislature, demanded compensation from CPI. The local legislature could not solve the dispute and the case was elevated to the central assembly. The issue is still pending (CPPS and UNDP 2003, pages 78–80).

Environmental damage is caused not only by private corporations but also by state-owned mining-companies. Belitung, a district where the state-owned tin mining company PT Timah used to operate, now faces serious environmental problems. The tin has been exhausted, so the company no longer works in the area. It left wide holes, which pose the risk of erosion and in the rainy season could be breeding grounds for malaria-carrying mosquitoes. The company also did not undertake programs to protect the environment and empower the local people (Sumarto 2005, page 11). A similar situation can be observed in mining sites worked by Pertamina, a state-owned petroleum mining company.

The local people are powerless, and yet neither the local NGOs nor the local governments support them. The role of government is to protect the people, but, instead of empowering them, the local governments prefer to seek rents. The case of Kapital shows how local NGOs would rather work for local bureaucrats and corporations than for the local community. Kapital is a local NGO established to help supervise the community development programs of corporations in Kutai Timur, East Kalimantan. Kapital was appointed by Kaltim Prima Coal and Unocal. Since a sizable amount has been allocated for the programs, the participation of local elites is not without economic motives. They work hand in hand with the corporations through the NGO. The appointment of Kapital, however, caused the dismissal of other NGOs, which were more competent (Sumarto 2003, page 8). Local protests went unheeded. Such occurrences are common throughout Indonesia.

Natural Resources Management: Social Responsibility and Sustainability

Over the last 5 years, the private sector has made significant moves to promote community development programs and environmental protection in Indonesia (Sumarto 2005, page 5). The extractive companies, most of them in remote areas, perceive a higher risk in conflicts than do manufacturing, banking, and services companies, which are usually in urban areas. Hence, motivated by profit, the extractive companies, particularly those in the mining industry, are leading the environmental sustainability movement. The movement is not confined to Indonesia. It is a global phenomenon. In 2000, the United Nations (UN) established the UN Global Compact, a framework of corporate social responsibility (CSR) for the private sector representing the sector's commitment to human rights, labor standards, environmental protection, and the fight against corruption. Community development programs, in this context, are simply a part of CSR.

CSR Programs

Type of Program	Mechanism	Subjects	Characteristics
Charity	<ul style="list-style-type: none"> Building physical facilities Giving financial and technical endowment 	<ul style="list-style-type: none"> education health clean water sports income generation religion transportation agriculture home industry 	<ul style="list-style-type: none"> In general, the programs are not intended to empower local people to cope in the post-extraction period. The coordination between the corporations and the local governments where the programs are being conducted are not smooth.
Capacity building	Training		<ul style="list-style-type: none"> Generally, the programs are designed by the corporations in top-down fashion. Local people and the local governments do not get many opportunities to participate in the implementation of the programs. Although the opportunity is not significant, they obtain it in the case of agricultural programs. The programs are not planned systematically. The programs do not empower local people.

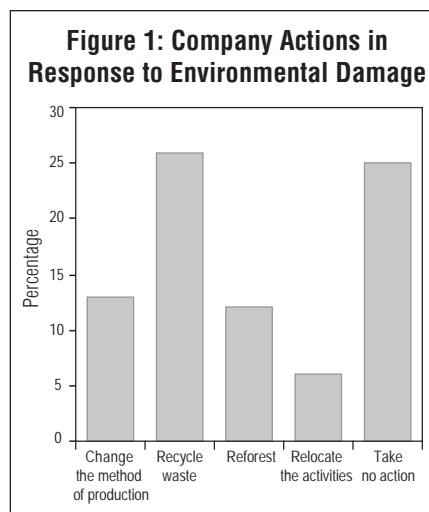
Sources: Modified from the results of interviews and focus group discussions with local people and with district and provincial government officers (Sumarto 2005, page 14).

The concept of CSR is itself controversial. Some people may argue that decentralization and welfare pluralism (see Midgley 1997, page 8; Spicker 1995, pages 115–117) give the private sector, as well as civil society, wider room to contribute to socioeconomic development. Others may question whether the profit-maximizing private sector has the social responsibility to redistribute profits for community development and environmental protection.

A study on the CSR programs of three mining companies and one agricultural company in East Kalimantan and Riau provinces (CPPS and UNDP 2003) (see table) showed that corporations carry out such programs not out of a sense of social responsibility, according to the UN Global Compact, but to gain the public trust and to secure their production facilities. Public trust is a long-term investment of corporations. Many cases show that corporations with an unhealthy track record in environmental protection and unresolved conflicts with the people cannot get their trust and, consequently, can no longer operate.

Since the programs are simply a response to specific protests, they are not concerned with the broader goal of empowering the local people. The programs do not provide ample opportunity for the local community to participate. They are planned centrally by the corporations. The programs also do not equip the local people to cope in the period after the extraction, when the companies leave and the local economy is made vulnerable (Sumarto 2005, pages 13–14).

The corporations' production processes cannot be dissociated from environmental contamination. They must therefore solve the problems they cause. Figure 1 shows how the private sector actually responds to environmental damage. A high proportion of the companies take no action. Since conflicts are mainly triggered by environmental problems and demands for compensation, the companies' environmental protection and community development programs not only do not answer the problems they were meant to solve but also put sustainable natural resources management at risk (see Weaver, Rock, and Kusterer 1997, page 2; Conca 1996, pages 25–29).



Source: Center for Population and Policy Studies, Gadjah Mada University, Governance and Decentralization Surveys, 2002.

Decentralization and the Challenge to Develop Transparent Control Mechanisms

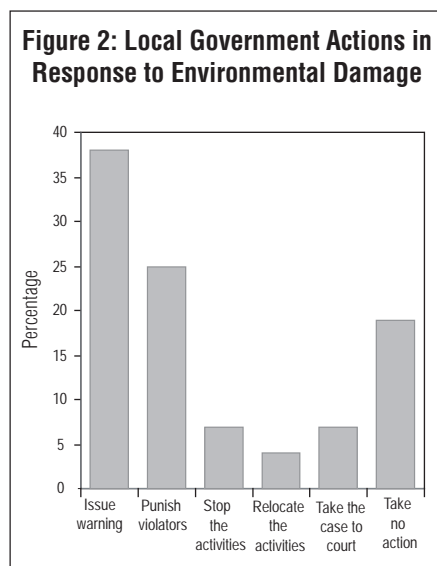
If the private sector does not show adequate concern for environmental problems in practice, neither does government. According to Figure 2, only a small number of cases of environmental damage are taken to court. The number is less than half of the number of cases on which no action is taken.

There are many ways of controlling environmental degradation and the resulting conflicts. Stiglitz (2000, pages 217–233) says that externalities can be remedied by both the public and private sectors, working independently. These sectors use different methods but a similar approach, i.e., the legal system. The liberal perspective, as elaborated by Clark (1991, pages 267–269), also emphasizes the importance of the legal system. But to solve the problem of externalities, he says, the appropriate institution is government, which can enforce environmental laws such as pollution standards. Weaver, Rock, and Kusterer (1997, page 254) also argue that the efficient way to protect the ecosystem is through environmental regulation.

These recommendations rely on the normative role of government. In the Indonesian case, as described above, the recommendations do not work well. Government cannot contain the ecological damage. Rent seeking worsens the externalities of natural resources management. Since the regulations are designed to protect the private sector (see Clark 1991, page 108), rent seeking

diminishes the ability of government to administer the extraction process. Figure 3 shows the great inadequacy of legal means of solving natural resources management disputes in Indonesia: violent means are used nearly as often, and legal action is certainly much rarer than instances where no action is taken.

During the decentralization period, rent seeking and corruption tend to be higher (Dwiyanto 2003, pages 117–118). The situation is worsened by asymmetric information. To minimize protests, corporations do not share information about the impact of extraction. What is more, in many cases, the local NGOs do not support the local community. Finding



Source: Center for Population and Policy Studies, Gadjah Mada University, Governance and Decentralization Surveys, 2002.

alternative responses to the situation is therefore crucial. Empowering the local community to monitor the extraction of natural resources is an effective method (see Conca 1996, pages 26–27).

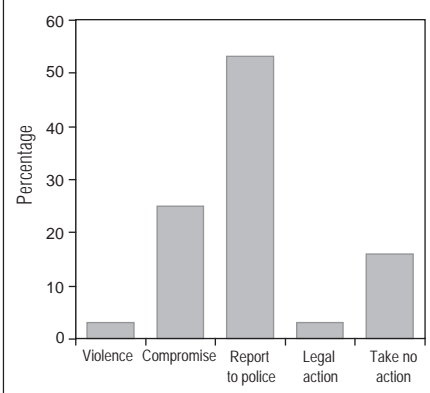
The empowerment could be accomplished through the development of an educational curriculum for making the public more aware of natural resources management, the importance of environmental protection, the extractive processes and their externalities and appropriate ways to get compensation for externalities. If people become more

literate in the issues, natural resources management will become more transparent, and asymmetric information and rent seeking can be contained. Rowe (2002) sees a clear relationship between environmental literacy and social responsibility. People who are literate in environmental issues possess a sufficient conceptual framework and belief in the future of society so that they are not reluctant to take part in resolving environmental problems. This situation, in other words, builds a community-based control mechanism for natural resources extraction.

Many experiences, such as those of Botswana, Namibia, Bulgaria, and Florida in the US, show comprehensive efforts to respond to environmental problems through education. Jones (1999) writes that the governments of Botswana and Namibia have been training their people in sustainable natural resources management. With the goal of community-based natural resources management, the Government of Botswana is enhancing public awareness of environmental issues through curriculum development, among other methods. An educational curriculum has also been developed in Bulgaria, Markowitz (1993) says, to foster environmental literacy and appreciation of the ecosystem among schoolchildren. Monroe (2003) describes 11 years of implementation of environmental education in the US state of Florida. The program is aimed at increasing the environmental literacy of youth and adults.

Developing an environmental curriculum, with local content, is not a new approach, but it has not been carried out systematically in Indonesia. During the centralized regime, it was out of the question. The central

Figure 3: Methods of Resolving Natural Resource Management Disputes



Source: Center for Population and Policy Studies, Gadjah Mada University, Governance and Decentralization Surveys, 2002.

Government issued the curriculum and implemented it uniformly throughout Indonesia. The widely diverse local conditions were not accommodated. In the decentralization period, the system has changed. The decentralized system allows district education officials to develop a curriculum based on local resources. However, the response to the new system has so far been shaky. Local governments do not have enough understanding of the decentralized system of public services (see Dwiyanto 2003, pages 88–89). Local corruption is also on the rise. Therefore, developing a curriculum based on local resources is still a serious challenge. In addition, there are many self-governing districts, each one consisting of different social, economic, and cultural backgrounds. A program that works well in one district may not succeed in others. Before the program can be conducted, it is necessary to assess the diversity of problems, needs, and local natural resources, and suit the curriculum content and method of implementation to those needs and resources.

Conclusion

Natural resources management in Indonesia is characterized by disharmony between national or local government, the private sector, and civil society. The causes of the disharmony are multifaceted. However, the main cause is the improper role of government in building a system for responding to externalities resulting from the extractive activities of corporations. The externalities are largely detrimental to the ecosystem and local community, and engender conflicts. This circumstance is exacerbated by asymmetric information and rent seeking. To provoke less conflict, corporations limit the disclosure of information about the extraction process and its impact. And, while there are regulations to control the extraction, they do not work properly because of rent seeking. Government therefore cannot control the externalities.

The shift from a centralized to a decentralized system of government has not significantly improved the government response to these externalities. Local governments are not well positioned vis-à-vis the private sector and civil society to implement an adequate response. Motivated mainly by the need to generate local revenues, they do not concern themselves with environmental problems and their long-term consequences. Therefore, they do not take significant action to improve the ecosystem even as environmental degradation and natural resource conflicts arise in many places. The same can be said about the corporations that create the environmental problems. They carry out CSR programs to minimize the environmental damage and conflicts, but the programs, for various reasons including complicity with local officials, do not contribute substantially to lessening the degradation.

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These facts show that government is not equipped to administer the trade-off between economic growth and environmental protection. It emphasizes natural resources extraction, often to the detriment of environmental protection. The corporations, for their part, extract natural resources but do not restore the ecosystem or compensate the local people for the externalities. In short, both government and the private sector concentrate on high economic performance but do not pay enough attention to the future of the environment and society (Sumarto 2005, page 15).

Civil society must take the initiative to build collective awareness of the importance of natural resources. A more environmentally conscious society can control political behavior and management of natural resources extraction, and ensure better governance and environmental sustainability.

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Building a Performance-based Management System: Increasing the Impact of Community Engagement in Local Authorities

Suhaimi Shahnon¹

Introduction

Throughout the developing world today, increasing pressure is being placed on service agencies of all types to prove that they are truly making a difference in the lives of those they are serving, and are not just busy providing activities without proven results. Also on the increase are public complaints about difficulties in measuring government's performance, about diverse and contradictory objectives, unreliable measurement tools, and the unwillingness of governments to invest resources in new management techniques.

In Malaysia, Prime Minister Dato' Seri Abdullah Ahmad Badawi has voiced increasing skepticism of activity-based measures of performance and the need to see evidence that public agency investments in personnel, training, equipment, and space are indeed improving the lives of those served. This has resulted in a dramatic push among public service delivery agencies to develop outcome-based indicators of agency performance both within and outside the realm of public governance.

While difficulties undoubtedly exist, the vast amount of literature suggests that performance-based management is an advanced public governance tool that is becoming more and more sophisticated to accommodate the service needs of different communities and levels of government ranging from public safety and public works to economic development. Performance-based management is management that defines and measures agency success through the achievement of desired changes in the behavior or conditions of citizens served, at an acceptable cost. Performance-based management ties agency program and treatment functions directly to citizen outcomes—the only meaningful criterion for agency success.

Local Organizational Capacity for Public Service Delivery

There are two major criteria for assessing the quality of any service delivery system. One is a measure of efficiency, or the ability of the system to deliver

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services to the greatest number of people at the lowest cost. In this approach, measures of the processes or activities performed by an agency, such as the number of people served or the number of units of service provided, are collected and examined in relation to the costs associated with the delivery. Until recently, services were largely managed to optimize efficiency. Thus, management information or reporting systems collected data to report on the quantity of services offered and the use of those services by eligible people in the community.

A second way of assessing the quality of service is through measures of effectiveness. In this approach, measures of the outcomes generated by agency activities or the results achieved by those served are collected. Thus, effectiveness-based management strategies are designed to promote knowledge, attitudes, or behavior that reflects significant changes in the people who are served, such that program success is defined by these results rather than by the processes that produce them. This management approach is referred to as “results-oriented management” or “performance-based management.”

The focus of a performance-based management program is on the outcomes to be achieved rather than the activities to be developed and provided. Activities are only means to ends not ends in themselves. Everything that is done, and every dedicated resource, is devoted to accomplishing clear-cut outcome goals that can be measured and demonstrated. Thus, in this context, indicators of agency activities are useful only to the extent that they are tied to results. While this sounds obvious on the surface, it marks a very significant change in the way most service programs operate. We often think in terms of the outcomes of our activities rather than the activities that are necessary to produce the outcomes.

A performance-driven public service delivery system is developed and implemented in several steps. First, the key client or customer groups that are to be served and their specific needs are identified. Then the organizational (community) and client outcomes that must be achieved are defined as clearly as possible; these reflect the client needs that are being met and the community objectives being addressed. Outcomes are chosen because they are highly valued and desired by the community and they reflect an area in which an agency can have an impact. Once these outcomes are defined, it is important to identify the types of activities that can be directly related to the specified outcomes. In this type of system the focus shifts from activity-based accountability to accountability for outcomes.

The following case study demonstrates the experience of Malaysia’s largest municipality (in surface area), Seberang Perai, in involving citizens in the development of community outcome-based performance measures to

institutionalize a performance-based management system for their municipal council.

Identification of Performance Measures by Citizens: The Seberang Perai Experience (A Case Study)

Background

In mid-2001, the Seberang Perai Municipal Council, or Majlis Perbandaran Seberang Perai (MPSP), commissioned the Centre for Policy Research, Universiti Sains Malaysia, to create a process that would lead to fundamental decisions and actions by which the diverse citizenry of Seberang Perai could achieve what they wanted to achieve collectively as a community. The 18-month strategic planning project, called Project Research In Strategic Management (PRISM),² was based on the premise that involving citizens in the development of performance measures would give them another avenue beyond traditional means to affect municipal decision making. In addition, through PRISM, the municipal council hoped to improve the quality of decision making and service delivery with the help of the citizens' perspectives. The following were the performance-based specific goals of the PRISM project:

- To assist the Seberang Perai Municipal Council in establishing a sustainable process of involving citizens' representatives, executive board members of the municipal council, and department staff in developing performance measures, to give greater credibility to performance measurement and to guide the municipal government in improving public services; and
- To set up a dialogue between the citizens and the municipal administration about the functions and responsibilities of the municipal government and its public service priorities, to make elected and nonelected (appointed) officials more sensitive to citizens' perspectives, and more accountable to the public.

The state of Pulau Pinang, popularly known as Penang, consists of two distinct parts: the island of Penang and the mainland province of Seberang Perai. Seberang Perai province is divided into three districts of about equal size—North Seberang Perai, Central Seberang Perai, and South Seberang

² The principal consultants of the PRISM project were Dr. Suhaimi Shannnon, deputy director of the Centre for Policy Research (CPR), Universiti Sains Malaysia, and Dr. Kamarudin Ngah, associate professor and coordinator of the Program for Local Government Studies (PROLOGS) in CPR.

Perai—each of which is managed by a district officer. Each district consists of between 16 and 21 *mukim* (precincts). Table 1 below shows the distribution of precincts, households, and population in the province.

Table 1: Distribution of Precincts, Households, and Population in Seberang Perai

District	No. of Precincts	No. of Households	Population*
North Seberang Perai	16	51,965	243,938
Central Seberang Perai	21	65,623	294,051
South Seberang Perai	16	26,043	117,722
Total	53	143,631	655,711

*As of 2000.

Source: Department of Statistics, Malaysia, 2003.

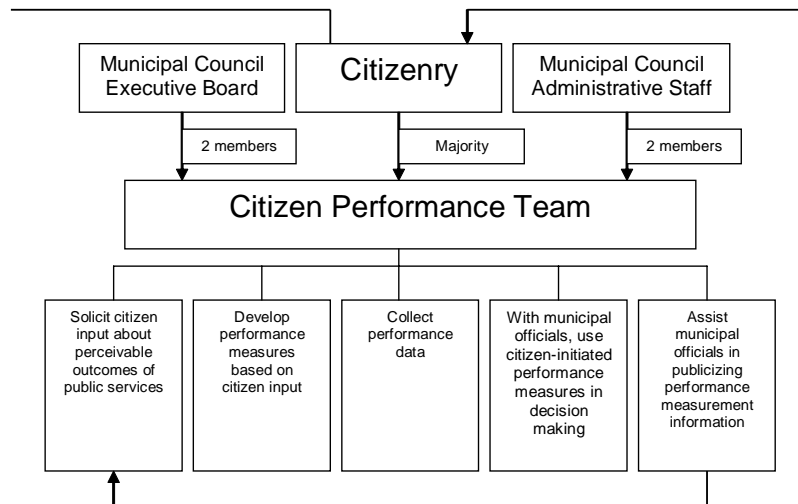
The PRISM project team talked to the three district officers about the project and requested them to identify precincts with more than 10,000 voters. The following precincts were identified: Kepala Batas and Butterworth in North Seberang Perai; Bukit Mertajam, Seberang Jaya, and Perai in Central Seberang Perai; and Nibong Tebal and Jawi in South Seberang Perai.

The 18-month project was divided into two phases. Phase 1, which was completed in the first quarter of 2002, focused on building the process of citizen involvement, selecting service areas, developing performance measures, and making those measures known to the general public, elected political officials in the three districts, and appointed executive board members and department staff of the municipal council. This case study documents the accomplishments of Phase 1 and summarizes the lessons learned.

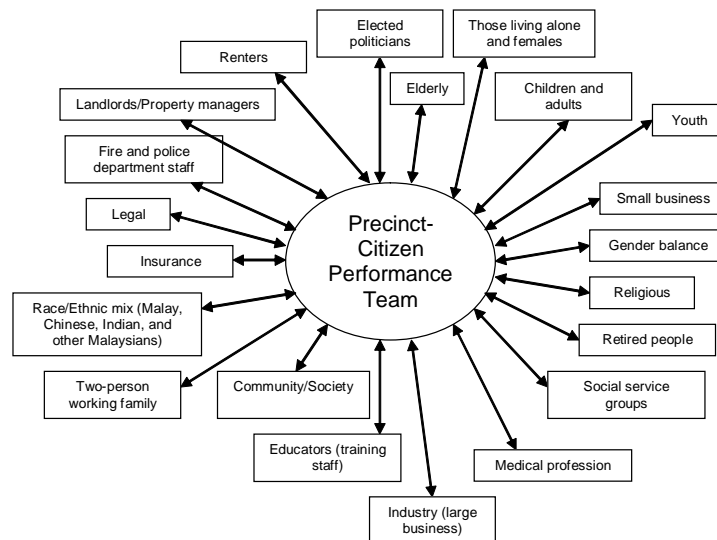
Phase 1 Activities

Step 1: The first step was to create a Citizen Performance Team (CPT) in each precinct identified by the district officers. The CPT comprised citizens, representatives of the municipal council executive board, and key managers of the municipal council's administration. The citizens came from diverse backgrounds. Some were members of neighborhood watches or of various ethnic community boards. There were also businessmen, ordinary citizens (including housewives, self-employed, and trained unemployed), and leaders of inner-city, suburban, and village communities. Two of the members represented departments of the municipal council and were expected to provide service-specific information to the CPT. Figure 1 illustrates the CPT concept.

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Figure 1: The Citizen Performance Team

Step 2: The CPTs then went through two exercises to gain a better understanding of the process. They were asked to identify key groups in their respective precincts that should either be part of the CPT or be informed about the functions and results of the CPT's work. Figure 2 below shows the expanded membership of the CPT team from the Butterworth precinct.

Figure 2: Expanded Precinct-CPT Membership

Step 3: After their membership was finalized, the teams received a brief orientation on the project and were introduced to performance measurement. Then each precinct-CPT selected one or two public services for which they would develop measures in this pilot project. Citizens in different precincts had different community concerns and priorities, and therefore tended to select different services.

Citizens in the Butterworth precinct, an industrial precinct facing many economic challenges, decided to evaluate public security and public safety services because of their highly visible and immediate impact on daily life. Citizens in the Bukit Mertajam precinct selected emergency medical services and public security services, not because of significantly growing demand for these services but because suburban families, especially those with children, were genuinely concerned about response time, given the geographic spread of the precinct. Citizens in Kepala Batas picked recreational facilities and services because quality of life was an important issue in the precinct's effort to sustain economic development and retain the younger population. Citizens in Seberang Jaya selected engineering or public works (especially street) services, partly because many of the citizens had to travel daily to work in nearby central cities, and were therefore more concerned about traffic flow and the quality of street repairs and maintenance. Citizens in Perai also selected public works but for a different reason: they noted that a significant share of the precinct's funds was going to public works, and wanted to ensure efficient and effective public spending. Finally, citizens in Nibong Tebal and Jawi precincts decided to evaluate community development at the neighborhood level, where there were significant differences in the quality of life; the citizens were eager to see a visible improvement in some neighborhoods.

Each precinct-CPT identified "critical elements" for the selected services. These elements are summarized in Table 2 and discussed in the boxed text after it. Many of these—such as reducing the crime rate; lowering the response time for police, fire, and emergency medical services; improving the safety and quality of recreational facilities; increasing the timeliness of response and effectiveness in nuisance control and solid waste removal—have long been identified as important issues in the literature on performance-based management (see, for example, Hatry et al. 1992 and Campbell 1997).

Step 4: The next step was for the CPTs to develop performance measures based on the critical elements they identified. Professionals guided the CPT members through the unfamiliar task of thinking up different performance measures. Then the CPT members evaluated their own suggestions, using a worksheet that the PRISM project team had developed (see Appendix 1). The worksheet proved to be extremely useful; it helped the citizens identify those

Table 2: Critical Elements of Public Services Identified by Seberang Perai Citizens

Public Service	Critical Elements
Public Security and Public Safety	Legal knowledge and compliance; effective identification of problems; adequacy of training; response time; public relations; communication of progress on a case to citizens after the case is filed; professionalism in interacting with citizens; citizens' perception of competence; citizens' trust in the municipal council's enforcement officers; visibility of enforcement officers in residential and school areas; timely follow-up; effective investigation; effectiveness of crime prevention programs; reduction in crime rate; prevention of loss of property and life; insurance costs; public relations; proper certification and professional standards.
Emergency Medical Services	Response time; quality of staff and volunteers; adequacy of professional training; adequacy of personnel and equipment; professionalism in interaction with citizens.
Recreational Programs for Youth and Adults	Availability of programs to different user groups; diversity of programs; quality of day care; effectiveness of marketing; adequacy of space; convenient hours; adequate maintenance of facilities and equipment; motivating and effective instructors; success in drawing attendance; a welcoming environment; security; reasonable cost; convenient location.
Community Development and Neighborhood Services	Timeliness and effectiveness in crowd control, noise control, mosquito control; removal or renovation of abandoned buildings; clearance of illegal dumps; clearance of graffiti and illegal billboards and sale signs; trimming of trees and bushes from sidewalks; cleanliness of streets; maintenance of streetlights; solid waste collection and disposal; maintenance of public housing. Also, ease in obtaining building permits; condition of sidewalks; and communication of progress on a case to citizens after a case is filed.
Public Works, Street Construction, Repairs, and Maintenance	Traffic flow; adequate handling of peak-hour traffic; scenic beauty; accessibility and response time of emergency services; security and safety; clarity of signs and road marks; cleanliness of streets; response to service requests.

Key Elements for Citizen Participation

What municipal administrators often overlook but citizens find critically important is the issue of public communication. How a department communicates the process and results to the public is important to citizens, and they want to measure this. This is especially important in public works and public safety services. In the precinct-CPT meetings, citizens often complained that after filing a case with a department, they heard nothing more from the department and were left to wonder about the progress of work on the case and its results.

Interaction between citizens and public officials is also critical. Effectiveness in resolving a grievance or providing services is definitely important. However, citizens also care about "customer service" and want to ensure professional, courteous, and evenhanded delivery of services and interaction with citizens during the process. This is often mentioned in connection with almost all services (Blodgett and Newfarmer 1996).

suggestions that were not reasonably measurable, valid, or useful to the general public. The list of suggested performance measures was thus significantly reduced, and data collection was made more manageable for the project team.

Key Findings

Many of the suggested measures were not significantly different from those identified in professional publications on performance measurement. Several findings should, however, be pointed out:

- The citizens were generally more concerned about outcome and intermediate outcome measures (see Appendix 2 for a brief definition) than input or output measures; however, some input measures were still useful and recommended. For example, many citizens in different precincts were interested in knowing the types and length of training received by public security and public safety enforcers and emergency medical personnel, even though this is an input measure.
- Performance measurement should not ignore equity concerns. For example, citizens in the Kepala Batas precinct suggested measuring the accessibility of recreational facilities and services to low-income families. Citizens in the Nibong Tebal precinct were also concerned about the accessibility of recreational programs to different age groups and the physically challenged.
- Surprisingly, not many citizens were interested in efficiency measures. This might have been because citizens were not asked during the CPT discussions to consider performance measurement in the context of budgeting. Hence, they were primarily concerned about the outcome of services rather than output.
- The precincts in the PRISM project were advised to measure and report performance not only at the precinct level but also at the neighborhood or even street level, so that the information would be more relevant and useful to citizens. Department staff of the municipal council, especially information management personnel, were asked to take this need into account in designing their performance-based management system database.
- Many of the measures suggested require citizen surveys to evaluate the effectiveness of public services. Hence, municipal administrators should integrate citizen survey strategies into performance measurement so that the information can be made available for performance reporting. User surveys are an alternative means of gathering data on many effectiveness and outcome measures. These

surveys can be quite short. For instance, a small response card with several questions can be very effective in gathering this type of performance information (Ammons 1995).

In addition to developing performance measures, each precinct-CPT identified ways of informing the public as well as the municipal council executive board members and administrative staff about their work. All of the precincts in the PRISM project planned to have one or more citizen representatives make a presentation to the municipal council about the PRISM process and outcomes.

Evaluation of the Seberang Perai Experience

The seven Seberang Perai precincts in the PRISM project provided an interesting experimental setting to test the feasibility of citizen-initiated performance measurement. PRISM's Phase 1 experience showed that there may not be a "standard" procedure or a "one size fits all" process. All the seven precincts developed performance measures; however, the processes used differed between precincts. In some precincts (Kepala Batas and Seberang Jaya), the CPT members wanted to help put the performance measures in writing. In Butterworth, Perai, and Bukit Mertajam, the CPT members wanted to help determine whether the measures suggested by citizens were valid and measurable, and to help modify the measures. In Nibong Tebal and Jawi, the CPT members were a bit more passive. They preferred to be involved merely in identifying the critical factors and to leave the PRISM project team and council officials to decide which measures addressed these factors. They also asked the PRISM project team members to provide examples from other precincts so that the suggested measures could be modified.

As the experience in these seven precincts showed, how a precinct handled the process depended on how much the citizens knew about performance measurement in their private jobs or in their previous public services; how comfortable they felt about writing down specific measures; how much time they were willing to spend in meetings; and how much trust they had in municipal council officials or external consultants.

Key Success Factors and Challenges

In general, Phase 1 of the PRISM project was a success in the following ways:

- The creation of effective, working CPTs with citizens, elected political officials, and municipal council executive board members and

administrative staff working together to develop performance measures. Municipal council officials and staff did not dominate, as some at first thought they might; in fact, the officials and staff were very deferential to the citizens and willingly answered the questions they raised. Most of the CPTs not only asked sound, clear questions but also asked to tour facilities, review internal reports and information on performance criteria used in the municipal council, and analyze community survey data.

- The identification of critical elements and related performance measures. The process of identifying critical elements was very effective in providing a context for citizens to develop performance measures. Breaking the selected service area into critical factors allowed the citizens to express what they felt to be the important aspects of a service and subsequently develop performance measures based on these aspects.
- The strengthening of communication between government and the citizens. The measures suggested by the CPTs were similar to those developed by professional or national organizations, but adapted to the local context. The CPTs also put greater emphasis on methods of informing the public. The citizens in all seven Seberang Perai precincts in the PRISM project felt a great need to let the citizens know what the municipal council was doing, how effectively this was being done, and what follow-up actions had been taken on the citizens' opinions and complaints. This was somewhat of a surprise for the municipal council officials and staff, who had thought all along that they were communicating effectively with the citizens. Both the municipal council and the district offices are now reexamining their communication strategies.

The project also faced some challenges. The most significant one was sustaining citizen involvement. School holidays saw a drop-off in involvement in six of the seven precincts. There was some improvement after the holidays but not to the original level of the early stages. This issue was identified by PRISM project team members, municipal council officials and staff, and CPT members as needing attention.

The PRISM project team plans to survey CPT members who did not remain hopeful about the process, to understand and, if necessary, modify the project approach. One factor that may have contributed to the loss of confidence was the protracted formation of the precinct-CPTs after the key groups were identified. The CPTs had to be reoriented many times and this further slowed the assessment of public services.

A second major challenge was the weak response of the media. The municipal council and the PRISM project team were disappointed in their efforts to attract media coverage. As a result, the CPTs were unable to achieve wider public involvement in the performance measurement process.

Another challenge was specific to the precinct of Bukit Mertajam. The initial CPT identified was somewhat dysfunctional and had difficulty identifying target service areas. Some members wanted to use the PRISM project to debate municipal government policies. On the positive side, CPT members decided to survey the various neighborhoods themselves. They also held a precinct-wide meeting to gather information. The CPT members thus got a clearer sense of which public service areas had to have performance measures. The very active involvement of an elected opposition state assemblyman in the CPT contributed as well to reviving the Bukit Mertajam process. It sent a strong signal that the precinct was committed to the process.

Finally, citizens, like professionals and elected political officials, struggled to identify outcome measures. Many could not tell the difference between output and outcome measures. Indeed, some measures, such as citizens' satisfaction with a public service or citizens' participation in municipal programs, are not necessarily outcome or output measures. The Urban Institute calls these measures "intermediate outcome measures" (Hatry 1999). Professional assistance in this process is therefore definitely necessary and helpful.

Overall, the experience in Phase 1 of the PRISM project in Seberang Perai was positive. The project demonstrated that a CPT consisting of citizens, municipal council executive board members, and key administrators of the municipal council can function effectively together. It also showed that if elected political officials and municipal council executive board members are committed, that commitment sends a strong signal to citizens that the PRISM approach will make a difference in municipal decision making. Also, the fact that the process is transparent to all parties allayed skepticism and the fear that one party would manipulate the process.

Case Study Conclusion

Traditionally, performance measurement has been an exercise for municipal government managers and budgeting officials. However, many measures developed internally by municipal council staff may not reflect the concerns and priorities of citizens. The PRISM project in Seberang Perai demonstrated the feasibility of engaging citizens in developing performance measures. It also proved that the process can be done in such a way as to give value to citizens and the municipal council.

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While it may be premature to make any conclusion about the long-term impact of the project, several lessons have been learned. First, the PRISM project helped the Seberang Perai Municipal Council focus on outcome measures and citizens' concerns. This should enhance public accountability and the result-orientation of public services. Second, the PRISM project showed the importance of public communication. For example, any government agency should not neglect to notify citizens about the progress or results of departmental actions after a service request is filed. Third, municipal council administrators should prepare for comparative performance measurement, as many citizens are interested in knowing how well their municipality is performing relative to its neighbors. Fourth, many performance measures should be reported at the neighborhood level to make them more relevant to citizens. Finally, public reporting of performance measurement is important. Local authorities should consider the use of technologies, such as the Internet, to do this cost-effectively.

The Seberang Perai Municipal Council continues to collect data for the measures identified by the CPTs, and disseminate the results to the general public. Several precincts in the PRISM project have indicated a desire to expand the project and add new public service areas for performance measurement. Other precincts have indicated the desire to join the project in the near future. The outlook is optimistic for citizens becoming an effective partner in developing and using agency performance measures.

Developing a Performance-based Management System

The performance-based management strategy adopted in the Seberang Perai Municipal Council through the PRISM project should result in more defensible and accountable public service. It should also result in public services designed to produce relevant community outcomes and provide a set of indicators that will keep agency activities accountable for these outcomes. Another potential benefit is that the indicators selected to monitor agency performance will be directly related to measures of agency effectiveness providing the kind of ongoing justification needed to support continued funding in a time of scarce resources. The agency's executive board members and managerial staff should also see this type of system as promoting more effective links to other agencies and better cooperation with other agencies in accomplishing outcomes for which they are jointly responsible.

The performance-based management model put into operation in the PRISM project for the Seberang Perai Municipal Council carried out the following actions:

- **Action 1:** Identify the citizens to be served, and their problems and needs that must be addressed. This first action is to clearly state the target of a service and the specific problems or needs that justify a potential service program or policy intervention. While a primary intervention program may target an entire community, it is best to acknowledge that certain people in the community are at greatest risk of having a particular problem or challenge in their lives, and that these are the people who are most likely to need the service. We asked ourselves: Who are the people most likely to have a particular problem? Who are the people most likely to need help in a particular part of their lives? What are some of the prevailing conditions in their lives that make it likely that they will be at risk of some condition that may require intervention? What are the specific needs that previous research or other evidence suggests these individuals or families have?
- **Action 2:** Identify the community outcomes to be achieved. This action is a significant leap forward in thinking about the kinds of system-level results that should be achieved by addressing the problems and needs of the citizens. In other words, how would the community be different if people's needs were truly addressed or their problems significantly reduced? What benefits would the system itself find so desirable that it would invest significantly in interventions to achieve outcomes that it can value and support? In a public setting, what kinds of outcomes would taxpayers be willing to support to achieve these outcomes?

These outcomes must be carefully defined and defensible. While community outcomes are often influenced by many factors, they should be logical consequences of an agency's efforts to solve the problems and needs of the potential client population. The desired outcomes should also be few in number, stated in nontechnical terms, and easily understood within and outside the public service agency (Ammons 2000).
- **Action 3:** Identify the agency outputs (see Appendix 2 for a brief definition) that can be directly related to the community outcomes. These agency outputs are those for which an agency is primarily responsible and that have clear ties to the outcomes or benefits the agency wants to achieve for its people. Agency outputs are referred to in Total Quality Management literature as "critical success variables"

or “critical success factors.” These are the agency outcomes that, if achieved, will have the greatest chance of ensuring that the individual, family, or community outcomes will occur. The critical agency outputs send a very clear message about how agency performance will be measured.

There are many potential outcomes of agency activities, but critical outputs are what the agency wants to be directed toward and measured against. Usually, agency outputs like these are defined on the basis of a careful review of research evidence or policy evaluation results or, in their absence, clear logic. Ultimately, good agency output indicators should be few in number, easily understood, related directly to agency activities, and worded in such a way that the service population is the group for whom the results are to be achieved.

- **Action 4:** Define the agency activities likely to produce each desired community outcome. Agency activities are designed to produce outcomes instead of responding directly to client needs. In performance-based management, activities are oriented forward, to results, rather than backward, to either citizen or agency needs. This type of performance management model supports only those activities whose probable impact on results can be clearly defined. All too often, agencies develop shotgun-type activities that attempt to “be everything to everybody.” When this happens, the scope of activities ranges from the effective to the ineffective, and the overall results are often mixed at best or completely unknown.

Activity measures in a performance system are directly related to specific community outcomes and the responsible agency is now the “actor” in the information system. But only those agency activities that can be directly related to community outcomes are measured. For example, simple counts of people served are to be avoided in favor of the percentage of the target population that is reached. The latter is a much better indicator of whether the program is likely to produce outcomes for the target population. The focus here is on activities that are specifically targeted toward community outcomes, and only a limited number of measures of activity are necessary to gauge performance in relation to intended results (Ammons 1996).

- **Action 5:** Acquire, allocate, and manage resources to accomplish critical agency activities. This step refers to program planning, fiscal management, and budget allocation and analysis. If the activities are

accomplished according to the performance management criteria, the direct or indirect contribution of all resources to those activities that are designed to support specific community outcomes should be measurable. In management terms, this is referred to as the activity-based costing, or ABC, model. The proportional contribution of activities to outcomes should also be measurable, such that the cost-effectiveness of each activity can be defined. The overall model allows for a “return on investment” analysis in which outcomes or benefits can then be attributed to specific activities and costs, thereby justifying the intervention within a formal accountability structure.

- **Action 6:** Monitor agency performance indicators. The performance-based measurement program described in the Seberang Perai case study above established a set of key indicators at several levels that can be used to assess agency performance. All of the indicators can be measured in a way that clearly justifies program operations. The outcome indicators (see Appendix 2 for the outcome matrix) that are needed are the following:
 - *Knowledge:* these indicate improvements in the level of knowledge that are necessary to operate effectively in the area of concern of the agency.
 - *Attitudes:* these include perceptions or beliefs that are considered important in achieving desired outcomes or that reflect outcomes considered necessary by the agency for optimum performance.
 - *Behavior:* these are specific behaviors or activities that should occur if the program has been effective or that the community deems necessary on the part of some portion of its people.
 - *Cost-effectiveness:* these results should indicate that the benefits derived from the intervention are worth the costs or investments made in the delivery of those benefits.
- **Action 7:** Evaluate citizen-initiated outcomes and measure the agency's impact on those outcomes. The final step in building a performance-based management system is the periodic and comprehensive assessment of the extent to which citizen and community outcomes are achieved by the services delivered by the agency. All too often, this step is ignored and the results of interventions are unknown. Without evaluation, service agencies often “shoot in the dark” with no real data to determine how well

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they are meeting their mark and achieving the intended results for which they are funded.

Any intervention should be continually evaluated. Agencies should continually improve the intended outcomes in knowledge, attitudes, behavior, and cost-effectiveness. Without evaluation, there is no way to tell if one intervention is better than another or if one works better with one target population than with another. Furthermore, lack of good and ongoing evaluation leads to public mistrust of human services and overreliance on anecdotal or exceptional case data to justify an agency's operations. When there is no shortage of funds, this type of justification is sometimes adequate, but when funds are tight, fuzzy data are usually insufficient to justify continued support. Unfortunately, this means that the agencies that do not have good performance indicators and outcomes suffer in the competition for scarce dollars (Ammons 2000).

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Appendix 1: Worksheet for Developing Performance Measures
(Translated from Malay Language)

Evaluating Performance Measures Service: _____ Precinct: _____

Please put an "X" in the columns beside each suggested measure if you think the measure meets the specified criterion, and then rank the usefulness of the measure to citizens (0 = not useful at all; 1 = somewhat useful; 2 = very useful). Please feel free to write down any comments and suggestions. Citizens may form small groups to work on this exercise.

Suggested Measure	Easily Under-standable	Measurable?	Measures What We Want To Measure?	Clearly Defined?	Reasonable Cost and Time?	Tied to Agency Goals? (if applicable)	Useful to Citizens?

Please provide any comments and suggestions below:

Appendix 2: Definitions of Key Performance-based Management Terms

Outcomes: The results or benefits achieved by individuals, families, communities, or organizations that can be directly or indirectly tied to successful program interventions.

Outcome Levels

- Individual
- Family
- Community
- Organization/System

Outcome Matrix:

Item	Individual	Family	Community	Organization
Knowledge				
Attitudes				
Behavior				
Costs				

Agency Output: The results achieved by the intervention program at the termination of service that can be directly tied to program interventions:

- Owned by the intervention program
- Necessary precursor to outcomes
- Strong evidence to support contention
- Measurable
- “Critical success variable”

Agency Activities: The interventions employed by an agency or agencies to achieve specific agency outputs that are designed to affect needed outcomes:

- Necessary to produce agency outputs
- Clearly tied to needed outcomes
- Balance between primary, secondary, and tertiary prevention and crisis response
- Management information-driven

Citizens’ Needs: The specific needs of individuals, families, and communities that determine the critical objectives of agency activities:

- Defined needs assessed
- Citizen input required
- Needs monitored in terms of outcomes

Engaging Societies: Institutionalizing a Consultative Mechanism to Improve Governance

Hashim Yaacob¹

Norma Mansor²

Introduction

Consultation has become part and parcel of the government policy making and planning framework in Malaysia today. Although the types of consultation vary from policy to policy, most public policies went through some kind of discussion at various levels, involving relevant groups in the society depending on the issue. The latest is the draft of the Malaysian Specific Creative Commons Licenses, which was discussed in October 2005. Together with the Multimedia Development Corporation (a public agency), the Law Faculty of the University of Malaya held a public discussion and invited professionals and members of the public to voice their opinions on the draft. The Government is planning to legislate an alternative to the traditional copyright approach of “All rights reserved”: “Only some rights reserved.” Other dialogues include those held by the Ministry of Finance (on the annual budget for 2005), the Ministry of International Trade and Industry, and the Central Bank of Malaysia (an annual dialogue). Certain government ministries and nongovernment organizations (NGOs) have also held forums to get inputs for the Ninth Malaysia Five-Year Development Plan for 2006–2010.

Engagement with a wider group of the society outside the government bureaucracy in Malaysia is premised on three main factors: historical ethnic relations, which were essentially based on negotiations and bargaining; the prevailing view in the 1980s that the private sector was more efficient than the public sector; and the desirability of including the private sector and NGOs in policy making because it would also legitimize government policies.

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History of Consultation: Political Bargaining

The political, economic, and administrative milieu of the country is shaped by the pluralistic nature of Malaysian society. Malaysia's political experience is one of achieving consensus between ethnic groups. Though compromises were inevitable in reaching an agreement, each group worked to optimize its interests. Consensus building started with the independence, or *merdeka*, framework, for which the three main ethnic groups had to draw a workable governing formula. This can be regarded as a consultative process in a limited sense, as the three main ethnic groups were represented by their leaders. The coalition formed, known as the Alliance Party and later renamed the National Front, won the elections after independence and has been ruling post-independence Malaysia since then.

Independence, however, did not translate into a better standard of living for all, especially among the majority Malays (*bumiputra*). The growth strategy adopted by the Government in the 1950s and 1960s had limited success, resulting in rising inequalities within and between ethnic groups. Income inequalities between ethnic groups, economic sectors, and regions were made worse by rising unemployment (8%) and underemployment despite a growing economy. The sole emphasis on growth was inevitably reviewed in the wake of the racial riots in 1969.

The shift from growth, to growth with distribution, became the objective of the new development initiative called the New Economic Policy (NEP). The NEP was launched in 1971 and eventually covered three decades. In its mission to eradicate poverty and restructure the society, the public sector had adopted a new role by getting directly involved in business. Hence, the role somewhat blurred the regulatory function of the Government. It was further complicated when it was associated with ethnic domination, i.e., the public sector was Malay-dominated while the private sector was Chinese-dominated.

Hence, 10 years into the NEP period, there was a high level of mistrust between the private sector and the Government over the implementation of the second prong of objectives of the New Economic Policy, i.e., the restructuring of the society that had led to the proliferation of public enterprises. The establishment public enterprises, seen as an economic vehicle of the Government to specifically address inequality between *bumiputras* and non-*bumiputras* and to reduce poverty, existed in almost all sectors, and were in direct competition with private enterprises. The perceived "crowding out" effect had led to capital flight out of the country. There was dissatisfaction with certain affirmative actions, including the Industrial Coordination Act mandating 30% *bumiputra* capital participation in industrial enterprises. Meanwhile, some public enterprises underperformed, and some of these public

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enterprises were faced with management and financial problems. In addition, there was growing disenchantment in the country with other public services.

Political and economic events of the 1980s had prompted the Government under Mahathir to engage the private sector, academics, and NGOs in policy making. There were at least three pertinent events during this period. The first was the economic crisis in 1984, and the second was the end of the NEP period (1970–1990) and hence the formulation of a new development plan. The economic crisis of the mid-1980s was attributed to both endogenous and exogenous factors. The world oil crisis caused by the Iran-Iraq War triggered the economic recession. There were also issues in the domestic economy that were unresolved. Chief among these was excessive investment in nonproductive sectors like the property sector by both the public and the private sector. These projects were financed heavily with external borrowings, thus causing heavy government indebtedness.

The third event was a challenge to political leadership. Notably, this was not an easy period at the national level politically: the leadership challenge had led to the expulsion and de-registration of the main political party, United Malays National Organisation (UMNO), the backbone of the ruling party. The opposing faction had formed a splinter party known as Semangat 46. The power struggle caused a split among the government political parties, as it was a test of loyalty among partners and friends of more than 20 years. For UMNO, a party with a well-planned succession plan for leadership, this was unprecedented, as it signified strong dissatisfaction with the UMNO leadership.

With the scenario mentioned above and the push for a structural adjustment program by the International Monetary Fund and the World Bank to liberalize the economy, and influenced by Thatcher-Reaganism wisdom, the Government adopted a privatization policy. Private sector management was seen to be superior to the public sector in delivering public services. Also, the Government under then Prime Minister Mahathir Mohamad felt that a wider section of the community needed to be reached to address the negative perceptions of the Government, to manage the uncertainties in the country, and to seek solutions to the economic problems. A partnership formula through the concept Malaysia Incorporated was therefore launched.

Consultative Forums

Economic Forums

The consultation with the private sector that was formalized through the Interagency Planning Group started with the creation of the Malaysian Industrial Group for High Technology to advise the Government in mapping

out an industrial strategy and industrialization plan for the country. The group consists of heads of industry and was created to identify the types of industries, their linkages, and their potential. Malaysia then embarked into heavy industry like the steel and the automotive industries. This group remains relevant in advising the Government on science and technology.

The National Economic Consultative Council (NECC) has a wider representation and was established in 1986 to frame the Second Outline Perspective Plan (OPP 2). OPP2 was to replace the First OPP, which ended in 1990. The OPP is a long and broad development plan that outlines national priorities and strategies. NECC members include central government agencies, the ruling party, opposition parties, NGOs, and academics. Although some members have expressed concern on the lip-service treatment given to this committee, there has been a significant shift in emphasis in economic policy.

The most influential forum within the private sector, many say, would be the Malaysian Business Council (MBC), which was launched in 1991 by former Prime Minister Mahathir Mohamad. It is the main body supporting the Malaysia Incorporated program, which is aimed at cooperation and collaboration between the public and private sectors for national development. There are 72 members, including prominent industry leaders, several cabinet ministers, senior government officials, and several members of NGOs. National economic policies are the main agenda of the meetings, which cover topics ranging from industrial and tax policies to trade and employment matters. Although the MBC meets infrequently, its working committees have already submitted 30 working papers to the Government. An important document, the Privatization Master Plan, was drawn up in consultation with the private sector, particularly the Federation of Malaysian Manufacturers.

The Annual Budget Dialogue, in actual fact a pre-budget input gathering, dates back to the 1970s but was further modified when more organizations were invited to systematically submit proposals. Organizations representing business associations, NGOs, trade unions, and youth organizations were subsequently invited to present their proposals to the finance minister. Many claim that the dialogue is a significant way of presenting their issues to the Government. In addition, every ministry and state has a consultative panel to advise on policies affecting them.

The National Economic Action Council became the main consultative panel when the country was faced with the 1997 economic crisis. This council of 26 members representing the private sector, NGOs, the academe, and think tanks was established in January 1998 with a twofold objective: to gauge opinions and suggestions from the private sector, and to gain support for the Government's effort to revive the economy. The council advised the

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Government on a suitable policy response to the crisis and came up with suggestions such as capital control and a fixed exchange rate.

Social Accountability Forums

The establishment of commissions, both outside and under parliament, was part of the Government's effort to promote a harmonious society. Complaints about human rights abuses had caused the Government to establish the Malaysian Human Rights Commission. This commission also draws representation from NGOs and prominent persons in the country. This commission comes close to the function of an ombudsman, in the absence of the latter.

In response to complaints of corruption among the police force, the Government set up the Royal Commission of Police to enhance the operation and management of the Royal Malaysian Police, according to the Commission of Inquiry Act of 1950. The members are again former senior government officials, former judges, NGOs, and the academe. Commission members reported that they were given autonomy and were well supported by the Government during the inquiry. Moreover, their report was released to the public within a fortnight after its submission. The transparent manner in which the inquiry was administered further legitimized the police force reform.

There have been efforts by the Government to widen representation in the management of public accountability. The Public Accounts Committee (PAC), which has traditionally been very much in the government domain and somewhat ineffective, is now a more open club since Prime Minister Abdullah Ahmad Badawi took over the helm in 2003. The committee is elected at the beginning of each parliament with powers to audit a wide range of government activities. The chairman is a backbencher of the ruling party and the cochairman is a member of parliament from an opposition party. Members are from both the government and opposition parties. This is a step toward inclusion to bring about harmony.

Discussion and Conclusion

Although it is difficult to conclude that there is a direct causal relation between social engagement and harmonious society, the forums have provided an avenue for government officials, private sector, academe, and NGOs to share opinions and information with one another. These forums have served at least three purposes. First, they help to narrow the social gap in a racially divided society, especially when the sectors are identified with race. The forums serve as an arena through which dissonance within each interest group can be expressed, debated, and resolved behind closed doors. Second, the process

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draws on the expert knowledge, insights, and judgment of leaders in the community. This is one way of discerning risks associated with certain policy directions and evaluating long-term implications. Finally, participation in these policies provides the members with a sense of ownership and a sense of commitment to the policies.

The effectiveness of these economic policies has contributed to decades of economic progress, despite the periodic difficulties. It is also worth noting that the country has been able to sustain political and social stability. Transparency in policy making has gained wide support from the public, as demonstrated by their support for some radical economic policies taken by the Government in response to the 1997 economic crisis.

The consultative process has its limitations. The representation claimed by some was from organizations that were viewed positively by the Government. And this automatically excluded useful but controversial opinions. The representation of leaders who were able to state their opinions marginalized groups that were less articulate. Also, members felt that there was lack of monitoring to ensure that recommendations were implemented. Generally, the Government adopted recommendations made by members, but members were not informed of the outcomes of the policy.

The closer relationship between the private and public sectors could also lead to corrupt practices, as some critics argue. The critics assert that a network could develop and it could lead to cronyism. However, in the case of Malaysia, consultation is institutionalized and transparent, and there is less tendency to favor any one party.

The institutionalization of consultation in Malaysia well beyond a periodic event is an innovation to ensure sustained political and social stability.

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Institutional Change in Mongolia: Balancing Waves of Reform

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Collapse of the Regime

Before the collapse of the communist regime, Mongolia and other communist countries experienced a rule-directed, party-controlled, and centralized Weberian type of bureaucracy. Public administration in these countries was characterized by a formal hierarchical government structure. The ruling party controlled policy formulation, assets, resource allocation, and the selection and distribution of personnel, with everything directly accountable to the party auditing bodies. The collapse of the communist regime brought the need to search for ways to change the public administration system.

The options were to exchange the communist type of Weberian bureaucracy to the Western bureaucratic form, or to search for ways to become an entrepreneurial, less regulated, more flexible, and more participatory civil service. In the beginning of the transition there were no indigenous ideas about democratic styles of administration, and officials were eager to adopt any model that would seem acceptable for particular social and political conditions. The objective of the post-communist countries, however, was not reform and improvement of the old system of public administration. With the collapse of the communist regime the “party administration” had lost all trust and respect from society. Therefore, these countries needed to dismantle the old system of party administration and develop a new system of public administration (Verheijen 2003).

In Mongolia, the beginning of the transition, from 1990 to 1997, was dominated by a developmental approach to public administration, not a reformist approach. The collapse of communism brought two contradicting ideas about the theory and practice of the transition. The rush of ideas imposed from abroad, reflected in the dominance of foreign consultants, brought negative reactions to all foreign ideas and experiences as just another attempt to impose an unreliable model and system. On the other hand, the transition

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process required learning from public service ideas and experiences in the developed countries and introducing some of the relevant experiences and models. The attempt to find a balance between learning from international public administration systems, the reform movement, and empirical assessment of the needs of the existing social reality created a developmental approach to transition in Mongolia. Traditional Marxist methodology, which states that the political and administrative structure of society has to be matched to the economic and cultural basis of society, was deep-seated in the minds of scholars and experts at the beginning of the transition. This influenced the focus on the empirical assessment of the socioeconomic condition of public service transition in defining ways of public sector transition. Mongolian scholars and experts were not only focusing on the new international reform movement but also considering the transitional reality of society in order to reach a balance between these internal and external factors. Unfortunately, learning and evaluating the international public administration experience, studying and assessing the reality of the transitional society, and reflecting both of these in policy development were not easy not only for scholars from the transitional regime, but also for specialists from developed countries. Therefore, not only was balance between internal and external factors not always achieved but these factors were not considered enough.

At the beginning of the transition, inspiration was drawn from countries where a traditional public administration was predominant, like Republic of Korea, Japan, and Germany. It is therefore not surprising that building the traditional career system was given a high priority at that time. However, from 1997, with problems emerging from the implementation of the newly established traditional system of public administration, on the one hand, and rising influence from countries (Australia, New Zealand, Sweden, United Kingdom [UK], United States[US]) and international organizations (the World Bank and the Asian Development Bank) advocating neoliberal views, on the other, reformist, New Public Management approaches became the dominant consideration in Mongolia's public service transition.

Development of the Traditional Public Administration System in Mongolia

The traditional concepts of public administration, like hierarchy and rules, permanence and stability, and equality and regulation, appeared somewhat similar to those that transitional regimes³ had used in the past and

³ In this paper "transitional regime" refers only to post-communist transitional governments.

more acceptable to a society emerging from an authoritarian system. Some elements of the New Public Management (NPM) models seemed attractive, but no one knew all the systems and models of public administration, including the traditional. Traditional systems of public administration were easy to understand and accept, and seemed not too difficult to implement, given the social and cultural condition of the transitional regime. Also, it was only the fully developed and exercised public administration systems that were suitable for the countries with no indigenous democratic style of administration. All other models of NPM consisted mostly of some new elements adapted to the traditional system in order to improve the quality of the public service. Naturally, from the beginning of its transition Mongolia opted to develop a traditional style of public administration system.

The following policy documents contain the main principles of the new public administration system developed in Mongolia at the initial stage of transition:

- The new Constitution (1992) and related key consequential laws. This defines Mongolian political institutions and their structure, organization, and functions.
- The “Management Development Program” (1993), which was implemented by the Government with assistance from the United Nations Development Programme and other donors. The roles, functions, and structures of the machinery of government with regard to the central and local governments and the private sector interface were revised. The power of administrative institutions was clarified and significant improvements were made in improving the knowledge and skills of civil servants and private sector managers.
- The Law on Government Service (LGS) (1994), which provided the legal environment of the new public service system. It defined public personnel policy and the status of public employees, their duties and rights, responsibilities, incentives, conditions of work, and management of the public service.
- Mongolian State Policy on Reforming Government Processes and the General System of Structure (1996), which defined a new organizational structure for central government based on policy and planning ministers with oversight of executive agencies. It identified the policy of government cost reduction, including downsizing the public service and strengthening accountability and control through ministry and agency business plans and new financial management systems.

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The policy documents essentially established a traditional career-based civil service within a Weberian type of bureaucracy, with central control over the grading and classification of positions, remuneration and other personnel decisions, and relatively permanent tenure positions. Decentralization was a part of the management development program, but it never received the same priority as public administration and civil service reform, and privatization and private sector development. As a consequence, decentralization lost momentum and did not have the same impact as these other parts.

By comparing the main principles in these policy documents with the “five old chestnuts” of the traditional model (Peters 2001) we can get a somewhat more complete idea about the traditional character of the public administration system that was established at the beginning of the transition.

An Apolitical Civil Service

In order to establish and maintain a politically neutral civil service, the Constitution of Mongolia declared that “Party membership of some categories of State employees may be suspended” (article 16, section 10).

The Law on Government Service states that government core employees shall have the duty “to maintain political neutrality while exercising the functions of the post” (article 13, section 8). Later, when NPM was implemented, this article was amended to include the provision that government core employees should express only official positions in the media when discussing issues related to government policy. The Law on Government Service (LGS) also restricts government core employees from “participating in the activity of political parties in the capacity of a government officer” and “holding concurrently a permanent position in political and other organizations, unless otherwise provided by legislation.”

Because there was no clear definition of what activities could be considered “political” and what nonpolitical, these regulations provided only a general declaration of neutrality. Political allegiance and loyalty of civil servants to political parties were common and open.

Hierarchy and Rules

The public administration transition process in Mongolia from 1990 to 1997 tried to create a Weberian and rule-directed bureaucracy. In the beginning, the first priority was a civil service independent from party control, and compatible with the emerging market society. Issues of greater economic efficiency and social effectiveness were not the highest priority.

The Government established a centrally managed career civil service, appointed on the principle of merit. The establishment of the rule-directed

bureaucracy was based on the Constitution, which states that “Ministers and other government offices shall be constituted in accordance with law” (article 46). Further, according to the LGS, public service “is the activity of accomplishing and implementing state goals and functions within the vested power, as set out in the Constitution of Mongolia and other legislation” (article 3.1). These statements show clearly that public organizations are established to act only in accordance with the law and public servants should implement state goals and functions only within the vested power set out in the law. The hierarchical structure and management of the newly established public service was reflected in its overall classification, categorization, and ranking of all government posts by the LGS (Law on Government Service; Resolution 73/1995 of the State Great Hural; Resolution 132/1995 of the Government). The first-ever handbook on the Mongolian administrative structure and personal management system stated that

The classification system enables the State to design the Government service and to allocate the resources to finance it. It also is used to estimate the remuneration costs and other running costs for different parts of the government service. Decisions on salary and other forms of remuneration are also based on the classification system. (Samballhundev, Tsedev, and Mujaan 1996, page 19).

Permanence and Stability

The newly established government service had characteristics of the traditional public administration, such as permanent and stable organization and staff. The Constitution requires that public offices “shall be constituted in accordance with law” and “the work conditions and social guarantees of State employees shall be determined by law” (article 46), reflecting an overall philosophy of permanence of government organizations and stability and “social guarantees for civil servants.” According to the LGS, “a real government employee shall be a citizen of Mongolia, who holds a Government governing or executive post *permanently* on the basis of qualifications...” (article 11.2). In addition, by the same law the State is responsible for any damage that occurs as a result of a wrongful action by a government official in the course of exercising the powers provided by law (article 4.2.7). The LGS abolished the patronage system and introduced recruitment and promotion on merit, competitive examinations, regular appraisal, common grading, and salary scales throughout the civil service. It left recruitment open for all posts in the civil service, the senior civil service included. Civil servants were to be recruited on a permanent basis, with fixed-term contracts used for temporary staff only.

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Human resources management in the civil service was to a large degree centralized. This system included entrance examinations, salary schedules, incentive programs, training systems, and important procedures such as hiring and firing. The Administrative Service Consul organized recruitment examinations centrally. Every ministry, agency, and local government was responsible for implementing these centrally established procedures and regulations. How well they followed the procedures and regulations was supposed to be monitored by authorities within each hierarchy.

However, senior civil servants continued to be appointed, evaluated, and promoted centrally. Vacancies for senior positions were not publicly announced and competitive examinations for senior positions were not organized until 1 June 2003.

Internal Regulation and Equality

One of the key principles of the LGS that guide government service is “to administer and to be administered.” This means that government core employees shall implement the lawful decisions of higher-ranking officers (articles 4.2.1, 13.1.4). The result of this principle is management by hierarchy.

Equality is another fundamental principle guiding the activities of the state. It is found in the Constitution (article 1, paragraph. 2). The principle of equality in the administrative system means, for example, that the amount, scale, and rate of remuneration for a particular government employee is determined by a similar rate of remuneration for similar government positions throughout the public service (LGS article 28.3.1). It also means that citizens should expect to be treated the same without regard to their differences.

Problems Emerging with the Traditional System of Public Administration

The new public administration system met the social needs of the transition period with some promising outcomes. However, the structure did not bear as much fruit as it did in developed countries (Tsedev 2002, page 120). The reasons for this were as follows.

Problems Associated with a Neutral Civil Service

An *apolitical civil service* did not work well at the beginning of the transition, when a traditional public administration system was being established.

- In socialist times everything was politicized. Citizens, especially civil servants, used to be “politically” very active, and usually saw most

things through an ideological lens. Civil servants were selected and appointed using ideological criteria.

- The beginning of the transition was a time of “revolutionary change,” and everything became even more politicized. The nation was deeply divided politically, from very conservative “communist tip” democrats to left-wing liberal democrats and “anarchist democrats.” There were more than 20 political parties for about only one million adults. Every issue was interpreted politically. Everyone, every time and everywhere, discussed every issue as a political issue.
- In a small state it is very difficult to rely on the politics-administration dichotomy and establish a politically neutral civil service. Politicians and administrators at all levels have very close ties with each other. There are very informal relations and networks between them and it is difficult to differentiate political allegiance, loyalty, or personal relations.
- A small state does not have enough qualified specialists to organize the civil service and the political sphere separately. A small number of people have experience in both public administration and politics. It is almost impossible to find highly experienced and politically neutral specialists to appoint to senior civil service positions. The recruitment of former high-ranking elected officials to senior civil service positions is common and necessary in small states. For this reason an amendment was made to the LGS in 2002. According to this amendment, former politicians who were holding high government posts can be included on the civil servants resources list, without entrance examination and on the basis of the recommendation of the Government Service Council (article 17.11). Equally, most leading politicians and political consultants come from the civil service. There are not many career steps in a small civil service. A successful civil service career very quickly ends up as a political position.
- When there is little respect for laws and regulations it is impossible to enforce a politics-administration dichotomy and the principles of an apolitical, neutral civil service.
- From the beginning of the transition, long before the establishment of a new civil service, competition among political parties for experienced and skilled specialists deeply politicized and divided the civil service. Competing political parties began using political loyalty as the main criterion of any career, including a civil service career. The situation could not be changed simply by adapting new laws and regulations of the civil service when law and rule meant very little to people.

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Problems Associated with Hierarchy and Rules

At first glance, a hierarchical and rule-bound system seemed to work in Mongolia. The law established public organizations and regulations, and government posts were organized according to official classification and ranking. Even the management of the public service was organized according to laws and regulations. But the quality of service of public organizations and the work attitudes and habits of government employees had not changed much. The organizational structure and management system still was not promising economic efficiency or social effectiveness. Rule-directed organizations and management in public service did not promise much because of the general disrespect for law and regulations. Obeying rules and regulations was not always the first priority of citizens, including civil servants. In a small state, informal relationships and networks dominate all levels of the civil service, and these did not leave much space for the effective functioning of the hierarchical structure and management. Even though there are many steps in the salary system, the differences in salary do not provide incentives that support the role hierarchy. In addition, at the beginning of the transition, the views of civil servants changed in ways that created a dilemma for them. Civil servants had duties and responsibilities from the hierarchy in the new system. At the same time, citizens had lost respect for civil servants, and civil servants had lost their authority and because of their loss of authority the hierarchy was not functioning.

Problems Associated with Permanence and Stability

Although patronage has been banned and politics is officially separated from administration in laws and regulations, patronage is one of the main breaches in the public service system. The rise of new political parties in the transition reinforced this tendency, creating new incentives for patronage and favoritism. In order to win elections and gain power, political parties began asking for the support and loyalty of key people in society in exchange for positions in the public service. In that way political parties became a host of potential seekers of administrative positions. Another factor that stimulated patronage was the small society and shared culture. Family and friends are favored over official norms and regulations. Even though a merit-based, professional civil service is espoused in current laws or decrees, it is clear that many civil servants anticipated that after the new elections there would be substantial changes throughout the civil service. They expected that many of the current civil servants would be replaced by people chosen by the new government. On the other hand, many supporters and relatives of the party leaders expected that if their party won they would be rewarded with administrative positions.

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For a year and a half after the LGS passed in 1994 until the next elections, various laws and acts were passed and went into force, and the new public service structure appeared promising. Right after the elections, however, suspicions arose and the process deteriorated. Political parties and the new electoral process politicized the new public service structure and used it for their own interests, negatively affecting the confidence of the people in the structure. On 1 June 1995, the LGS was enacted, allowing a large number of members of the then ruling power, the Mongolian Revolutionary Party, to take an oath and become civil servants, without passing any examinations or assessments. This had a negative impact on the implementation of a merit-based system for the new public service. The winner of the 1996 elections, the Democratic Union and Coalition, further worsened the situation and weakened the implementation of the new structure. Instead of correcting the previous mistakes, they simply carried out a deconstruction mechanism by replacing the former officials en masse with their own. Public servants were laid off or sent to different positions in spite of the principles and spirit of the new structure. At the same time, for senior positions, civil service entrance procedures (selection examinations, a waiting list, appointment, probationary period, and performance evaluation) were skipped and the oath ceremony was used to give politically appointed employees core civil service status. For lower positions there was an appearance of using the procedures, but there was much manipulation around the procedures. As an example, temporary appointments were used to avoid competition for a position.

The newly adopted traditional administration emphasized stability by having most positions in the civil service. For example, in the ministries only the minister and at the provincial level only the governor were political appointments. All the rest were administrative. This regulation contradicted the interests of political parties to place more of their supporters in political positions and became difficult to implement. The new constitution, in addressing local governments, emphasized more democratic practices by having the lowest officials—*bag* governor—elected. It was very inefficient to have the lowest administrative officials in political positions, changing them every 4 years. This regulation facilitated the politicization of civil servants at the local level. Under the new system, high-ranking political officials were employed by the Government Administrative Service Consul, which started politicizing the management of the civil service. In this way, in the new administrative system political positions were made administrative and administrative positions were made political.

Thus, as in many other post-communist states (see Verheijen 2003), the adoption of civil service laws and related regulations did not resolve the

problems of instability, predictability, and politicization and did not lead to the development of a well-working system of long-term career development.

Public Administration Reform in Mongolia

Mongolia adopted a traditional system of public administration until 1997. As we see from above, the newly created system was not functioning well and needed either further development or reform. The dominant assumption was that government could not do anything well, so it was a good idea to introduce change that was as radical as possible to make government as modern as possible.

Initial advocates of the NPM reform were leaders of the democratic coalition government and international consultants from the Asian Development Bank (ADB). Although NPM advocates promised more independence for government organizations and their managers, government was not attracting civil servants at all levels. Their main concern was instability, politicization, and corruption in the public service.

Leaders of the democratic coalition government had several reasons to support the reforms. First, they were not satisfied with the responsibility and accountability of government organizations and their public employees and wanted to improve these by reforming the system. Second, the finance and budgeting mechanism of the public service was not transformed from the old model and needed to be fixed. Political leaders hoped that NPM reforms would not only establish new finance and budgeting mechanisms, but also solve many other problems now emerging from the traditional model. Third, leaders of the coalition government were not happy with public employees who were collectively transferred from the old regime into a stable career system. They saw NPM reform as one way to deal with their problem of the permanence of ineffective bureaucrats. Fourth, they wanted to reduce the size of the government and redirect resources to higher-priority social needs like poverty reduction and economic development. Finally, adopting these reforms in the public service was in compliance with requirements of the major international donor organizations—what has come to be known as “good governance”—for loans and grants” (Peters 2001, page 163).

In addition to this, there were external pressures to impose the New Zealand model of NPM. The major international advocate of the New Zealand type of reform was the ADB. In March 1997, the coalition government scrapped the Management Development Program, the program that had assisted Mongolian public administration development, and initiated a technical aid project supported by ADB. It was called the Public Administration Reform Project. The purpose of the new project was to reform the

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administrative and financial structure of the state budget organization; to promote outcome-based budgetary planning, spending, and report structures; and to reduce government expenditures. Since then, ADB has supported and participated in every step of the reform through this project.

Not every international donor organization supported reform initiatives in the beginning. Many donor organizations and international consultants from the European Union, Japan, and Republic of Korea were suspicious about the predicted successes of the reform. Most of these donor organizations were assisting the public service transition in Mongolia and some of them continued their assistance within the traditional reform, some taking more neutral positions and reducing their involvement in the process.

This new public service reform initiative was strongly opposed at the outset by elected and appointed officials, and by public servants. Public servants did not welcome the initiative, as they believed the new structure would bring too much uncertainty. The classic form of bureaucracy used in the first phases of transition was close to Mongolia's understanding, knowledge, skills, experience, and culture. NPM, on the other hand, was difficult to receive in a short time and most people were still unfamiliar with it. Public servants and national professionals were not ready to embrace the ideology of NPM. The attempt to impose it from the top, changing the direction of public service and administration, undermined confidence in implementing and developing new structures for public service and administration and left a lingering disbelief in the past and suspicion about the future (Tsudev 2002, page 120).

In November 1999 the Government introduced a draft of the Public Sector Management and Finance Law (PSMFL) into Parliament. It was not passed, but was the subject of considerable debate. Public servants worked for 5 years to implement a new structure of public service and administration, greeting every new session of the Parliament with the expectation that things would change with the passage of PSMFL (Tsudev 2002, page 120). After many debates and amendments to the draft PSMFL, the law passed in June 2002 and began gradual implementation from January 2003. The law is based on principles that are very different from traditional public administration, with most control over inputs, including personnel decision making, devolved to managers in line agencies, and comprehensive strategic planning processes and accountability for performance being "purchased" by the Government.

At the same time, the LGS and other laws and regulations of the public service were reviewed and substantially amended in order to take the PSMFL into account. However, although reviewed and amended, the LGS retained and strengthened the traditional central controls on civil service staffing inputs, including central control over the grading and classification of positions,

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remuneration and other personnel decisions, and relatively permanent positions.

According to the PSMFL, the main concepts of public service reform consist of the following tools and principles (Government of Mongolia 2002a):

- Legislated medium-term strategic business plans and fiscal objectives.
- Performance agreements negotiated between ministers and general managers, and between general managers and public employees.
- Output-based budgeting (receiving funding on the basis of the government purchasing contract).
- Performance reporting on the basis of performance indicators.
- Accounting standards in accordance with international accounting standards (full accrual accounting).
- Capital charges on net assets employed by government organizations.
- Managerial authority over inputs, including employment of staff and operating expenses.
- For vacant chief executive positions, selection by the State Service Council of a short list of candidates for appropriate authorities to decide. The council holds the employment contracts of the chief executives and assesses their performance.
- Annual audits of all government organizations by the State Audit Authority.

Since several former officials of the New Zealand Treasury (Dr. Graham Scott, Prof. Ian Ball) had been involved as advisers in the initial drafting of the PSMFL and much has been learned from the New Zealand experience, the Law closely tracks the relevant New Zealand legislation, and the reform concepts and principles reflect many of the characteristic features of New Zealand's financial management reform (Laking 2000).

Public Administration Reform in Mongolia and Basic Models of Governance Reform

To present a more complete idea of Mongolia's public administration transition we now examine its development and reform efforts by comparing them with concepts and principles of four basic models of reform of governance created by Peters (2001).

Mongolian Reform Effort and Market Models

The basic assumption of the market model is that the best way to obtain better results from public sector organizations is to adopt some sort of a *market-based mechanism* to replace the traditional bureaucracy (Peters 2001, page 23).

According to the market model, *competitive mechanisms* would allocate public *resources efficiently* and *minimize the cost* of delivering services (Peters 2001, pages 25–30). In the case of a small society, such as Mongolia, it is difficult to use competitive mechanisms in the public sector, especially in the civil service. Not only can small societies not organize competing institutions and positions in one area of service, but public institutions and civil service positions usually have multiple functions. In small countries one public organization usually deals with several different tasks and has only one specialist for every specific area of service (Randma 2001). On the other hand, the private sector is underdeveloped in transitional regimes and competition with a public sector monopoly is quite limited. Introducing the market model to public service in a small society in a period of transition cannot guarantee the competitiveness of service and greater efficiency. In the case of Mongolia, reform was introduced to improve the efficiency, accountability, and responsibility of public servants by pricing the services delivered by public institutions and financing, evaluating, and accounting for this price. Yet it is difficult to find the true price and drive the costs of the service in the absence of competition. In addition, without competition public bureaucrats have a chance to use their monopoly on information and their informal relations with officials in the budgeting process to supply what they are able to do while asking more than it costs.

Another fundamental idea of the market model is generic management (Peters 200, page 31). This is based on the idea that “management is management, no matter where it takes place” and introduces the principal-agent relationship in public service. In the early stages of the transition, elements of strategic planning and management by objectives were introduced. Specifically, the Mongolian State Policy on Reforming Government Processes and the General System of Structure (1996) included many managerialist ideas, such as entrepreneurial, innovative, and creative management; continuous improvement and experimentation; customer-oriented services; and managers managing within an appropriate accountability framework. Contracting and service output price-based budgeting were introduced with the NPM reforms. Government, through its ministers and local governors, became the purchaser of the outputs of the public organizations that produced the service. One of the difficulties facing the Government now is defining the outputs or products that it can order from public organizations and determining the true cost of the products.

Performance management is one of the central points of the NPM reform. With the introduction of NPM, government has created general guidelines for performance measurement, including qualitative and quantitative criteria. According to this guide, every single organization and

employee each year has to set specific measures for every task they have to perform. Because of the lack of knowledge and skills of managers and public employees, this task is not going well. Public employees do not know what criteria to use and how to measure the quality of what they produce. There is a great need for training and practice for performance management in the public sector. Different criteria of measurement are needed for different times and conditions. It is unusual to be able to use the same criteria of measurement across all situations.

The market model tends to see public and private management as the same thing, and citizens as consumers or customers who should expect the same quality of services that they receive from a private sector firm (Peters 2001, page 45). However, citizens in transitional countries do not have enough experience as costumers of the private sector. Newly emerging private sectors in these countries do not have a great deal of experience not only to share with the public service, but even to provide high-quality service for their own consumers. So, all private sector experiences that would be introduced to the public service of the transition countries within the market model can only be imposed from the business experience of other countries.

One central element of the market reforms is decentralization of policy making *and* implementation (Peters 2001, page 34). The most common way of doing this is “to use private or quasi-government organizations to deliver public service,” to “[split] up large departments into smaller ‘agencies,’ or [to assign] functions to lower levels of government,” and to “create multiple competitive organizations to supply goods and services” (Peters 2001, pages 33–34). Privatization, the use of private and nongovernment organizations to deliver public services, has been used by the Mongolian Government as a reform tool to create some competition in public services, such as schooling, health, and transport, but not much in the civil service. Because of the small-society factor, all public organizations need to be multiservice and multifunction bureaus. Splitting public organizations into “product line,” single-purpose organizations is not applicable to the Mongolian public service. Therefore, from the beginning, public administration development was oriented to reorganizing several small organizations into one larger, more multiservice organization, or transferring their functions to nongovernment and private organizations. For example, the number of government ministers was reduced from 16 to 9 and government agencies from 57 to 48. However, after the elections, the number of government ministers grew again. For instance, while the Government in 2000 had organized 12 ministers instead of the previous 9, the coalition government 2004 established 18 ministers.

The orientation to personnel management in the market model includes pay for performance so that better performance can be rewarded with better pay.

Governments should provide sufficient incentives for individuals working within them to perform their jobs as efficiently as they might (Peters 2001, pages 23, 37). In communist countries, most public servants believed that they had to work not for personal rewards but to exercise communist ideology, to serve society as a whole, and to implement public policy for the country and the communist system. With the collapse of communism, this kind of altruism and any concern for public interests was disregarded as old-fashioned communist ideology. Therefore, for public employees in transitional regimes, the idea of working not for personal rewards but in behalf of a public policy is not very applicable. Furthermore, civil servants' self-determination on their jobs is limited by the self-interests of their managers and politicians. If the self-interests of these bosses were to interrupt any area of their job, civil servants would most likely lose their "empowerment."

According to the LGS, the scale, rate, procedure, and amount of remuneration and supplementary payment due to government employees shall be defined by the Parliament or by the Government in accordance with the post classification, rank, and length of government service (article 28, sections 3–8). Thus, by reregulation of the LGS, there is not much room for performance-based pay in public service. NPM introduced the reform elements of bonus pay to the government employees' remuneration system to achieve some coordination between pay and performance. For many reasons this bonus pay is not making much difference. Poor salary and poor bonus do not motivate civil servants. Poor performance evaluation practices also are not promising much from the bonus system. Funding these bonuses adequately and developing workable measures for performance is not only a difficult problem for transitional countries, it is an issue for developed countries, too. As mentioned in Peters (2001, p. 38), "the failure of Congress to fund these bonuses adequately and difficulties in developing the measures to judge meritorious performance have rendered the merit pay system only a hollow echo of its original intent." As with other countries, marketability and measurability of many government services is limited. The capacity of the government to measure performance in relation to impact is limited. Mostly it can be done on the activity level, or on the quantity of outputs. On the other hand, for Mongolia and some other transitional countries to provide sufficient *incentives* for individuals working in public service is very difficult. They do not have sufficient financial resources to motivate people materially. Improving the performance of civil servants would not save enough resources

to motivate individuals. Even if government could save sufficient resources, these would go to high-priority social and economic needs instead of to motivate civil servants. It is therefore hard to say that adopting some sort of a market-based mechanism in a traditional public administration system of transitional countries can motivate civil servants. Civil servants in transitional countries do not expect material motivation but have other motivations such as job security, the possibilities of self-development, and social status.

The public interest in the market model requires that government deliver public services *cheaply* and allow citizens to exercise *free choice* (Peters 2001, pages 46–47). In the case of Mongolia, it is too early to judge cost savings resulting from NPM reforms. Public institutions are learning to calculate the cost of goods and services that they deliver to citizens. Time is needed to compare and find out whether public goods and services have become cheaper for citizens. The fact that government organizations are now calculating their cost is progress compared with input-oriented, line-item budgeting. With its poor budget the Government is not capable of creating many public service options in order to provide freer choice to citizens. Without a strong, competitive private sector it is impossible to break up the traditional public service monopolies. Even after the introduction of output budgeting and competitive mechanisms in public service, we cannot expect free choices of services by citizens. A small society and extremely limited market are not going to change quickly to develop real competitive markets with many choice options.

In the end, some ideas from the market model have been introduced and gradually implemented, while many other elements of the model do not work well. Many generic management ideas, like legislated strategic planning, performance agreement, output-oriented budgeting, and performance reporting, have been. However, other fundamental pieces of market model, like competitive mechanism, performance pay, free choice, and cheap service are not promising much in the current stage of social transition.

The Participatory State and Reform Effort of Mongolia

The empowerment of citizens and lower-echelon employees and their active involvement in policy making and the delivery of public services is the main assumption of the participatory model of public administration (Peters 2001, pages 50–76).

On the one hand, in transitional regimes the bureaucracy had been authoritarian and permitted little if any options for the clients of the programs to express individual demands or complain about the services being rendered (Peters 2001, page 171). On the other hand, citizens of the communist legacy

once received every possible service without a great deal of participation in the decision-making and service delivery process. They had little intention of and enthusiasm for productive participation. Citizens in transitional countries tend to criticize the public service and wait for good service from bureaucrats, instead of participating in the process. If the authoritarian and hierarchical character of the traditional regime resisted more participation and democracy, the lower-echelon servants and citizens' inability to become involved productively in policy making and service creation created a more hierarchical approach.

In order to involve central and local public administrative bodies at all levels, NGOs, the private sector, mass media, academic institutions, and citizens in policy formulation and implementation, the Government of Mongolia initiated and implemented the Good Government for Human Security Program starting in 2000. The project was intended to establish a policy formulation and implementation partnership through the participation of all relevant actors and stakeholders in the process. Special consideration was given to community participation and citizens' voice in the policy process and their satisfaction and feedback with regard to services, rights, and government responsiveness to citizens' demands. This broad participation was supposed to create consensus among all major actors, stakeholders, and opinion formers. This would establish societal ownership of policies, which could lead to extensive collaboration between the sectors in implementation and greater policy effectiveness, in addition to greater policy continuity and sustainability.

There has been much talk about the participation of citizens and lower-echelon civil servants in decision-making processes, but this right of participation is not well regulated legally. In practice there is not much informal participation in decision making. In order to facilitate greater participation we need to find more organized and slightly controlled ways to practice it. There is still not much room for participation in the public service system even after the introduction of the NPM reforms. Studies show that there has been no participation by citizens at any level of budget making in local governments. Equally, there appears to be no participation in the budget processes of any other government organizations (Household Livelihoods Support Program Office of Mongolia 2004). Civil servants and senior managers are setting the goals, objectives, and performance criteria in noncompetitive and nonparticipatory conditions. Without market competition and citizens' participation, public employees tend to set lower goals and general, acceptable criteria of performance.

Participation and democracy in Mongolia is generally based on participation through political parties and interest groups. Citizens' direct

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participation in administrative decision making and control over public service is not common. Citizens do not have any direct control over public services, such as education or health. First, public service is highly centralized and bureaucratic and there is not much room for direct participation. Second, extreme individualism has become a dominant public characteristic in the transition to a market society. This is in contrast to the common public interest approach of the communist legacy. Now most citizens tend to use their participation in administrative decision making not for the public interest but for their private self-interests. In small societies with complex relationships, citizens' participation many times turns into meaningless fights between local subgroups. Third, not every citizen has the ability and capacity to participate in administrative processes. Nomads, for example, living far from each other and the administrative centers and traveling across the seasons, cannot participate in governance directly and constantly. Fourth, citizens have little experience, culture, expectation, and enthusiasm for participating in administrative process. They do not have any experience of public service in a market regime, and most expectations of public service are based on the socialist. Citizens, especially local citizens, are not used to taking responsibility for their lives. This attitude is part of the inherited culture, which emasculated citizens and made them look above for decisions about their own lives. Finally, government employees have little knowledge and skills to handle broad citizens' participation in any area of public service.

In Mongolia, administrative development and reform processes hierarchy was more dominant than participation. One of the problems was that reforms were imposed by a "top-down process" through legislation. This started with the formulation of new laws and was followed by implementation down through the government hierarchy. As a result of management by hierarchy and regulation, the implementation of the public service reforms became more a matter of compliance with new rules and regulations than a mechanism of change. At the beginning of the reform, adjustment and adaptation to the new requirements became the goals and objectives of public servants rather than the stated reform goals. Because of this, there are big gaps between the expected output of the reforms and the reality of their implementation. In this regard, there are not many differences between the implementation of the traditional system of public administration and the NPM model. Filling the contents of NPM reform model would require more time, effort, energy, and skills than implementing the traditional model.

In Mongolia, a very common negative impression of government is the improper work of the lower- and middle-level public employees. The argument is usually that government works well on the policy design-making level, but

because of the poor performance of the low- and middle-level bureaucrats in implementing decisions, overall government performance is poor and leaves a negative impression. There is no doubt that citizens are dissatisfied by the service provided by the low- and middle-level bureaucrats. But citizens are also not happy with the performance of politicians. It seems the top-down approach to development and reform in public administration works the same way in the policy formulation and strategic planning stages. Yet when the time comes for implementation and further development the approach reaches its limits. Pressures are coming from the bottom to establish more room for initiatives and creativity in order to further develop reforms.

From the beginning of the transition, the Government took the lead in finding a balance between the central Government and local self-government. In the Constitution, local governance is defined as a combination of the state and local self-governance (article 59, para. 1). In the same Constitution, all levels of local officials are considered state representatives (article 60, para. 1) and their offices are part of state administration. As a result, public administration is still fundamentally state administration. Decentralization has been implemented by transferring power from the central administrative bodies to local administrative institutions and by privatizing state-owned enterprises. Since the end of the implementation of the Management Development Program in 1996, the laws and policies of decentralization have not been sufficiently consolidated. Currently there are no particular policy documents focusing specifically on decentralization, and the issue of decentralization itself has not been addressed as a policy priority. There are different understandings of decentralization at both social and administrative levels. Even some administrative decisions are creating a negative environment for decentralization (Household Livelihoods Support Program Office of Mongolia 2004).

NPM reform without strong competition and active citizens' participation creates opportunities for civil servants to determine their goals, objectives, and performance criteria on the basis of their own interests. These interests do not set high goals or hard criteria for performance, and serve the interests of their own organization, along with limited special private interests. Civil servants also price their services higher than their true cost. One way to enforce order and the public interest would be through citizens' participation at all levels of government decision making and implementation. Within the NPM reform, citizens' participation is one of the main components of quality, equality, and honesty of service, and of control over corruption and mismanagement in transitional regimes. Thus, in transitional regimes, citizens' participation is as important as stability and predictability of administration,

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or the entrepreneurialism of managers and the hierarchy and regulation of the bureaucracy.

Public Administration Reform in Mongolia and Flexible Government

According to advocates of flexible government, permanent structures present significant problems for effective and efficient governance, and the organizational universe needs to be shaken up to make it capable of responding effectively to new challenges (Peters 2001, pages 77–96).

At first glance, the transitional administration in Mongolia had to be flexible. Public organizations in these regimes attempt to adapt to frequently changing socioeconomic and political environments and to global developments, and are forced to reorganize and restructure themselves more frequently than government organizations in the developed world. In this sense, permanence is not a characteristic of government organizations in transitional societies.

These constant changes in most cases produce problems in predictability and coordination. In addition, the bureaucrats of transitional regimes are *too flexible* in their responses to society when it comes to their preferential treatment of citizens (Peters 2001, page 173). It is common for government bureaucrats to treat citizens differently, using criteria such as politics, family, friends, and business relations. Accordingly, in Mongolian public administration, development stability and predictability, rather than flexibility, were given the first priority. The state introduced a career-based, permanent employment system in its civil service. Moreover, within the NPM reforms the Government decided to strengthen the stable, career-based character of the civil service personnel management by amending the LGS.

On the other hand, the administrative culture, bureaucratic behavior, and the working habits of public employees are not much changed. In contrast with the new developments, civil servants have been locked into certain ways of running public business (Peters 2001, page 173). The problems are in the common practices of exercising public power. Little if anything has been done to replace the culture and working attitude of bureaucrats. So within the changes in policy and regulations, bureaucrats tend to adapt to the new situation rather than changing themselves. They keep doing what they have been doing for years, in the same traditional way, but within the new. Flexible adaptation to change occurs mostly for the self-interest of government organizations or the bureaucrats, not for the needs and interests of the public. Most government organizations, especially local governments, continue to operate as if the phenomenon of public service reform had never occurred. These organizations use NPM tools only for formal report purposes. They

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remember NPM only at the times each year when they set the goals and performance measurements, sign performance contracts, evaluate contracts, and issue reports. Many government organizations want change without any investment. They want to implement public administration reform not by changing their working habits and cultures but by setting goals and performance standards and making formal contracts and reports. In addition, as noted earlier, from communist times many civil servants worked for ideas and principles rather than for clients or customers. For many government employees, these ideas and principles now are directly connected to the concepts and principles of public administration reform, to status, and to the future existence of their organization. For these bureaucrats, formal compliance with new concepts and principles is more important than real change in service to citizens.

Another factor that makes Mongolian civil service stable is the small pool of experts and the prominence of family and friends in a small society. It is common that when someone is fired from a government organization for any reason, he or she ends up with an offer of a similar or higher position from another government organization. On the other hand, experts attracted from business to government organizations in most cases happen to be former civil servants who transferred to business not long ago. The main reason for this is the small number of experts and their traditional relations with each other. As a consequence, from the personnel point of view civil servants mostly remain permanent in a small society.

Thus, if “shaking up the organizational universe” is not the first priority of public administration reform, shaking up the cultural and behavioral universe of public bureaucrats becomes a critical issue for these regimes. Without changing the social attitudes of citizens, administrative culture, and the bureaucratic behavior of civil servants, no permanent and stable traditional system, no flexible system, and no other model could provide the predictable and fair treatment of citizens that is so much needed in transitional administration. Thus, changing the attitudes of administrative culture and making it responsive to the changing demands of citizens is one important task of transitional regimes. In the end, the continuously changing environment of transitional societies demands a degree of permanence and stability within a flexible service that is capable of coping with rapid changes.

Deregulated Government and Public Administration Reform in Mongolia

The main assumption of deregulated government is that the rule-bound nature of public administration slows action and reduces creativity. With the removal of the constraints of internal red tape, activities can become more

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creative, more effective, and more efficient and liberate workers as entrepreneurial engineers (Peters 2001, pages 97–98).

With the collapse of the ruling communist party, large numbers of rigid *ex ante* and *ex post* controls over bureaucrats were disregarded automatically, without being replaced by new, more flexible, democratic, and legal regulations. Most of these rigid and arbitrary regulations were ideological, and their dismissal at the beginning of transition produced a form of “deregulated government.”

Transitional governments do not have many rules and regulations that slow action and reduce the creativity of civil servants. Therefore, deregulation of the public service and liberation of public employees is not much of an issue. In reality, in the transition period there is always a lack of regulation in all sectors of society. Civil servants have much room to exercise discretion. People in government are free to act creatively, but one does not see much positive action or creative initiatives from public employees. There are several reasons for this. First, there are still some regulations from the communist period that, even if not respected or obeyed by many people, are still enforced and slow creative action. Second, people in general, and public employees in particular, are accustomed to acting on directions from above and on the basis of clear rules and regulations. They are not to ready take a chance and set their own directions. They wait instead for new regulations that will authorize their action. These people need to be free from the past and encouraged to act creatively. Third, those who were taking chances and being creative mostly did not work for the public interest. Unfortunately, many of them saw the uncertainty of the transition as a chance to use public power for own private purposes. For these employees, transitional government needed more rules and regulations.

Within its transition, Mongolia started adopting and enforcing laws and regulations designed to protect public servants from abuse, to ensure more equitable hiring, and to prevent patronage and political exploitation of government positions. Legal reforms have been implemented according to the Constitution (1992), the attachment law to the Constitution (“On Transference from Implementation of the Constitution of PRM to the Constitution of Mongolia”) (1992), the Legal Reform Program (1998), and the Main Directory of Improving the Laws and Regulations until the Year 2004 (2001). In complying with this legal reform policy, between 1992 and 2000 the Parliament adopted around 370 new laws and made changes and amendments to more than 340 laws (Amarsanaa 2002, page 81). In just the 4 years between 1992 and 1996, about 70 laws associated with government service were adopted. Furthermore, in only about a half-year’s time, more than 60 new procedures and regulations

of public service were adopted and gradually implemented (Samballhunde, Tsedev, and Mujaan 1996). These rules and regulations helped managers to hire, pay, promote, and terminate employees. Yet, not all government agencies accepted them, and breaking them for self-interest was very common. In addition, all these regulations were derived from the traditional model of public service with few elements from new models.

Even in these early stages of the process of legal reform, signs of overregulation became apparent. There was a “mechanical” increase in the number of laws because every ministry and agency wanted to have its “own law” or raise up to the level of the laws their own “tiny” instructions and orders (Amarsanaa 2002, page 81; Chimid 2002, page 71). Furthermore, besides the law itself, a massive number of instructions and rules on the implementation of laws were produced. Ministers and agencies started “competing” for the production of different instructions and regulations. Other sources of trouble came in the form of regulations that were sometimes unrelated and legislation that was contradictory, copied from the laws of countries with a different level of development and different legal systems. There were also amendments to the laws based on specific “tiny” interests (Amarsanaa 2002, page 81). These difficulties of reregulation caused a rethinking about the process itself.

Because of this, Mongolia did not intend to deregulate government with the introduction of the NPM reforms. The Government attempted to build both effective managerialism and formal administrative rules and procedures with strong ethical regulations. If some countries implementing public service reform throw out the 10,000-plus pages of personnel regulations amassed over the decades and discard their rules permitting departments to purchase most materials and services on their own (Peters 2001, page 100), Mongolia took the opposite direction of change. The Government started adopting and enforcing new personnel and purchasing rules and regulations. In order to prevent corruption and preferential contracting, it established and enforced rules for procurement and purchasing, requiring elaborate bidding procedures for even small purchases (Government of Mongolia 2000). However, these rules and bidding processes did not prevent government officials from making purchases in ways that involved corruption and preferential contracting.

In the transitional period, on the one hand, there is a need for deregulation or dismissal of the communist era’s rigid and arbitrary regulations and controls of the public bureaucracy. At the same time, in order to function at least within some boundaries and strategic direction, transitional public service needs new, flexible, democratic regulations and controls. For this reason the transitional regime requested deregulation from the communist legacy and

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reregulation in a new democratic way. In the end the public service of a transitional regime needs as much deregulation as it needs reregulation.

The Mixed Model of Government Reform

After the collapse of the communist regime, Mongolia was left with “unregulated” and highly “flexible” governance. In order to achieve some degree of stability and predictability, it developed a rule-bound traditional public administration system. This was followed by the introduction of the managerialist approach of the market model, promoting efficiency and accountability. Imposing a new output-based, contractual market model at the same time, the Mongolian Government hopes to maintain and strengthen a merit-based, centralized traditional system of civil service. Furthermore, in order to promote law and order, new rules and regulations were brought into the governing process. In addition, the Good Governance program was initiated to facilitate transparency and citizens’ participation in all levels of civil service decision making.

As was suggested by international consultants and donor organizations (Laking 2000), the Mongolian Government decided to establish effective central control over the budget, staff, and auditing as a necessary prior step to the introduction of a market model of public service. Government established central control over the budget by creating a Treasury Single Account system in the Ministry of Finance and Economics. According to this system, all public organizations are requested to have only one account under the control of the ministry and to have their expenditures for each month preapproved at the beginning of the month. In addition, amending the LGS increased central control over staff, especially over the recruitment and promotion of senior civil servants. A centralized monitoring body was created by strengthening the State Auditing Authority’s responsibility to conduct annual, mandatory auditing of all government organizations.

Imposing NPM reforms has not removed the *ex ante* control over personnel, purchasing, and budgeting, but introduced *ex post* control by combining two mechanisms of control into one system. The development of the rule-bound traditional public administration system did not encourage accountability among public bureaucrats in many post-communist countries. The traditional approach to accountability required public bureaucrats to comply with rule-bound, standardized behavior as the basis for “error-free government” and fair service (Thomas 2003). In contrast, bureaucrats and citizens in the transitional regimes were not respectful of the rules and regulations. Therefore, the Mongolian Government decided to introduce new performance accountability, but not by shifting from compliance

accountability. Instead, it enforces both at the same time. Thus, public organizations now face double accountability: more accountability for results with more procedural regulation.

Mongolia perceived NPM reform as a performance- and output-oriented improvement of the traditional system of public service, not as a replacement or dismantling of the traditional system. This was a consensus that was reached after 5 years of extensive debate between 1997 and 2002 over maintaining the traditional system or imposing the NPM model.

In Mongolia, contradictions are emerging between the transition from the communist administration to the traditional system of public administration and attempts to introduce NPM reforms into the new system. If the traditional system and the transitional character of public administration requires a more regulated, stable, and centralized approach, the market-based NPM reform requires deregulation, decentralization, and flexibility. In order to combine the development of a new system and reform of the system, along with traditional and NPM approaches to public administration, Mongolia paradoxically seems to be intending to accomplish decentralization through highly centralized mechanisms, deregulation through highly regulatory mechanisms, flexibility through permanency mechanisms, and participation within the hierarchy. The transition that started with the goal of establishing stable, predictable, and professional public administration generated ambitious reform objectives that tried to cover all the *e*'s (economy, efficiency, effectiveness, ethics, equalities, and equity) as well as other modern reform objectives like accountability and customer orientation. One of the characteristics of the Mongolian public administration transition is that its reform process is moving faster than in many other transitional countries, incorporating most common concepts and elements from "a shopping basket" (Pollitt 1995) of the NPM, and contemporary trajectories of civil service reform. Mongolia transition has thus ended up as a mixed model of reform.

As we can see from the most recent policy document on reforming public administration, Civil Service Reform Medium-Term Strategy (2004), within the NPM reform the Mongolian Government is trying to find some balance between the characteristics of a centrally regulated career system and competitive, performance-based personnel management. Specifying the balance of elements and characteristics of the different models is the biggest challenge for public administration reform in transitional regimes. These countries cannot impose NPM without establishing a traditional system, but they also cannot stay only with a traditional model of public service in a global environment. Transitional regimes need to establish a public administration system that reflects the specifics of the country and balances the characteristics of traditional

public administration with the positive benefits of NPM. In the transitional regimes that are emerging from dictatorship, one-party domination, and state monopoly, where any sign of bureaucracy and extreme position is seen as a legacy of the past, it is difficult to impose a strong type of traditional public administration. This is especially true in Mongolia, a small society with a traditional nomadic culture, and a style of life with extreme and rapid liberalization, both of which mean that the traditional bureaucratic model of management is no longer favored. The requirement of balancing the characteristics of the traditional system and the important values of NPM in the establishment of the public service in transitional regimes is apparent.

Factors Determining the Mixed Model in Mongolian Public Administration Transition

A transitional society is not a communist regime, but it is also not yet a market system. It has elements from both systems. Public administration in transitional regimes needs a stable, regulated, traditional character as much as flexible, participatory, market mechanisms. First, the transition is a more unpredictable, mostly unique process that requires from administration a more entrepreneurial, flexible approach rather than the regulated, standardized approach that has been part of the Western market system. Many events, programs, procedures, regulations, and decisions in transition are first-time processes that were not present before and will not be repeated again. In this respect, transitional regimes require more NPM-like approaches from public employees rather than traditional, standardized approaches. Second, the transition from an authoritarian system to a market society is taking place in more open, democratic, participatory, and global conditions than market regimes used to have in the time of the Cold War. Public service in the new society needs to be more democratic and market-oriented. Transition is a mixture of the characteristics of different systems from different times and perspectives. This society may need a more complicated system of public service. On the one hand, transitional regimes need to establish some stability and predictability, but, on other hand, they also need to promote democratic changes. In order to achieve some degree stability and predictability in public service, transitional regimes must build a traditional system of public administration. But in order to promote change and produce efficiency and effectiveness in public service and cope with social and economic development, these regimes need to introduce NPM reform. This is one reason to simultaneously accomplish the developmental and reformist tasks of public administration in the post-communist regimes.

All new models are made up of elements added to the traditional administration in order to achieve more effective and efficient service. One way for a transitional regime to introduce a new model of administration is to establish first traditional public administration or a traditional system with new elements. A more effective way to transition is establishing a public administration system with NPM elements from the beginning of the transition rather than starting with a traditional system and introducing civil service reform midway. Changing direction in the middle of a transition without strategic planning from the beginning is not just ineffective and inefficient. Changes like that interrupt processes, slow energy and enthusiasm for previous change, generate uncertainty and disbelief, and require time for discussion to overcome the resistance to the reform. Mongolia started by adopting a traditional system of public service and then began discussion about NPM reforms in the middle of the transition. It took 5 years to overcome misunderstanding and resistance, reach consensus, and adopt the law and regulations and introduce reform.

In a global world, the public service transition of any country cannot be determined by internal conditions alone. Much as one cannot ignore internal factors, neither can one ignore external factors. International conditions “push” NPM reform onto the public administration system of the post-communist countries. The adoption of neoliberal, market-embracing reforms is typically a condition for the approval of loans and other benefits (Dimitrakopoulos and Passas 2003, page 447). If the internal conditions of post-communist regimes stand more for public administration development of the traditional bureaucratic system, the external conditions push more for NPM reform (Pratt 2005).

Mongolia today is an extremely mixed society with the coexistence of nomadic and modern lifestyles; European and Asian cultures; former communist and modern market ideology, and ethics; and Romano-Germanic and Anglo-Saxon legal and administrative systems. Given this, a mixed or “all in one” approach is the common method of organizing and making decisions, not only for everyday life, but for socioeconomic, political, and administrative processes. The “combining approach” to social transition and reform started with constitutional reform. Mongolia is a parliamentary republic with a directly elected president as head of state (Constitution of Mongolia, 1992, chapter 3, parts 1, 2). According to the Constitution, “Governance of administrative and territorial units of Mongolia shall be organized on the basis of a combination of the principles of both self-government and Central Government” (chapter 4, article 59). In other parts of the Constitution we can see attempts to combine “the tradition of national statehood, history and

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culture” and “the accomplishments of human civilization” (Preface). The traditional public administration system at the beginning of transition already had a mixed character. Principles and elements of the new system were selected from different concepts and a different set of assumptions. If the main principles of the civil service system were based on the career system, some elements were drawn from job systems like training, recruitment, and promotion. Many elements were selected from the civil service practices of countries with a different public administration system like Germany, Japan, Republic of Korea, Sweden, the UK, and the US. Some civil service management elements, like management by objectives, customer-oriented management, and performance management, were selected from NPM and adapted to a traditional civil service system.

Another reason that the Mongolian public administration system came to be a mixed model is political liberalization and the consensual character of transitional policies. In societies where there is little respect for laws and rules, where informal relations stand above formal rules and regulations, to establish a strong, centrally controlled, rule-bound bureaucracy, it is necessary to have permanent backing from a stable majoritarian political regime. For example, a high degree of political stability without a fully developed political party system characterizes the comparatively successful implementation of the reform processes in Kazakhstan to date (Verheijen 2003, page 495). On the contrary, Mongolia is characterized by political pluralism rather than a stable majoritarian regime. The political party system is polarized between ex-communists and the opposition democratic parties, and voters have been rotating them in office during elections. Accordingly, it was not possible for any single interest or policy to establish stability. Because of this, in its public administration transition policy Mongolia tried to reach consensus among all interests. These included the interests of core civil servants and other public employees, elected officials, citizens, and all international donor organizations. This approach tended to create change without “losers,” so that the losing interest was directly represented in the new system. This balance may be possible only in mixed systems of public administration to some degree. Furthermore, after the elections of 2004, Mongolia’s opposing political parties—former communists and democratic coalitions—not only established a coalition government but organized a joint coalition in the Parliament. As Pollitt and Bouckaert (2000, page 48) state, consensual regimes, whose innovations have longer life expectancies, are politically less susceptible to deep, radical reforms than majoritarian regimes.

Whenever the adopted system of public administration in a transitional regime does not work well, the common reaction is to impose one of the

emerging models of public administration on top of the existing one. The NPM reforms in transitional regimes tend to pile new models on top of newly established civil service systems. It is better to adopt a mixed system of public service from the beginning of transition instead of piling one model on top of another. Furthermore, the process of organizing government in transition has been to start with one reform from one donor and add on top of it another reform from another donor in a cumulative fashion. Because reform was initiated and sponsored from different sources and supported inside the country by different political and administrative powers, it soon is not easy to find the right balance among the administrative dualisms.

Concluding Remarks

Many important administrative issues exist as dualisms among these contradictory factors (Peters 2001), and the solutions for the organizational problems then tend to come in opposing pairs (Simon 1947, cited in Peters 2001). Reform may be seen as a continuing search for the right balance among factors in the administrative structure (Peters 2001)—something true for all governments, including transitional regimes. In the case of Mongolia, instead of choosing one direction for reform as the best solution, or going in one direction and then switching to the opposite direction, there has been a search for the right balance among the contradicting factors. The Mongolian approach of a mixed model of reform has not achieved a proper balancing of conflicting elements and factors so far. An important issue for further Mongolian public administration reform processes is to clarify these contradicting features of change and find the most suitable balance in the process of change. This, of course, must be done while being realistic about what is feasible given the economic, social, and cultural resources and emerging, often competing, interests.

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Session 4

Constraints and Challenges Arising from Demographic Transitions/Imbalances

- ▶ Labor Migration in the Kyrgyz Republic and Its Social and Economic Consequences
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Labor Migration in the Kyrgyz Republic and its Social and Economic Consequences

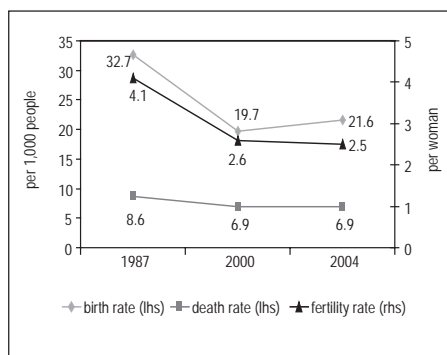
Roman Mogilevsky¹

Demographic Situation in the Kyrgyz Republic

The tremendous social and economic change related to the breakup of the Soviet Union strongly affected the demographic situation in the Kyrgyz Republic. Fertility and birth rates dropped and the death rate declined² (see figure) following the transition to independence and the market economy, accompanied by sharp political and economic shocks and a period of continuous instability, the sudden shift to a new environment with significantly greater risks and uncertainties, the end of massive subsidies from the central Soviet budget, and the resulting decline in the quantity and quality of social services. The natural population growth rate fell from 24.1% in 1987 (the last “quiet” year of the Soviet period) to 14.7% in 2004. Still, the population is growing relatively fast; in 2005, it reached 5.1 million people, or 0.6 million more than in 1991, when the country gained independence.

The population is predominantly rural (65% of the population) and young (children compose about 40% of the population; about half of the population is of working age). The issue of employment, especially rural employment, is therefore very acute. While official unemployment figures are rather low (registered unemployment is just 3%, and estimated unemployment as defined by the International Labour Organization is 9%), these figures assume that all peasants with a piece of land are employed.

Demographic Trends in the Kyrgyz Republic, 1987–2004



* Note: lhs – left-hand side axis, rhs – right-hand side axis

Source: World Bank, World Development Indicators; National Statistical Committee of the Kyrgyz Republic.

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² The decline in mortality is mainly due to the decline in infant mortality rate (from 69 per 1,000 live births in 1990 to 52 in 2002, according to the World Development Indicators) which, in turn, is a consequence of reduced fertility rate.

Because land and agrarian reform in the 1990s gave land to virtually every peasant, there is no rural unemployment, according to official records. In reality, however, since the collapse of the previous mode of agricultural production, based on extensive use of resources and permanent inflow of subsidies to large agricultural enterprises, agricultural activities have not been able to feed the growing rural population. A natural response to this situation is the migration of young people from rural to urban areas and, increasingly, abroad in search of employment opportunities. Migration has become a major social and economic phenomenon in the Kyrgyz Republic.

Migration Pattern in the Country

Migration both from and to the Kyrgyz Republic has been traditionally large since the end of the 19th century. However, in the pre-Soviet and especially in the Soviet period, migration was mainly immigration from Russia and Ukraine and was forced or organized (Cossack settlers in pre-Soviet times, evacuees during World War II, specialists and skilled workers participating in postwar industrialization, students); voluntary migration was marginal. The situation changed dramatically after independence. There was a large outflow of people in the early 1990s. All emigrated voluntarily for ethnic identity and economic reasons. All these migrations (apart from those of students) were associated with a permanent change of residence. Recently, however, there has been a new trend: temporary migration driven exclusively by economic reasons.

The temporary migrants are mainly ethnic Kyrgyz, but ethnic minorities are also well represented. This makes the phenomenon different from the permanent migrations, where the migrants were mostly minorities (mainly Russians, Ukrainians, and Germans). The main destinations of the temporary migrants are Kazakhstan and the Russian Federation (especially the Urals and Siberia). The total number of migrants from the Kyrgyz Republic is not known as there are no reliable official statistics. By conservative estimates, 160,000–200,000 people from the Kyrgyz Republic, or about 10% of the labor force of slightly more than 2 million, are working abroad. The Department of Migration Service of the Ministry of Foreign Affairs provides larger estimates: 300,000 people working in the Russian Federation, 40,000–80,000 in Kazakhstan, and 20,000 in Western Europe (Italy, United Kingdom, and other countries), Republic of Korea, Turkey, and United States. Journalists say the total numbers are closer to 500,000–700,000, but these figures seem too subjective and unfounded.

The reasons for migration are mostly economic. Living standards, wages, employment, and market opportunities are significantly higher in oil-rich Kazakhstan and the Russian Federation than in the Kyrgyz Republic, Tajikistan,

or Uzbekistan. Migrants fill niches in the labor markets of Kazakhstan and the Russian Federation that their citizens do not find as attractive as other employment options. Apart from economic reasons, the migrants choose to go to Kazakhstan and the Russian Federation because they speak Russian (universally spoken by people in their 30s and 40s in the Kyrgyz Republic, but less common among younger people) or (for those less conversant in Russian) find the Kazakh language not much different from the Kyrgyz language, and because of cultural kinship with the other former Soviet republics.

Interestingly, relatively few temporary migrants from the Kyrgyz Republic work for hire; most are self-employed or small entrepreneurs, mainly in trade but also in services. This circumstance is often overlooked when the legal status of migrants is discussed because people (and policy makers) think traditionally of migrant hiring rules, while the right for and conditions of self-employment and entrepreneurial activity are much more important for the migrants from the Kyrgyz Republic. Labor migration to Kazakhstan has a specific purpose: migrants from the Kyrgyz Republic work in agriculture, growing crops like tobacco, where they have much more experience than the local peasants.

It is worth noting that the Kyrgyz Republic not only supplies labor migrants to other countries but also receives them from other countries, mainly from Tajikistan and Uzbekistan. These immigrants work in agriculture and construction and successfully compete in the domestic labor market of the Kyrgyz Republic with their attractive combination of skill, readiness to work for modest pay (even by Kyrgyz Republic standards), and good work ethic. Again, there are no reliable statistics on these immigrants as they largely work on an informal basis, but there are certainly thousands of immigrant workers during the agricultural season in the Kyrgyz Republic.

While economically motivated migration is the core of all intercountry human flows in the region, the movement of people for business (non-employment) and personal needs is also quite intensive. This is very easily understandable, if one accounts for the still close economic, cultural, scientific, and (last but not least) family ties among the people of Central Asia. Unfortunately, this movement is hindered by the visa regime for Kyrgyz Republic citizens in Turkmenistan and Uzbekistan, complicated registration rules in Kazakhstan and the Russian Federation, and burdensome border checks at virtually all borders. Given government corruption and ineffectiveness in the region, these measures only serve to create problems for ordinary people and do not discourage those involved in illegal activities, who should be prevented from crossing the borders.

Economic and Social Implications of Migration

The availability of such a large labor force working abroad has numerous economic, social, and human implications for the Kyrgyz Republic. From the economic standpoint, migration has two positive consequences: (i) reduced unemployment in the country, and (ii) even more importantly, large inflow of remittances from the migrant workers. The National Bank of the Kyrgyz Republic has estimated incoming remittances in 2004 at \$179 million.³ This figure takes into account only the money sent through financial institutions (mainly Western Union and the like); however, it is well known that a large part of money is in cash, brought back by people when they periodically return home to see their families or sent through relatives, friends, and neighbors. By different estimates, the remittances may reach \$300 million, or much more than gross foreign direct investment. Many experts believe that the remittances are a main reason for the reduction in poverty in the last few years. The remittances have also reduced inequality because migrants generally come from families that are not rich. This money mainly goes to personal consumption or is saved or invested in housing; in the last 3 years real estate prices in Bishkek and Osh (the largest towns in the country) increased four- or fivefold. Unfortunately, the concentration of remittances in the capital and the largest towns and their limited use for productive investments has increased regional inequality in the Kyrgyz Republic and reduced the potential positive impact on the economy. Another less positive effect of migration on the domestic situation is the outflow of young and well-educated people, who easily find employment in much less competitive markets in Almaty, Kazakhstan, or in Moscow and other Russian Federation cities. On the other hand, the possibility of finding well-paid employment abroad supports the inflow of young people to universities in the Kyrgyz Republic, especially those with a reputation for providing good education.

Until recently, despite the obvious large importance of migration in the economic and social development of the Kyrgyz Republic and the recipient countries, governments paid too little attention to its less fortunate consequences. The legal status of migrants abroad is unclear, especially for the self-employed and those employed in agriculture; migrants who are hired for urban jobs in the Russian Federation are now subject to protectionist legislation, which makes it more costly to hire foreign migrants. Getting temporary registration in Russian Federation cities poses much greater difficulties. Therefore, official employment opportunities are not many, and people work mostly in the shadow economy with no legal protection. This makes them

³ 8.1% of GDP at the current exchange rate.

very vulnerable to exploitation and crime, and leaves them without good access to health care and education for their children.

Now the Government of the Kyrgyz Republic is addressing these problems by concluding agreements whereby its migrants would be granted a more stable status by the central and regional governments of Kazakhstan and the Russian Federation. An important direction of support to migrants is the establishment of recruitment companies in the Kyrgyz Republic, to organize migration according to the legislation of recipient countries and provide needed legal guarantees to the workers. The Governments of Kazakhstan and the Russian Federation also have the creation of such companies in mind. Obviously, the Kyrgyz Republic must also develop a migration policy that takes into account the long-term nature of migration and its potential for further expansion in view of the reduced population in the Russian Federation and the still high population growth in the Kyrgyz Republic. The policy should not only protect the legal rights of the country's migrants abroad, but also provide them with training suitable for the target labor markets, create hiring infrastructure, strengthen the financial infrastructure for migrants to send money back safely, among other measures. This policy should be developed with the participation of migrants; however, they have not yet organized themselves to become a partner in discussions with the Government.

Labor immigration requires a proper policy response as well. Recently, labor migrants from Tajikistan and Uzbekistan have become so visible and competitive that the Parliament of the Kyrgyz Republic (Jogorku Kenesh) even attempted to introduce a protectionist measure against immigrant workers who would set their deductions for the Social Fund at a prohibitively high rate (100% of their wage, compared with 25% for Kyrgyz hired workers). But such a policy, like others of this kind, would not solve the problem as migrants remain in the shadow economy, but would only create unnecessary distortions in the domestic labor market.

Labor migration has recently emerged as an important item: the country's long-term development agenda. It requires a proper regulatory and policy environment, which has yet to be created. The Government and the society of the Kyrgyz Republic are just at the very start of this process.

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Constraints and Challenges Arising from Demographic Transitions and Imbalances: Pakistan at the Crossroads

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Introduction

The size, composition, and rate of growth of the population are important in the social and economic development of a country. The future of people, economies, societies, and the state lies in their population dynamics. On the other hand, the future of population dynamics also lies in the future of economies and societies, and the ideals, plans, and programs of government.

Demographic statistics are essential in assessing growth and development, determining educational capabilities, drafting plans, and drawing up economic policies. Demographic data are analyzed to answer basic questions about economic development, labor force participation, occupational structure, employment status, use of manpower, and distribution of literacy in technical and vocational fields. Demographic data are helpful in examining the types, quantity, and quality of major public facilities like water, electricity, and basic health units within given geographic areas. Indeed, population concerns must be central, not peripheral, to the programs of government.

Demographic analysis helps to gain knowledge about unsettled and nomadic people. It elaborates migration trends and effects on community life. Demographers highlight the relationship between the distribution of resources and the population, and forecast labor force trends and needs. Is there capability, for example, to absorb rural migrants? The demographic study explains the geographic and occupational transfers, the rural to urban shifts, the areas and extent of the pressures, the sufficiency or insufficiencies of the opportunities.

Demographic Imbalance

Demographic imbalance is a mismatch of population and resources. According to a United Nations report released on 25 August 2005 (*The Daily News*, 29 August 2005, page 17):

the gap between the world's rich and poor is getting bigger. Inequality between the world's richest and poorest nations has grown progressively

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worse over the last 10 years. Some 80 percent of the world's domestic product belongs to 1 billion people living in the developed world, while the remaining 20 percent is shared by 5.5 billion people living in developing countries. The poorest countries have fallen even further behind the richest countries. The disparity has been widened between the income of the poor and the income of the rich.

The inequality could be in income or in access to basic social services and decision making. The widening of the gap shows that governments are unable to confront profound social challenges and place people at the center of development.

Challenges and Constraints

Serious gaps in available information and in the amount and quality of data must be eliminated. Sometimes the data are not accurate in the first place because people tend not to provide information to (official) government workers for fear of harassment. People do not trust data collection agencies and their objectives. In developing countries, the government sometimes tends to use the data for political ends. Figures are sometimes inflated. For instance, Pakistan's literacy rate placed at 53% (Islamabad, Planning Commission, Government of Pakistan: Pakistan Economic Survey 2004–2005, page 138).

In 1951, when Pakistan had its first census, the country had a population of 34 million. In the most recent census in 1998, the population was 134 million, and the Pakistan Economic Survey 2004–2005 placed the figure at close to 150 million. A census is a vast undertaking that needs much planning, adequate resources, control, and trained enumerators. An increasingly important function of the demographer is developing survey techniques for collecting information about the family structure, way of life, quality of life, and family planning (not only birth control but also resource distribution). Inadequate and unreliable population statistics make it very difficult to formulate effective plans for social and economic development.

But the predictability of population dynamics is less useful without predictable economic and social development. To maintain balance in a society, basic needs like food must be provided for increasing numbers. Pakistan, once considered the breadbasket of the area, now does not even have half a basketful and must import basic food items like potatoes, garlic, and onions from India. Pakistan receives 600 sacks of potatoes from India daily (Ocampo 2005). How was this population imbalance created in a country with agriculture as a backbone of the economy and about 70% of the people are in the villages? A major cause is migration.

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Migration is as old as the need of human beings to have a better life. Its impact on a country and on the migrants themselves is profound. The whole pattern of politics, economy, and social values and norms can change as a result (*The Daily Nawa-i-Waqt*, 7 August 2005). Migration is a process of changing residence and moving the migrant's social activities from one place to another (Rizvi, Farzana. 2005. International Migration and Pakistan. *Pakistan Vision* 6(1 July): page 97). Migrants generally attach themselves to areas where economic opportunities are abundant and where they will receive better pay for their work (Weeks 1992, page 223). Migration can be explained by a variety of socioeconomic conditions. It can be free or forced. People in Pakistan migrated to seek safer areas during the floods of June–July 2005, and to escape drought in Cholistan and Thar. Whatever the cause of the migration may be, the balance of the host place is disrupted.

In the developing world, migration is most remarkable in its rural-urban form, often the main cause of the so-called urban explosion. Thousands of Third World peasants leave their villages daily to find permanent or temporary shelter elsewhere (Selier 1988, page 7). The main driving force is the search for jobs and for refuge from a difficult situation. In Islamabad, 58% of the people come from different areas. These include not only the proper job seekers but also the gypsies, who wander from place to place before settling in a spot close to the road but away from the local population, where daily food needs and water are available. A few years ago, empty plots were easy to find. Now, with commercialization, it is difficult to get one. In Lahore's upscale localities, empty plots rent for as much as PRs600 a month.

In the 21st century, gypsies still live the traditional way, totally different from the rest. Their unity is their main characteristic. They provide cheap labor in the cities and put up with extreme weather conditions. Some male gypsies earn about PRs200–300 a day pulling donkey carts (Selier 1988, page 11). Others earn a living with magic tricks, while a few simply stay home. Gypsy women make very good housemaids. A major part of the gypsy economy is run by females. In the villages, they sell small items on barter.

About 15 million people live as gypsies in Pakistan. In Lahore, they number more than 50,000 and the number is constantly rising (*Weekly Family Magazine*, 18–24 September 2005, pages 10–28) because the gypsies move constantly from place to place and do not get themselves registered at birth and get identity cards. Most of them cannot vote. But their dwellings unfortunately dispense with hygiene and pose health problems, especially in the rainy season. Another negative aspect is the incidence of thefts and fraud. Three hundred gypsy children were arrested for theft in Lahore in September 2005 (*Weekly Family Magazine*, 18–24 September 2005, pages 10–28). Despite

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the United Nations convention on the rights of children, about 1.2 million children work as beggars and vendors in Pakistan according to a survey by the Centre for Research and Development in Karachi (*The Daily Nawa-i-Waqt*, 10 August 2005).

In 1951, only 17% of the population of Pakistan was living in cities or towns. Today, urbanites make up more than 32% of the population, having left behind fertile agricultural lands and forests to build businesses and houses in the cities. The rapid urbanization, at 4.9% a year, reflects the urban bias of state investment. Pakistan is projected to be predominantly urban by the next decade (*The Daily News*, 30 August 2005). More than half of the urban population is in the eight big cities of Karachi, Lahore, Faisalabad, Rawalpindi, Multan, Hyderabad, Gujranwala, and Peshawar. According to the 1998 census, Sindh is the most urbanized province with 49% of the population in urban centers, followed by Punjab with 31%, Balochistan with 24%, and the North-West Frontier Province (NWFP) with 17%. The proportion of migrants from other provinces is significant in Sindh, while shifts to urban areas in Punjab and NWFP are mostly from within the province. In Karachi, more than 38% of the immigrants are from Punjab (*The Daily News*, 2 October 2005).

The population shift requires more land and space to settle. Class I and II agricultural land is taken up by city dwellers because it is level and easy to develop. Fertile land is sold at lucrative prices. There are no controls over the acquisition of agricultural land for housing. The demographic imbalance is responsible for many problems.

Shocks and Their Effects

Harsh socioeconomic inequalities and struggles over meager resources bring violence and terror. Failure to pursue a comprehensive integrated approach to development will perpetuate the inequalities, for which every one pays the price (*The Daily News*, 2 October 2005). The society faces a host of important problems in this regard.

Poverty

According to the Human Development Index of the United Nations Development Programme (2005), Pakistan in 2003–2004 ranked 144th in poverty indices; in 2001–2002, it was 138th from 175 countries. Six million families in Pakistan live below the poverty line. According to the State Bank of Pakistan (October 2005), unemployment is at 36% and 41% of the people live below the poverty line. The top 20% own 43.3% of the wealth, while the poorest 20% must make do with 3.7% of the national wealth. The gross domestic product (GDP) may have grown by 8.4% in 2005 but the growth

has not reached the masses. Investment in big cities has not trickled down. Instead, the wealth of villages goes to the cities and only a very small part comes back. The lack of rural industrialization deprives the rural masses of the benefits of development. Meanwhile, poverty-driven migration from the rural to the urban areas proceeds, posing severe threats to economic, social, and physical conditions.

Poor Land Utilization

The cities, already overcrowded, are choked further with the flood of migrants. Problems related to jobs, food and water, sanitation, and transportation have become even more acute. Despite being an agricultural country, Pakistan imports its vegetables, spices, beans, and meat. Agriculture lacks solid planning. As the cities have expanded into nearby agricultural lands, uncultivated land has been left unused. Of the total land area of 803,940 km², 60% is not cultivated. A third of the farmers give half of their yield to landlords; “0.1 percent of landlords control 15 percent of all cultivable land” (*The Daily News*, 2 October 2005). Consumers, on the other hand, spend 60% of their income on food and utilities and spend a great deal less on clothing, medicines, and education (*The Daily Nawa-i-Waqt*, 18 September 2005). A survey in October 2005 by the Statistics Department of Pakistan showed that 75% of the population is not satisfied with the economy. About 27% of the youth capable of employment are unemployed. Policies favor the elite while the bulk of population does not benefit and many even have reduced incomes especially in the rural areas.

Low Public Investment in Agriculture

Agriculture's share in the recent budget, 2004–2005 is PRs 9.1 billion, (\$1 dollar is equivalent to Rs60 or \$151.66 million) or 4.5% of the development budget. Agriculture contributes 24% of the national income but receives only 0.15% of GDP in government investment (*The Daily Nawa-i-Waqt*, August 2005).

Ecological Imbalance

The population of cities is ever increasing as people look for jobs, security, health and education services, and generally better living conditions, and the cities pay a heavy toll. The landscape is a mix of overly crowded mega cities, decaying intermediate cities, paralyzed secondary cities and towns, and a vast rural hinterland. Fertile land is used for residential and industrial expansion. One Kanal (500 sq yard) piece of land in Islamabad sells for PRs20 million (approximately \$333,333). The price of oil also rises and falls steeply. Between

1999 and 2005, the Government increased the price of oil 49 times and reduced it 22 times (*The Daily Nawa-i-Waqt*, August, 2 October 2005).

Environmental Hazards

According to the Pakistan Economic Survey 2004–2005: “No city in Pakistan has a proper waste collection and disposal system for municipal or hazardous wastes. Our industries use about 525 types of chemicals and dyes/ colors in different processing industries. Their processing generates wastes [that]...contaminat[e]...soil[,]...pose [a] potential risk to public health and damage the fertility of cropland.” The industrial units set up on agricultural land release toxic effluents that have wasted huge parcels of land. Kasur, Faisalabad, and Sialkot are a few examples. The demographic imbalance, poor sanitation, and inadequate resources also exert pressure on the facilities. The power supply is overburdened. Worn-down water and sanitation pipes pose health hazards as well.

Resource distribution is uneven between cities. Lahore has a population of about 7.5 million but only 6,500 sanitary workers. Delhi, on the other hand, has 46,000 sanitary workers to serve its population of 11 million (*The Daily Nawa-i-Waqt*, 22 August 2005). Eighty-four percent of Lahore’s budget is for nondevelopment uses.

Poor Governance

The district coordinating officer of Lahore said in 2005 that only PRs1 billion (\$16.66 million) out of the PRs6.2 billion (\$103.3 million) district budget is available for development. Of the total budget, the district government raised only PRs500 million (\$8.3 million); PRs5.7 billion (\$95 million) came from the provincial government.

Around 10,000 motor vehicles on average are registered every month owing to the ease of leasing (*Dawn*, 23 August 2005). Parking is a serious problem. The vehicles also produce air and noise pollution beyond the prescribed levels. Because of over consumption and underproduction of electricity, supply disruptions many times a day cause great inconvenience to households and industrial consumers. Even on the eve of Independence Day (14 August) lights went off almost 1,500 times in the Lahore metropolis (*The News*, 16 August 2005). The proliferation of squatters, *katchi abadis* (clusters of makeshift dwellings), and gypsy towns, and even the sprawling upmarket sectors all overburden the system. The imbalance creates social disarray—behavioral problems, intolerance, ethnic friction, unemployment, breakdowns in law and order, and traffic snarls—and environmental degradation.

Lack of Potable Water

Water is the universal lifeline. Of the water used worldwide, 70% goes to agriculture, 20% to industry, and only 6% to households. Potable water is available to only 25.61% of the people in the urban areas of Pakistan and to only 23.5% of those in the rural areas. In the provision of potable water, Pakistan ranks 80th out of 122 countries (UNDP 2005). The countries of the world resolved in 2000 to provide potable water to at least half of their population by 2015. According to the director general of the Environmental Protection Agency, which is in charge of the Clean Drinking Water Initiative (CDWI) in Pakistan, it will take 5 years to install water purification plants all over the country (*The Daily News*, 11 September 2005). Government plans to set up those plants with a budget of PRs10 billion (\$166.66). The problem is that most of the population, and especially the at-risk population, would still not have access to drinking water because the areas where these people live are not covered by water purification plants. Clean water is hard to come by. Despite government efforts to provide clean water to every citizen, cases of water contamination occur from time to time and even the federal capital is not exempt.

The population of [the] metropolis has crossed 800,000 and at present needs 100 million gallons of water daily [to meet] the civil and industrial needs of the...city but the supply of this essential source of life is limited to 65 million gallons per day. During the dry [season] the administration has to [ration] the water. The people resort to the tapping of [subsoil] resources and [the water table] further recedes. With the construction boom, the corporate sector needs more water. (*The Daily News*, 8 September 2005)

Government plans to provide safe drinking water by 2007 under the grand program Water for All costing PRs6.5 billion. But not more than 30% of the country's population would get purified water under that scheme. (*Dawn*, 25 August 2005)

Health

Access to medical help is a basic right, and governments are responsible for providing medical care. Pakistan devotes less than 1% of gross national product (GNP) to health. It ranks 135th among 177 countries in health service provision according to the *Human Development Report* (UNDP 2005). Most people in the rural areas have no access to health services. Whatever help they get in this regard is likely to be substandard or provided by charlatans. Even villages near the federal and provincial capitals do not get health services or clean water. The basic health units (BHUs) set up in the villages each have an

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officially appointed doctor but, most of the time, the doctor is not around to help, so the support staff attends to the patients. The doctor does not deserve all the blame either. BHUs are hard to reach and are not properly equipped with medicines, clean water, and other facilities. To get the care they need, the patients travel to the city.

The doctor-patient ratio reflects the level of development of health services, and the country in general. In Pakistan, as Governor Khalil-Ur-Rehman of North-West Frontier Province (NWFP) observed, one doctor serves nearly 2,000 patients, compared with the international standard of one doctor for every 500 patients. The doctor-population ratio in NWFP is 1:5,146; in the rest of the country, it is 1:1,773. There is one hospital bed for every 1,703 persons in NWFP, and one bed for every 1,514 persons elsewhere in the country (Islamabad, Planning Commission, Government of Pakistan: Pakistan Economic Survey 2004–2005, page 148).

Education

According to the Pakistan Economic Survey of 2004–2005, the official literacy rate in 2003–2004 was 53%. Pakistan plans to increase investment in education to 4% of GDP within the next 5 years (*The Daily Nawa-i-Waqt*, 8 October 2005). The Education for All Global Monitoring Report 2005 estimated the size of the literate population at less than 40% and those with at least a college degree at 4%. Although the Government claims that it spends billions of rupees for education, none of the 5,500 villages in Punjab province have even one school, the report on an education management and information system survey said. Literacy in most parts of southern Punjab, like Mailis, Pak Patan, Pirwala, Ouch Sharif, and Ahmad Pur East is only around 12% (*The Daily News*, 2 September 2005).

The Government spent about 2.7% of GDP on education in 1999. In 2005, it spent only 1.8%. Five million children of school age are not in school (*The Daily Nawa-i-Waqt*, 15 September 2005).

Government schools cannot accommodate all applicants. Hence, the children of the poor, if they can be spared their economic tasks, go instead to neighborhood institutions. But there they have to spend for books, uniforms, and other essentials. Passing a few classes leads nowhere. The private schools give good-quality education but are too costly.

Opportunities

Demographic imbalances can occur with over- or under-population. In some instances, the demographic imbalance is quite visible but is ignored and overlooked for reasons known only to the policy makers, whose priorities

have yet to be defined. Some areas are overdeveloped, while others in the same city are underdeveloped. The Government has promised to provide potable water and electricity for all by 2007 (*The Daily News*, 30 August 2005). The Punjab government plans to change the rusted water pipes (mainly in posh areas) to avoid sewage contamination. To settle the problem of power disruptions in Lahore, 1,500 transformers will be installed to relieve the overloaded system. The social welfare department, for its part, is helping the poor. The Child Protection and Welfare Bureau in Punjab rescues and cares for poor and abandoned children in the province and attends to their rehabilitation. The Institute of Pakistan *Bait-ul-Mall* has a budget of PRs5 billion (\$83.3 million), which it uses to help people. Efforts have also been made to eradicate child labor through training and the provision of financial incentives to children.

The demographic changes, especially upward mobility, have some positive elements as well. Migrants to the cities provide skilled and unskilled labor. Females make good household help. To meet the rising cost of living, these people often take up two or three jobs. A parallel economy thus exists. After arriving in the city, the migrants become better aware of education, health, and hygiene needs. Vaccinations are done properly. Birth certificates, needed for school registration, help in keeping data on the migrants. The new entrants into the cities and the communities they join can learn from each other.

Conclusions and Suggestions

The demography of big cities is continuously changing. Migrants from the countryside work as porters, street vendors, taxi drivers, and day laborers, and often live in shantytowns on the outskirts of the cities. The cities, especially their more upscale areas, are encroaching on agricultural lands.

Proportional urbanization is needed for balanced regional growth. Six percent of the population of Pakistan is urban and 22% of this urban population lives in Karachi's more than 500 towns and cities. The United Nations, in its annual report (2005), has recommended that developing countries set aside at least 20% of their budget for basic health and social services for the poorest sectors of the population. To resolve the inequality between the urban and rural sectors, Pakistan must provide social and physical infrastructure with no political bias.

Water supply and health services are basic rights of the citizens and not a privilege. If the rights are not given, those deprived may take them by force. Awareness of basic rights and needs is growing as communication systems develop. With the cities spreading outward, urban and rural areas must join hands in a relationship based on equality, social justice, and harmonious

interdependence. Some drastic steps, including administrative and legal changes, are needed to help narrow the rural-urban divide. Technical and vocational training, more and better infrastructure, judicial reforms and the rule of law, monitoring of BHUs and provision of incentives to BHU staff, support and rescue programs for small farmers, more equitable development—all these can help avoid the demographic imbalance.

The luxuries that make life more comfortable for 5% of the people create a sense of deprivation among the poor. The right priorities and proper planning can make a difference. In resettlement, careful calculation and a bigger budget are needed.

To keep demographic balance and harmony, as the Holy Prophet said, “Settle the new towns rather than making the already existing cities overcrowded.”

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DAN DURNING

Problems of Democratic Consolidation in Bangladesh: A Cultural Explanation

Taiabur Rahman¹

Introduction

When parliamentary democracy was restored in Bangladesh at the end of 1990, the people expected a mode of governance that was vastly different from the previous military and semi-military regimes. Instead, everything has been shamelessly politicized, and democratically elected governments have failed to perform the very basic functions of a polity—ensuring law and order, establishing justice, and collecting revenue from the citizens—leaving the people bewildered and disenchanted. Bangladesh may have achieved electoral democracy through free, fair, and participatory elections but its ambition to become a liberal democracy is still a distant dream.

Although Bangladesh has achieved remarkable socioeconomic progress, law and order continues to deteriorate and rampant corruption persists. A recent study ranked Bangladesh 17th among 60 weak and failing states that are vulnerable to violent internal conflict (*Foreign Policy* 2005, page 56). The ranking is based on research methods and findings that are deemed suspect in many quarters, but Bangladesh has undeniably underperformed as a nascent democracy. Several key factors, such as economic underdevelopment, a checkered political history, and weak political institutions, partly explain the failings. This paper, however, looks at the influence of culture on Bangladesh society and politics, a subject that has not received much scholarly attention and has yet to be examined in a systematic manner.

This paper depicts the cultural landscape of Bangladesh society in the light of cultural theory as propounded by Thompson et al. (1990) and Hofstede (1997, 2001), in a bid to comprehend how the dominant culture affects the society and body politic of Bangladesh. What is the cultural configuration of Bangladesh society? What is the dominant way of life as posited by Thompson? Where does Bangladesh stand with respect to Hofstede's four national cultural dimensions? How do the broad cultural attributes of Bangladesh society influence and shape political institutions and the behavior of politicians and other major groups? All these questions are addressed in this paper. Let us

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begin with cultural theory, which will eventually be used to interpret the role of culture and its effects on Bangladesh society and body politic.

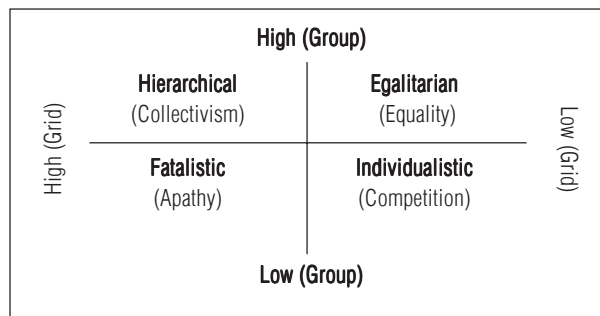
Grid-Group Cultural Theory

Grid-group cultural theory is an approach that has been developed over 30 years in the works of British anthropologists Mary Douglas and Michael Thompson, the American political scientist Aaron Wildavsky, and many others (Douglas 1982, 1992; Wildavsky 1987; Grendstad 1995; Thompson et al. 1990, 1999; Rayner and Melone 1998; Ward 1998; Hood 1996, 1998).

Grid-group cultural theory is based on the belief that the most important factor in people's lives is how they want to relate to other people and how they want others to relate to them (Grenstad 1995). Culture is about how organizations work, or groups behave, not just how an individual thinks or feels. The theory explains how people in a society derive a limited range of answers to basic social questions such as: How does the world work? What are humans really like? To whom are we accountable? (Wildavsky 1987, page 6). Grid-group theorists argue that people's answers to these questions produce orientations toward two basic dimensions of sociality (Christensen and Peters 1999, page 138):

- **Group:** the extent to which people in a society believe that they belong to particular social groups.
- **Grid:** people's perception of the appropriate extent and variety of rules in a society—in other words, do people believe that social behavior should be determined largely by rules (informal or formal) or is there more leeway for them to determine which behavior is appropriate?

Figure 1: Four Ways of Life



Source: Thompson, Ellis, and Wildavsky (1990).

The answers to these two crucial questions—who we are (group) and what are we to do (grid)—have profound consequences for the major decisions that people make (Wildavsky, cited in Grendstad 1995, page 101). In any society, these two dimensions can vary from low to high, thereby resulting in four main ways of life (Figure 1):

- **Hierarchical** (high grid, high group): strong group membership with strong systematic prescriptions. For hierarchists, stratification is an inescapable part of social organization (Coughlin and Lockhart 1998, page 41). Order is the ultimate goal, and it is sustained and upheld through wide application of rules and regulations (Lockhart 1999, page 868).
- **Egalitarian** (low grid, high group): strong group membership and few systematic prescriptions. The absence of effective and enforceable societal rules, in turn, appears to require consensual decision making within the group (Christensen and Peters 1999, page 139).
- **Individualistic** (low grid, low group): weak systematic constraints and no binding group membership. Individualists view humans as self-interested and broad in capacities (Coughlin and Lockhart 1998, page 38). Individualists therefore appear to correspond to the familiar model of economic man as utility maximizers relatively unconstrained by collective rules and norms (Christensen and Peters 1999, page 138).
- **Fatalistic** (high grid, low group): strong systematic prescriptions and no group membership. Fatalists have little control over their own life (Christensen and Peters 1999, page 139). Fatalism is a passive way of life and experience of involuntary exclusion (Jensen 1998, page 123).

In any society, all ways of life may coexist in a dynamic pattern of attraction and separation, particularly at the individual level (Thompson 1996, page 9). No way of life entirely dominates an individual's everyday life and idea of himself or herself and the world. However, most individuals find themselves living one way more than others (Thompson, Ellis, and Wildavsky 1990, page 267). The same is not the case with a society or a country. The way of life of people (values, norms, and culture) in a society or country is much more stable and enduring. Switching from one way of social life to another produces not only a different way of looking at the world but also different individual and social skills (Jensen 1998, pages 137–138). People accustomed to a hierarchical way of life cannot easily do away with their social convictions and values and switch to an individualistic way of life. So

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most people in a society live one way of life, and the way of life they choose shapes the lives of other people in that particular society.

Now let us have a look at another prominent cultural theory—this time from Hofstede (1997, 2001)—which is more empirical in trying to gauge the influence of culture on institutions and institutional actors.

Hofstede's Four Dimensions of Culture

Hofstede's investigations into the work-related attitudes and values of managers working for IBM in more than 50 countries and three regions led to an impressive analysis of the cultural variations between nationalities (Tayeb 1988, pages 38–39; Handy 1993). He ended up with four cultural dimensions:

- **Power distance:** Conceptually related to the concentration of authority (centralization), it indicates the extent to which a society accepts that power in institutions and organizations is distributed unequally. In some national and regional cultures, huge inequality of power is concentrated in the hands of a small and permanent elite, organizations are centralized with tall hierarchical pyramids, and upward communication is restricted. Other cultures have much less inequality, more social mobility, less concentration of power in the hands of a few, decentralized organizations with flatter hierarchies, and relatively free upward communication.
- **Uncertainty avoidance:** Related to the structuring of activities (formalization, specialization, and standardization), it indicates the lack of tolerance in a society for uncertainty and ambiguity. This expresses itself in higher levels of anxiety and energy, greater need for formal rules and absolute truth, and less tolerance for people or groups with deviant ideas or behaviors. Activity and personal energy levels are higher in some cultures. Organizations in more active cultures tend to be more specialized, formalized, and standardized. They put more value on uniformity and are less tolerant of deviant ideas. They tend to avoid risky decisions. Less active cultures attach less importance to formal rules and specialization, are not interested in uniformity, and are able to tolerate a large variety of different ideas. They take risks more easily in personal decisions.
- **Individualism/Collectivism:** Individualism refers to a loosely knit social framework in which people take care only of themselves and their immediate families. Collectivists, on the other hand, can expect their relatives, clan, or work organization to look after them. Members of more collectivist societies have greater emotional dependence on

their organizations. In a society in equilibrium, the organizations in turn assume broad responsibility for their members.

- **Masculinity/Femininity:** The predominant pattern of socialization in almost all societies is for men to be more assertive and women to be more nurturing. Data on the importance of work goals show men generally emphasizing the importance of advancement and earnings, and women putting a higher value on quality of life and people. With respect to work goals, some societies are nearer to the masculinity end of the masculinity/femininity dimension, while others are nearer the femininity end.

If these pioneering works of Thompson and Hofstede were juxtaposed, some sort of congruence would emerge. The high group represents the collectivist end of the scale, and the high grid stands for “a system of shared classifications” and greater uncertainty avoidance (Hofstede 1997, page 325).

A society with high power distance and uncertainty avoidance, collectivity, and masculinity may resemble a hierarchic one. Where the opposite dimensions of societal configuration hold true (low power distance and uncertainty avoidance, individuality, and femininity), the society is close to individualistic. A society where masculinity and collectivity are dominant dimensions and there is high power distance and uncertainty avoidance is like Thompson’s fatalistic society. In an egalitarian society the dominant dimensions are collectivity and femininity, and power distance and uncertainty avoidance are both low.

Cultural Landscape of Bangladesh

Although religiously, ethnically, and linguistically homogeneous, Bangladesh appears to have a predominantly hierarchical society with high group and grid values (Kochanek 1993, Bertocci 1996, Hussain and Khan 1998). Individuals identify strongly with groups, which help in organizing a great deal of daily life. The following is an attempt to figure out the dominant culture of Bangladesh in the light of the theories discussed above, and the consequences for Bangladesh society and body politic.

The social dimension (grid) of Bangladesh society is heavily influenced and shaped by the Hindu religious culture with its caste system and other ceremonies, as well as the colonial heritage based principally on master-slave (unequal) relations. Social stratification and its manifestations in organizations, based on elaborate rules and hierarchy, distance the elite from the common masses. On the other hand, Islam, the major religion in the country, advocates egalitarian values, brotherhood, and fraternity (group values), and has thus

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gained wider appeal and acceptance among the masses regardless of their religious affiliation.

Bangladesh society is collective, but collective norms are confined to groups. It is also predominantly masculine. Uncertainty avoidance is high, as can be seen from the low level of trust placed in people outside the immediate family. Low trust also promotes factionalism and consolidates hierarchy and formal rules in organizations including political parties (Kochanek 1993, Jamil 1998).

In Bangladeshi organizations like the family, there is a high degree of power distance. Subordinates feel comfortable working under superiors rather than with equals. Superiors confer protection, patronage, and favor in exchange for respect, loyalty, and compliance from their subordinates. Deviant behavior and ideas are less encouraged. Opposing a superior's decisions or raising a question is often considered *beyadobi* (ill-mannered). Proper manners—obedience and deference—gain access to patronage and favor. The essence of loyalty is order (Jamil 1998, page 148).

According to Hofstede's cross-cultural study (2001), Bangladeshi society is predominantly hierarchical, as shown in the following table.

Cultural Features of Bangladesh Society according to Hofstede (2001)

Cultural Dimension	Bangladesh	Index		
		Highest	Lowest	Mean
Power distance	80	104	11	58
Individualism	20	91	6	48
Masculinity/Femininity	55	95	5	50
Uncertainty avoidance	60	112	8	60

Source: Compiled by the author from Hofstede (2001, page 502).

In short, according to Hofstede's features of national culture, Bangladesh tends to be a collective, somewhat masculine society with high power distance and uncertainty avoidance, resembling the hierarchic one posited by Thompson (Thompson, Ellis, and Wildavsky 1990).

Hierarchism in Bangladesh: Consequences for Society and Politics

Patron-Client Relations

People who control the mode of production, resource accumulation, and resource distribution are the patrons and the rest are clients. Those of higher rank have the right to extract labor, services, and deference from people

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of lower rank who, in turn, can expect material and other forms of support from their patrons. Thus, the system is hierarchically structured in a complicated maze of mutual obligations (Kochanek 1993, page 44), which tend to work at the caprice of the patron, perpetuating inequality and corruption.

Groupism/Factionalism

Although Bangladesh is not driven by major socioeconomic divisions, individual and group interests often conflict. Someone whose interests are believed to be threatened by others will immediately try to blacken their reputation and to approach a group or form one to further his or her interests.

Rivalry and vulgar infighting are common in all walks of life (Siddiqui 1996, page 20). This factionalism may be attributed to the uneven race for scarce resources among numerous contenders, who are averse to following the rules of the game, as well as the tendency of the contending parties to take advantage of their political ties.

In politics, party defections and factionalism are widespread. Of the 318 members of parliament (MPs) in the 7th Jatiya Sangsad (JS), 200 (65%) had stayed with the same party throughout their political life, while most of the rest had changed political affiliation at least once (Rashid 1997). Likewise, all political parties in Bangladesh are plagued by chronic factionalism. Apart from these explicit factions, there are also covert factions and conflicts within major parties.

Nepotism/Favoritism

Corruption in the form of nepotism, favoritism, and bribery has become institutionalized in Bangladesh. It is so rampant; in fact, the country has led Transparency International's list of corrupt countries for the last 4 years (TI 2005). Small groups share the fruits of corruption among themselves at the cost of national progress. Even the social value system, which once looked down on corrupt persons, is crumbling as honesty is increasingly deemed a liability.

*Tadbir*² is widely practiced. Officials are approached for favors directly or through relatives, on the conviction that even the simplest thing will not move by itself. *Tadbir* is seen as a useful lubricant in overcoming bureaucratic obstacles and getting things done faster. One who refuses to entertain *tadbir*

² *Tadbir* is a Bengali word that denotes the practice of achieving one's purpose by capitalizing on kinship or friendship and offering gifts, money, or other inducements to a person of power and authority. It is a form of corruption.

invites criticism from friends and relatives. Closely related to *tadbir* is political interference in the posting and transfer of civil servants (Siddqui 1996, pages 26–27, 90).

Lack of Trust

People are generally skeptical of the motives of politicians and do not believe they are in politics for the benefit of the country. They are disappointed and bewildered by the performance of MPs in lawmaking and government oversight. Parliament often suffers from lack of quorum. Forbidden to criticize the government and express grievances, the main opposition party has taken to calling for *hartal*³ and boycotting parliamentary sessions, sometimes for months.

People show relatively more trust in the nonpartisan caretaker government headed by a retired chief justice of the Supreme Court in Bangladesh, which is constitutionally mandated to hold power 3 months before each parliamentary election and to hand over power to the new government. Incumbent governments are not trusted to hold free and fair elections. They have also been sharply criticized by the main opposition for appointing people of their choice to the Supreme Court and the Election Commission with the intention of influencing the results of elections.

Although the legal system in Bangladesh (especially the lower courts) is not free from political interference, people have relatively high trust in the higher courts. Even political issues that are supposed to be resolved by the Parliament, as in the “floor crossing” of two opposition MPs in the 7th JS (1996–2001),⁴ are often referred to the Supreme Court for final decision.

Lack of Compromise and Consensus

Compromise is rare in Bangladesh politics. The ruling party looks with suspicion at the opposition party and their relationship is marked by much animosity and conflict. Their leaders have not been on speaking terms since the restoration of democratic governance in 1991. Opposition views and grievances are treated as a threat to government stability and are unwelcome

³ *Hartal* refers to shop closures and work stoppages, which bring public life to a standstill.

⁴ Two MPs in the 7th JS from the main opposition Bangladesh Nationalist Party (BNP) became junior ministers in the government cabinet against their party's directives. Article 70 of the Constitution provides that if an MP resigns or votes against the party that nominated him or her in the election, that seat is declared vacant. In this case, the Speaker declared that the MPs had neither voted against nor resigned from their party, and refused to refer the dispute to the Election Commission. The BNP took the issue to the High Court, which declared that the two MPs had acted *ultra vires*. Later, the Election Commission declared the two seats vacant on account of floor crossing.

in the plenary sessions. It is not uncommon to have the Speaker switch off the microphone of the leader of the opposition, and therefore, neither are walkouts, boycotts, and street protests (Ahmed 1995, page 394; Ahmed 1997, page 90).

In fact, the history of opposition political parties in Bangladesh is a history of oppression and intimidation by the incumbent government, and police harassment. Laws and the judicial process have been muzzled in countless instances to humiliate political opponents, who are tempted with powerful positions and financial offers; and if those soft approaches fail, they are finally silenced with stiff measures. The forms of coercion include threats to life from *mastans*⁵ and corruption charges filed by the ruling government against the frontline opposition leaders. The opposition, as a result, opposes all proposals by the ruling party, irrespective of content or utility.

In the absence of compromise between the contending parties, *hartal* called by the main opposition parties took up 173 days in 1995–1996, and 100 days from 1996–2003, causing great distress to the economy and the daily lives of Bangladeshis. According to a press statement from a former finance minister, a single day's *hartal* costs the economy an estimated Tk3,860 million (\$67 million) (*The Daily Star*, 29 September 2003). The lack of consensus and compromise between the ruling and opposition political parties has also made rubber-stamp parliaments of the 5th, 7th, and 8th JSs, despite their having come into being in free and fair elections, and provoked the major opposition parties into boycotting and *hartal*.

Fatalistic Attitude

Most Bangladeshis perceive time as a linear dimension,⁶ reflecting their fatalistic attitude toward life. They live on relaxed time—attendance at crucial meetings is often deliberately delayed, even by those in responsible positions—and, while prompt in making commitments, are careless in keeping those commitments. Their fatalism is driven not only by religious belief in *Takdir* or *Vhagga* (unseen destiny regulated by Allah) but also by the cruelties of nature and unjust governance, which Bangladesh is—especially the less affluent—feel powerless to stop.

⁵ *Mastans* are terrorists living outside the law of the land on toll collections and with the protection of influential patrons.

⁶ They live in awe of the day of judgment and believe that the future is in the hands of an absolute God, not of mere mortals (Hayashi 1988, pages 25–29). Allah (God) is senior and human beings are junior. Hence, anyone seeking an appointment with a Bangladeshi will get the standard answer, “*Inshallah*” (If Allah permits).

Centralized Leadership

Each major political party is headed by a person who is all-powerful in its management. The party structure and the central and executive committees are filled by nomination and not by election (Ahmed 1995, page 372).

None of the major parliamentary parties distinguish between the party wing and the parliamentary chapter. The leadership of both wings is closely linked in the present ruling party (the Bangladesh Nationalist Party [BNP]). Khaleda Zia, the prime minister, holds three major positions—aside from being prime minister, she heads the BNP Parliamentary Party and is the BNP chairperson. Likewise, Sheikh Hasina, the former prime minister, is the president of the Bangladesh Awami League (BAL) and the leader of its parliamentary party, besides being the current leader of the opposition.

The top leadership of each party also nominates the members of the parliamentary board, which selects candidates for parliamentary election. The role of the constituency is marginal in this regard. In most cases, the central leadership imposes its decisions on the local branches of the party. The tendency to concentrate all powers in the center keeps the backbenchers at bay and makes them subservient to the whims of the central leadership (Ahmed 1998, pages 88–89). To be nominated for the parliamentary election, it is not enough to be loyal to the party and to have political experience and commitment. One must also have wealth, influence, and the blessings of the central leadership. After election, MPs are bound to find their autonomy seriously constrained by party directives and the party chief. Loyalty to the party leadership becomes the ticket to progress in their political career. Leaders need and demand reassurance from admiring followers. The followers, in turn, depend on the security of an understanding *guru* (preceptor) or an idealized brotherhood (Pye 1985, page 157). Intra-party dissent is well-nigh prohibited. The decision of the party chief is usually final and irreversible. The suppression of dissent among party workers is a major cause of factionalism and defection.

Relaxed Accountability for Superiors

The notion of accountability in Bangladesh is set within an ambiguous and bewildering cultural framework. Patron-client relations profoundly affect accountability mechanisms. The relationship between father and child, teacher and student, senior official and subordinate, husband and wife, housewife and maidservant, landlord and tenant, rich farmer and marginal peasant, the educated and the uneducated, the ruling party and the opposition party, the prime minister and the leader of the opposition—all these are based on the key concept of *boro-choto* (superior-inferior). There is still no viable mechanism for ensuring the accountability of the senior or stronger group or patron, and

hence no effective sanction for the group. This uneven treatment is prevalent and accepted by the whole society.

A minister holds a high rank and status in the social hierarchy as part of the elite strata, usually from a reputable and affluent family and with long experience in politics and a highly developed network. A minister is likely to have access to all persons and institutions. Government backbenchers who make up the majority membership of parliamentary committees (entrusted with oversight of the executive) may therefore find it a career risk to call a minister from the executive branch to account. The minister is viewed as a father figure and any serious attempt by government backbenchers to interrogate the minister vigorously in committee sessions may be taken as an overt act of disrespect.

Now we will have a look at the comparative competence of MPs and the bureaucracy to determine who is superior to whom and in what respect. Appendix 1 summarizes the background—education, occupation, and parliamentary experience—of MPs. In the 5th JS, 38% of the MPs had postgraduate degrees and 46% had graduate degrees. In the 7th JS, 40% of the MPs had postgraduate degrees while 45% had graduate degrees. Most MPs have a general educational background rather than specialized background in law, politics, or administration (Rashid 1997).

Businessperson MPs were the largest elite group in the 5th (59%) and 7th (48%) JSs, while somewhat smaller in the 8th. A considerable proportion of the MPs who entered the parliaments in the 1990s (68% in the 5th, 40% in the 7th, and 33% in the 8th JS) were new and inexperienced in parliamentary procedures, let alone the specialized committee assignments. They were not trained in legislative and administrative affairs. Even the committee members in the 8th JS, with their parliamentary experience from earlier JSs, had seen only the operations of committees in the 5th and 7th JSs. Now, to compare the competence of MPs with bureaucrats, let us have a look inside the bureaucracy.

Most of the permanent secretaries in charge of ministries are well educated, and some hold higher degrees from universities overseas. They have undergone intensive probationary and in-service training since their entrance into the civil service and have vast experience (32 years or more) in administration under diverse civil and military regimes. Bureaucracy is essentially domination through information. A bureaucracy becomes more autonomous to the extent that its decisions are shielded from outside influence, i.e., from politicians, academics, voluntary organizations, citizens, and the like (Olsen 1983). According to a survey by Jamil (1998, page 108), bureaucratic decisions in Bangladesh are derived mostly from internal sources, such as

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superiors, colleagues, juniors, official circulars, and gazettes, rather than from external sources. This shows the bureaucrats' stranglehold on information.

It is evident from the comparison between the bureaucracy and the Parliament that the bureaucrats have an advantage over the MPs in having a stable career; expertise and collective knowledge borne of formal education, intensive training, and professional experience; monopoly on practical information; numerical strength; and material resources accumulation (Olsen 1983, page 143; Rosen 1998, page 79). Moreover, the bureaucracy still seems to be more institutionalized than the Parliament, as explained in Rahman (2000). Hence, MPs lag behind the bureaucrats in major aspects of competence, which hinder the committee members from taking command of the bureaucracy and holding bureaucrats accountable for their decisions and actions (Weber, cited in Rosen 1998, page 79).

From the standpoint of the prevalent cultural value of bureaucrats and MPs in superior-inferior positions, MPs lag behind the bureaucrats in almost all respects. Culturally, MPs are supposed to be in a better position to hold the bureaucrats accountable. The reality is contrary to the expectation. Enforcing accountability solely on the basis of authority and legitimacy gained through election is a formidable task for the committee members. The cultural value of having no viable mechanism for ensuring the accountability of the senior or stronger group is reflected in the formal arrangement of the committee system and its real-world implications for ensuring bureaucratic accountability. The institutional rules for running parliamentary committees are devised in a way that puts the incumbent government in a convenient position to be the final arbiter of any accountability issues.

The cultural value makes the ruling party (government) always superior to the opposition parties. Even after 1990, democratically-elected governments brought about changes in the institutional rules of committees with an eye to their own convenience, and these were not enough to hold the bureaucrats accountable. Latent in the halfhearted efforts to overhaul the committee system was the cultural value of domination and nonaccountability of the ruling regime. Formulating robust rules for committees to hold the executive accountable might compel the ruling elite to account for their activities. Bureaucratic accountability and political accountability are so inexorably linked that without political accountability, it is almost impossible for the parliamentary committees, composed of elected political elite, to ensure bureaucratic accountability. Hence, the cultural values profoundly influenced the ruling regime to devise institutional rules that allowed it to be immune from accounting for its actions.

Emergence of the Elite as Cartel

A hierarchical network cannot sustain social trust and cooperation (Putnam 1993, page 174) throughout the society. Consequently, mutual trust and symbiotic relations loom in small coterie with no incentive to work for the common well-being of the society and every incentive to indulge in costly and inefficient rent seeking and the pursuit of group interests only (Olson, cited in Putnam 1993, page 176). Politicians, *mastans*, loan defaulters, businesspersons, parliamentarians, and bureaucrats in Bangladesh belong to a small elite group whose members serve one another's interests. There is no polar capitalist class in the country that can put the brakes on corruption by the executive.

A considerable percentage (about 9%) of MPs in the 7th JS belonged to the top bank-loan defaulter coterie of the country (see Appendix 2). Businessperson MPs were the largest group of elite in the 5th (59%), and 7th (48%) JSs (see Appendix 1). The politicians (MPs) depend on businesspersons and *mastans* for party funds and muscle power to establish hegemony in their constituencies. Many of the top bank-loan defaulting MPs were in 7th JS committees entrusted with ensuring financial propriety and keeping watchful eyes on the executive. For example, 29 defaulting MPs held 46 of 472 committee positions (9.4%) in the 7th JS. Among the loan-defaulting MPs holding committee positions, five were cabinet ministers and four were former ministers, while six (13%) were committee chairpersons in the 7th JS. (See Appendix 2.)

The fact that the standing committee on finance in the 7th JS intervened in favor of a defaulter and took the finance minister to task demonstrated the influence of defaulters on the political system. A survey of defaulted bank loans by the Bangladesh Institute of Bank Management (BIBM) revealed that in sanctioning the loans ministers (most of them MPs) influenced 46% of the cases; MPs, 35%; ruling party leaders, 13%; and collective bargaining agency, leaders 4% (*The Daily Star*, 30 May 2000). Committees have been used to elicit official information for private benefit or to put pressure on public officials to realize some personal agenda (Sobhan 2000). For many other reasons, the committee members have become the allies of the bureaucracy.

For instance, MPs spend a great deal of money (an average of Tk70 million in each constituency, according to the present World Bank country director in Bangladesh) to get themselves elected, and the lion's share of this money is provided by the candidates themselves relatives, well-wishers, and businesspersons. Once elected, they inevitably expect to recover the expenditure—often, many times over. Now the MP must approach the bureaucrats who run the administration and the banks and are guardians of

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state resources. A senior colleague who also happens to be the executive head of a ministry can help further the interests of the bureaucrats in the ministry through promotions, transfers, and material gains. Hence, the bureaucrat, the minister, the treasury bench committee member, the businesspersons, and the *mastans* connive in corruption by making accountability mechanisms perfunctory. Even former World Bank country director in Bangladesh Frederick T. Temple was openly wary about the commercialization and criminalization of politics and the adverse effects on Bangladesh society. As partners in the small coterie, committee members can hardly be expected to arrest corruption and ensure executive accountability until this vicious cycle of symbiotic relations declines or at least weakens.

Conclusion

Pathologies like factionalism, nepotism, centralization, fatalism, relaxed accountability mechanisms for superiors, and elitism are manifestations of the dominant hierarchical culture in Bangladesh. A hierarchical society with high group values sets great store by values like collectivity, solidarity, fraternity, and compromise or consensus, which are present—albeit in a different form (also with a strong element of fatalism)—in Bangladesh. Likewise, a hierarchical society is typified by grid values, where informal rules are stressed and formal rules are honored more in the breach than in the observance. In that respect, Bangladesh also falls short of being a true hierarchical society. Because Bangladesh has several features of the fatalistic dimension of sociality, we can call its society a hierarchic-fatalistic one.

The hierarchical culture has enormous consequences for the functioning of the country's key political institutions as well as the behavior of the major actors in the society. Culture does matter a great deal and can explain the many failings of Bangladesh's relentless and tireless endeavor to establish democratic governance in Bangladesh.

Bangladesh is a densely populated society of 140 million people on 144,000 km² of land where resources are scarce and dealings between seniors/superiors and juniors/inferiors are marked by widespread disparity and discrimination, fostering intolerance, enmity, rivalry, and vindictiveness. Juniors/inferiors are not left enough room in the social and political sphere to breathe. There is virtually no accommodation of the juniors/opposition and no sharing of power. The superior groups/parties, to make up for losing their predominant positions, resort to oppressive measures to weaken and destroy the opposition. The junior parties also use all sorts of measures, legal or illegal, to force the superiors from their positions and take them over. In Bangladesh, a low-trust society, the contending parties are skeptical of each other's

intentions, have no respect for each other, and are not used to following the rules of the game. The “winner takes all” attitude of the superiors is reflected not only in their behavior toward the juniors but also in the rules they set for all the major institutions in the country, including the electoral system (plurality), the Parliament, the judiciary, the bureaucracy, the armed forces, local government, media, and even civil society. The rules are heavily biased in favor of the powerful/superior parties/groups. Moreover, because of lack of trust across the society, politicians, businesspersons, parliamentarians, and civil-military bureaucrats have come together in a small coterie with symbiotic relations to serve one another’s interests. No interested party in the country (barring the opposition) can hold the brakes on corruption by the executive and call the executive to account. Thus, the country’s destructive political culture, which is premised on the dominant hierarchical structure and values of the society, is a serious threat to democracy and a serious hindrance to democratic governance in Bangladesh.

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Appendix 1: Background of MPs (%)

Background	1st JS (1972–1975)	5th JS (1991–1996)	7th JS (1996–2001)	8th JS (2001–)
Education				
Postgraduate	28	38	40	43
Graduate	45	46	45	45
Undergraduate	27	16	15	27
Occupation				
Businesspersons	24	59	48	24
Lawyers	26	19	15	26
Other professionals	16	19	15	16
Politicians (full time)	12	2	3	12
Others	22 ^a	5 ^b	19 ^c	22 ^d
Parliamentary Experience				
Newcomers	33	68	40	33
One JS	57	17	27	57
More than one JS	10	15	33	10

JS = Jatiya Sangsad

^a Including 18% from the landholding class.

^b Including 4% from the landholding class.

^c Specific data on other occupations were not separately available. "Others" comprises a blend of various occupations, i.e., housewives, social workers, journalists, landholders, etc.

^d Including 18% from the landholding class.

Source: Calculated and compiled by the author from Maniruzzaman (1992), Rashid (1997), and TI (2003).

Appendix 2: Defaulting MPs in the 7th JS

Name of MP	Party and Official Position	Defaulted Bank Loans (million taka)
A. S. M. Abdur Rab	JSD (minister)	5.39
Anower Hossain Monju	JP (minister)	0.92
Nazmul Huda	BNP (former minister), member of 3 committees	0.60
Abdul Kader Siddique	Member of 4 committees	0.93
K. M. Obaidur Rahman	BNP (former minister)	3.64
Captain Tazul Islam (ret.)	AL	37.54
K. M. Shamim Osman	AL, member of two committees	1.35
Nurul Amin Talukder	BNP, member of 1 committee	7.37
Syed Masud Reza	AL, member of 3 committees	48.59
Abdul Mannan	AL, member of 3 committees	5.35
A. B. M. Abul Kashem	BNP	0.08
Waziuddin Khan	AL, member of 2 committees	0.44
Abul Hasanat Abdullah	AL (chief whip, JS) member of 5 committees	2.00
Md. Zillur Rahman	AL (minister) member of 4 committees	1.07
Maj. Gen. M. A. Salam (ret.)	AL, member of 2 committees	2.49
Sheikh Fazlul Karim Selim	AL (minister), member of 1 committee	10.60
Mosharraf Hossain	AL	36.79
Abdul Mannan Bhuiyan	BNP (former minister) member of 1 committee	9.91
G. M. Siraj	BNP, member of 1 committee	0.52
Barister Ziaur Rahman	BNP, member of 1 committee	10.04
Kamal Ibne Yusuff	BNP (former minister), member of 2 committees	2.91
Dr. Mizanul Hoq	AL, member of 1 committee	1.10
A. K. M. Rahmatullah	AL, member of 2 committees	39.22
Kazi Keramat Ali	AL member of 1 committee	1.42
Abdul Mannan Talukder	BNP, member of 1 committee	10.66
Abdul Latif Mirza	AL, member of 3 committees	2.73
A. S. M. Firoz	AL, chair of 1 committee and member of 1 committee	65.25
Syed Manjur Hossain	BNP	0.86
Nazimuddin Alam	BNP, member of two committees	3.07
Total		313.00

AL = Awami League (League for common people), BNP = Bangladesh Nationalist Party, JSD = *Jatiya Samajtantrik Dal* (National Socialist Party), JP = Jatiya Party (National Party)

Note: The finance minister informed the House before the 1996 election schedule was announced that 29 members of the 7th JS had defaulted on Tk312 million (\$6 million) worth of loans (*Financial Express*, 22 August 1996). Twenty-nine of those MPs held 46 out of 472 committee positions available in the 7th JS (9.4%). The committee positions were as follows: (i) 26 membership positions in ministerial committees (7% of the 350 positions available); (ii) five memberships in financial committees (10% of the 50 positions available); and (iii) 15 memberships in other committees (21% of the 72 positions available). Among those who had defaulted, five were cabinet ministers and four were former ministers, and six (13%) were committee chairpersons in the 7th JS. The defaulters belonged to the following parties: AL, 16; BNP, 11; JP, 1; and JSD, 1.

Role of Alternative Dispute Resolution Methods in the Development of Society: *Lok Adalat* in India

Anurag K. Agarwal¹

Introduction

Mahatma Gandhi, the Father of the Nation, wrote in his autobiography (1962; reprinted 2001, page 258) about the role of the law and lawyers:

I had learnt the true practice of law. I had learnt to find out the better side of human nature, and to enter men's hearts. I realised that the true function of a lawyer was to unite parties riven asunder. The lesson was so indelibly burnt into me that the large part of my time during the twenty years of my practice as a lawyer was occupied in bringing about private compromises of hundreds of cases. I lost nothing thereby—not even money, certainly not my soul.

Any conflict is like a cancer. The sooner it is resolved, the better for all the parties concerned in particular, and; society in general. If it is not resolved at the earliest possible opportunity, it grows at a very fast pace; and with time, the effort required to resolve it increases exponentially as new issues emerge and conflicting situations proliferate. One dispute leads to another. Hence, it is essential to resolve the dispute the moment it rears its head. The method of achieving this goal must be agreeable to both parties and should achieve the goal of resolving the dispute speedily. This state of uncertainty and indecisiveness should be as brief as possible to avoid psychological, physical, and mental losses.

The Constitution of India has defined and declared the common goal for its citizens as: “to secure to all the citizens of India, justice—social, economic, and political—liberty, equality, and fraternity.” The eternal value of constitutionalism is the rule of law, which has three facets (i.e., rule by law, rule under law, and rule according to law).

How to secure to all the citizens the justice that the Constitution talks about is a big question faced by the judiciary. Court dockets are overloaded and new cases are filed every day. It is becoming humanly impossible for the

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regular courts to decide all these cases in a speedy manner. This is not true in India alone. This, unfortunately, is the situation in a large number of jurisdictions.

Need for Alternative Dispute Resolution Methods

With the evolution of modern states and sophisticated legal mechanisms, the courts run on very formal processes and are presided over by trained adjudicators entrusted with the responsibility of resolving disputes on behalf of the state. Those who seek justice approach the courts of justice with pain and anguish in their hearts, having faced legal problems and having suffered physically or psychologically. They do not take the law into their own hands because they believe that they will get justice from the courts in the end. It is the obligation of the judiciary to deliver quick and inexpensive justice shorn of the complexities of procedure. However, the reality is that it takes a very long time to get justice through the established court system. Obviously, this leads to a search for an alternative mechanism complementary and supplementary to the process of the traditional civil court, for inexpensive, expeditious, and less cumbersome—and also less stressful—resolution of disputes. But the elements of judiciousness, fairness, equality, and compassion cannot be sacrificed at the altar of expeditious disposal. It is said that justice delayed is justice denied. But justice has to be imparted: it cannot be hurried to be buried. The cases must be decided and not just disposed of. Justice that is both speedy and true must be provided. This is easier said than done.

The Indian judiciary is held in very high esteem in all the developing as well as the developed countries of the world. However, there is criticism that the Indian judiciary is unable to clear the backlog of cases. Available and relevant statistics show that though the pendency of cases is always highlighted, the number of cases filed and disposed of each year is never mentioned. In 2001–2004, on the average, the subordinate courts disposed of 13 million cases every year, and the High Courts, 1.5 million cases. The Fast Track Courts disposed of 370,000 cases during the same period. The Supreme Court of India disposes of about 50,000 cases per year.

The law courts are confronted with four main problems:

- The number of courts and judges in all grades is alarmingly inadequate.
- The flow of cases has increased in recent years because of the multifarious acts passed by the central and state governments.
- Prosecuting or defending cases in a court of law is very costly because of the heavy court fees, lawyers' fees, and incidental charges.
- The disposal of cases is often delayed, resulting in huge pendency in all the courts.

These problems do not have an instant solution. For each problem, there are a number of reasons that need to be tackled; however, tackling those reasons requires much time and willpower on the part of the leaders of the nation. In the meantime, the country has to move on. Disputes will keep emerging and, if not resolved, will keep on piling up, making life difficult for everyone.

In every kind of civilization—and India is no exception—the pursuit of justice is instinctive. It is an individual and societal instinct, which every society strives to satisfy through its legal system. The degree of perfection attained by a legal system may be measured by the extent to which the justice system is able to express itself and to find its fulfillment. Not every legal system meets this goal. Sometimes a legal system fails to achieve its purpose because of defects and deficiencies in its substantive laws, and sometimes the failure is mainly due to frailties in its procedural rules. Fortunately, the judicial system in India is well organized, with a high level of integrity, and has been able to develop a system of alternative dispute resolution (ADR).

ADR has become a global necessity. In recent times, methods of ADR have emerged as one of the most significant movements in conflict management and judicial reform. The entire legal fraternity—lawyers, students, judges, and legislators—all over the world have started viewing dispute resolution in a new perspective. Many more alternatives to litigation have emerged. ADR is now an integral part of modern legal practice and jurisprudence.

ADR Methods

Litigation does not always lead to a satisfactory result. It is expensive in terms of time and money. A case won or lost in a court of law does not change the mind-set of the litigants, who continue to be adversaries and file appeal after appeal. ADR systems enable a change in the mental approach of the parties. Those who go to court know that they will either win all or lose all. But when they opt for any method of ADR or for informal settlement, they know fully well that they may not get all that they want, but they will not lose everything.

The main methods of ADR are negotiation, mediation, conciliation, and arbitration. Conciliation is often held to be a constructive approach to justiciable disputes. Though the term “conciliator” is interchangeable with the term “mediator,” there are differences between these two positions. A mediator is usually a person accepted by the disputants themselves, whose principal task is to bring the parties together so that they can arrive at an agreed solution to the dispute. The mediator may see the parties privately, listen to their viewpoint, and impress upon each party an understanding of the viewpoint of the other party.

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Like a mediator, a conciliator also has the primary duty of helping the parties to a dispute reach an amicable settlement. On the other hand, the conciliator also draws up the terms of the agreement for settlement after having a detailed discussion with the parties to the dispute. Each party is invited to a conciliation conference to place their viewpoints before the conciliator, who clarifies complicated issues and takes notes. After the conference, the conciliator may talk to the parties separately and ascertain their “bottom line,” that is, the figure at which each party would be prepared to settle. The conciliator then proposes a solution to the parties.

Conciliation and mediation differ from arbitration, as the former two methods do not result in a binding or enforceable settlement without any statutory sanction.

The *Lok Adalat* is a fine blend of all these ADR methods.

ADR and *Lok Adalat* in India

ADR has long been practiced in India, especially at the grassroots level. The *panchayat* (village council) is widely used to resolve disputes, commercial as well as noncommercial.

The *Lok Adalat* (People’s Court), where justice is dispensed without delay and without too much emphasis on legal technicalities, is ADR method, most suited to the Indian environment, culture, and societal interests. Its salient features are participation, accommodation, fairness, expectation, voluntariness, neighborliness, transparency, efficiency, and lack of animosity. The concept lost value in the last few centuries before independence and particularly during the British regime, but has since been revived.

Lok Adalat camps were started in Gujarat in March 1982 and have now been extended throughout the country, to relieve the heavy burden on courts with pending cases. They have been very successful in the settlement of motor accident claims, matrimonial and family disputes, labor disputes, disputes relating to public services, bank recovery cases, and other cases.

Up to the middle of 2004, more than 200,000 *Lok Adalat* camps had been held and they had led to the settlement of more than 16 million cases, half of them involving motor accident claims. More than \$1 billion was distributed to compensate those who had suffered accidents, and 6.7 million people have received legal aid and advice.

Lok Adalat Benefits

Litigants derive many benefits through the *Lok Adalat*.

First, there is no court fee, and even if the case has also been filed in a regular court, the fee already paid will be refunded if the dispute is settled at the *Lok Adalat*.

Second, procedural laws and the Evidence Act are not strictly applied while the merits of the claim are assessed by the *Lok Adalat*. The parties to a dispute, though represented by their advocate, can deal directly with the *Lok Adalat* judge and explain their stand and the reasons for it. This is not possible in a regular court of law.

Third, disputes can immediately be brought before the *Lok Adalat* without having to go through a regular court first.

Fourth, the decision of the *Lok Adalat* is binding on the parties to the dispute and its order is capable of execution through the legal process. No appeal can be made against the order of the *Lok Adalat*, whereas in the regular law courts there is always scope for appeal to a higher forum, causing delay in the final settlement of the dispute.

The system has been acclaimed by the parties involved and by public and legal functionaries. Besides the advantage of fast settlement, free of cost, the *Lok Adalat* also promotes the jurisprudence of peace in the larger interest of justice and wider sections of society.

Lok Adalat Procedure

The procedure followed at a *Lok Adalat* is very simple and shorn of almost all legal formality and ritual. A sitting or retired judicial officer presides as chairperson, and there are two members, usually a lawyer and a social worker.

Any one or more of the parties to a dispute can apply to have a case that is pending or even at the pre-litigation stage taken up in the *Lok Adalat*. The *Lok Adalat* constituted for the purpose then attempts to resolve the dispute by helping the parties arrive at an amicable solution. Once it succeeds, the decision is final and has as much force as a decree of a civil court that is obtained after due contest.

Civil or criminal matters may be brought before a *Lok Adalat*, but it cannot decide on any matter relating to an offense that is not compoundable under any law, even if the parties involved were to agree to settle the case. A *Lok Adalat* can take cognizance not only of matters involving persons who are entitled to free legal services but also of all other matters. One important condition is that both parties to a dispute should agree to have the dispute settled through the *Lok Adalat* and abide by its decision.

Experience has shown that money claims are more easily settled in a *Lok Adalat* since in most such cases the amount alone may be in dispute. Thus, a multitude of motor accident compensation claims have been brought before the *Lok Adalat* and been disposed of.

Legislation Pertinent to *Lok Adalat*

The *Lok Adalat* was given statutory recognition in 1987, pursuant to the constitutional mandate in article 39A of the Constitution of India. The Legal Services Authorities Act, 1987, provides for the constitution of legal services authorities to provide free and competent legal services to the weaker sections of the society to ensure that no citizen is denied opportunities to secure justice because of economic or other disabilities, and for the organization of *Lok Adalats* to promote justice on the basis of equal opportunity.

In 2002, the Parliament of India amended the act requiring the establishment of permanent *Lok Adalats* for public utility services. "Public utility services," as defined in the amended act, include transport services for the carriage of passengers or goods by air, road, or water; postal, telegraph, or telephone services; insurance service; services in a hospital or dispensary; supply of power, light, or water to the public; and systems of public conservancy or sanitation. Any civil dispute with a public utility service, where the value of the property in dispute does not exceed Rs1 million (about \$2,200), or any criminal dispute that does not involve an offense not compoundable under any law, can be taken up in the Permanent *Lok Adalat*.

An important feature of this amendment is that after an application is made to the Permanent *Lok Adalat*, no party to that application can invoke the jurisdiction of any court in the same dispute. The Permanent *Lok Adalat* attempts to settle such disputes involving public utility services through conciliation and, failing that, it decides on the basis of merit. It is guided by the principles of natural justice, objectivity, fair play, equity, and other principles of justice without being bound by the Code of Civil Procedure and the Indian Evidence Act.

A 2002 amendment to Section 89 of the Code of Civil Procedure has also opened the way for conciliation, mediation, and pretrial settlement. Once the model rules framed by the committee headed by Justice Jagannadha Rao, chairperson, Law Commission of India, under the direction of the Supreme Court of India, have been adopted by all the High Courts, funds will need to be sanctioned for the requisite infrastructure and for the employment of mediators and conciliators. The mediators and conciliators must be trained in the art of mediation and conciliation in India. ADR would drastically bring down the pendency of cases by accelerating their disposal. In California, where

systems of mediation, conciliation, and pretrial settlement were introduced only 2 decades ago, 94% of cases are referred for settlement through ADR and 46% of such cases are settled without contest. The result is that California has been able to decide civil cases within less than 2 years from the date of filing.

The constitutional validity of the amendments to section 89 of the Code of Civil Procedure incorporating ADR methods were upheld by the Supreme Court of India in a recently decided case (Supreme Court 2005b).

Some of the relevant sections from the Legal Services Authority Act, 1987, are as follows.

Section 19: General Provisions

- Central, state, district, and *taluk* legal services authorities have been created to organize *Lok Adalats*. *Taluk* is also known as 'block'. A district is divided into several blocks.
- *Lok Adalat* conciliators comprise the following:
 - A sitting or retired judicial officer,
 - Other persons of repute as may be prescribed by the state government in consultation with the chief justice of the High Court.

Section 20: Reference of Cases

Cases can be referred for the consideration of *Lok Adalat* in the following circumstances:

- Both parties to the dispute give their consent.
- One of the parties applies to have the case referred to the *Lok Adalat*.
- The court is satisfied that the matter is an appropriate one to be taken cognizance of by the *Lok Adalat*.

Compromise settlement shall be guided by the principles of justice, equity, fair play, and other legal principles.

Where no compromise is arrived at through conciliation, the matter is returned to the concerned court for disposal according to the law.

Section 21: Award

After the parties agree, the award is decided by the conciliators. The matter need not be referred to the concerned court for a consent decree.

The relevant provisions of the act are as follows:

- Every award of *Lok Adalat* shall be deemed as a decree of a civil court.
- Every award made by the *Lok Adalat* shall be final and binding on all the parties to the dispute.
- The award of the *Lok Adalat* shall not be subject to appeal.

Section 22: Status of Proceedings

Every proceedings of the *Lok Adalat* shall be deemed to be judicial proceedings for the purpose of:

- Summoning witnesses,
- Presenting documents,
- Receiving evidence, and
- Requisitioning public records.

Finality of *Lok Adalat* Award

One issue that often arises is the finality of the award of the *Lok Adalat*. During the *Lok Adalat*, the parties agree to abide by the decision of the *Lok Adalat* judge. However, the order is often challenged on several grounds. In a recent decision, the Supreme Court of India stated in unequivocal terms that the award of the *Lok Adalat* is as good as the decree of a court. Therefore, the courts have all the powers in relation to it as they have in relation to decrees they themselves passed. These powers include the power to extend time in appropriate cases. The award passed by the *Lok Adalat* is taken to be the decision of the court itself, though arrived at by the simpler method of conciliation instead of the process of arguments in court (Supreme Court 2005b).

Consent of the Parties

The most important factor to be considered while deciding cases in the *Lok Adalat* is the consent of both parties. However, once the parties agree, the matter has to be decided by the *Lok Adalat*. Then neither party can walk away from the decision. In several instances, the Supreme Court has held that without the consent of the parties the award of the *Lok Adalat* is not executable, and also that if the parties fail to agree to have the dispute resolved through *Lok Adalat*, the regular litigation process remains open to the contesting parties (Supreme Court 2004a).

The Supreme Court has also held that “compromise” implies some element of accommodation on both sides but cannot be described as “total surrender” (Supreme Court 2005c). A compromise is always bilateral and means mutual adjustment. “Settlement” is termination of legal proceedings by mutual consent. If no compromise or settlement is or can be arrived at, no order can be passed by the *Lok Adalat* (Supreme Court 2004b).

Legal Aid, National Legal Services Authority, and State Bodies

The poor find it difficult to prosecute or defend a case because of the high costs involved. Eminent judges of the Supreme Court and High Courts have often emphasized the need for free legal aid to the poor. The central

Government, taking note of this need, introduced article 39A into the Constitution in February 1977.

The article reads:

The State shall secure that the operation of the legal system promotes justice on a basis of equal opportunity, and shall, in particular, provide free legal aid, by suitable legislation or schemes or in any other way, to ensure that opportunities for securing justice are not denied to any citizen by reason of economic or other disability.

Articles 14 and 22(1) also make it obligatory for the state to ensure equality before law and to establish a legal system that promotes justice on the basis of equal opportunity for all. Legal aid strives to ensure that the constitutional pledge is fulfilled in its letter and spirit and that equal justice is made available to the poor, the downtrodden, and other weaker sections of society.

Since 1952, the Government of India has also addressed the question of legal aid for the poor in various conferences of law ministers and law commissions. In 1960, the Government drew up some guidelines for legal aid schemes. In different states, such schemes were put forward through legal aid boards and societies, and law departments.

In 1987, the Legal Services Authorities Act was passed, giving a statutory basis to legal aid programs throughout the country. This act was finally enforced on 9 November 1995 after certain amendments were introduced by the Amendment Act of 1994. The National Legal Services Authority (NALSA) was constituted on 5 December 1995.

NALSA lays down policies and principles for making legal services available under the provisions of the Legal Services Authorities Act and to frame effective and economical schemes for legal services. It also disburses funds and grants to state legal services authorities and nongovernment organizations (NGOs) for legal aid schemes and programs. NALSA provides legal services, legal aid, and speedy justice through *Lok Adalats*. The authority has its office in New Delhi and is headed by the chief justice of India, who is the ex-officio patron-in-chief.

Similarly, state legal services authorities have been formed in every state capital. The Supreme Court legal services committee, High Court legal services committees, district legal services authorities, and *taluk* legal services committees have also been created. Each state legal services authority is headed by the chief justice of the state High Court, who is its patron-in-chief. A serving or retired judge of the High Court is nominated as its executive person.

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The district legal services authority is headed by the district judge as ex-officio chairperson, and the *taluk* services committee has for its ex-officio chairperson a senior civil judge under the jurisdiction of the committee.

All legal services authorities celebrate 9 November every year as Legal Services Day.

Since the establishment of NALSA toward the beginning of 1998, the following schemes and measures, among others, have been planned and implemented:

- Establishment of Permanent and Continuous *Lok Adalats* in all the districts in the country;
- Establishment of separate Permanent and Continuous *Lok Adalats* for government departments, statutory authorities, and Public Sector Undertakings;
- Appointment of a legal aid counsel in all the courts of magistrates in the country;
- Publicity for legal aid schemes and programs to make people aware about legal aid facilities;
- Accreditation of NGOs for the legal literacy and legal awareness campaign;
- Emphasis on competent and good-quality legal services;
- Establishment of legal aid facilities in jails;
- Setting up of counseling and conciliation centers in all the districts in the country;
- Sensitization of judicial officers in regard to legal services schemes and programs; and
- Publication of *Nyaya Deep*, the official newsletter of NALSA.

Future Challenges

The *Lok Adalat* has had tremendous success in India. It has provided an important tool for the easy and early settlement of disputes that best suits Indian society and culture. The concept of legal services, which includes *Lok Adalat*, is a “revolutionary evolution of resolution of disputes” (Bhatt 2002).

There is a need to improve the quality of legal aid by advocates. The teeming millions of this country who live below the poverty line in tribal, backward, and far-flung areas look to the legal services authorities for help and support in resolving their legal problems. When involved in litigation, they very often feel that they are fighting an unequal battle, in which the party with better financial resources can secure more able legal assistance. The payment schedule for legal aid panel advocates should be improved. The panels

should be reduced in size so that the advocates get more work and better remuneration from legal services authorities and are thus encouraged to render effective legal assistance (Bharucha 2000).

Legal aid and legal literacy programs must expand to take care of the poor and ignorant. Intertwining ADR methodology with justice dispensation would succeed in delivering quicker, inexpensive, good-quality justice that could hold its own versus its counterparts elsewhere in the world. Besides *Lok Adalat*, India has to be a venue for international arbitration.

New trends in litigation—such as those related to intellectual property rights, cyber crimes, environmental protection, money laundering, competition, telecommunication, taxation, international arbitration, and so on—need new expertise. The judges need to be brought up to date. A dialogue has already been initiated to restructure law education in such a way that after basic education, different levels of legal education are available to those who aspire to enter the legal profession, those who want to join judicial services, and those who wish simply to acquire a degree in law for academic purposes or for research. There is a need to make the masses legally literates; and for this, NALSA is doing yeoman service along with the state legal services authority (Lahoti 2004).

Conclusion

The large population of India and the unlettered masses have found the regular dispensation of justice through the regular courts very cumbersome and ineffective. Given the special conditions prevailing in Indian society and the economic structure, highly sensitized legal service is required. The *Lok Adalat* movement is no longer an experiment in India. It is now a success and needs to be replicated in matters that are as yet beyond its domain. Some brainstorming on the part of lawmakers, judges, lawyers, and teachers might result in some modifications so that the same model can be used effectively in business disputes. Moreover, there is a need to use the techniques of *Lok Adalat* in conflicts related to public issues where the number of players is quite large and the government is also involved one way or the other.

Lok Adalats have to reinvent themselves to meet the challenges faced by the judiciary. The new branches of law will require newer tools to come up with decisions that are acceptable to the litigants.

Only time will tell how far the *Lok Adalat* movement will go in India and elsewhere in curbing conflicts and disputes and in spreading harmony.

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Using Q-methodology to Resolve Conflicts and Find Solutions to Contentious Policy Issues

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Introduction

Conflict is ubiquitous in policy making. Sometimes the conflict is over who gets the benefits bestowed by government and who bears the costs. Other times the conflict is over what behavior will be prohibited by government and what will be permitted. And still, other times the conflict is simply a disagreement about which information should be used so that the most efficient, efficacious, or fair decision will be made.

This paper is concerned with conflict that is based on competing interests, competing beliefs, or both, as policy proposals are being considered. Conflict over many of these types of policy issues generates such strong feelings or has such high stakes that it is beyond compromise. For these issues, policy deliberation is a zero-sum game. However, other issues—even though they generate strong competing positions—may yield to compromise solutions. Such compromises are possible when interests or beliefs (or both together when they coincide) are not so intense that they preclude finding some common ground.

When compromise solutions are possible for contentious policy issues, Q-methodology can help the process of finding mutually acceptable policies to address the problems associated with the issue. As I suggest in this paper, Q-methodology can contribute to resolving conflicts and finding solutions to difficult policy problems in three ways. It can (i) clarify perspectives (the beliefs and interests of decision makers, stakeholders, and the public); (ii) identify competing problem definitions and solutions, as well as agreements across contending groups; and (iii) provide information that can help forge new policy solutions that may attract a majority coalition of decision makers or stakeholders.

The main contribution of Q-methodology is that it can make clear the context of conflict over a policy issue. It can make transparent to all participants in deliberation the bases for the conflict, including the different perspectives (beliefs and interests) of contending groups and their different understanding

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of the nature of the policy problem and its preferred solution. Also, it can reveal the interests, beliefs, and preferred actions on which conflicting groups of stakeholders agree.

All of this information—plus ideas for alternative policies that can be garnered from Q-methodology studies—can be used in policy making. Policy analysts can use the information to move forward discourse among the stakeholders in search of a compromise solution. Also, they can use the information to help negotiate a compromise policy action that will attract sufficient support to be adopted.

Policy Characteristics and Policy Conflict

What happens to a policy issue in the various stages of the policy process is influenced by its “characteristics,” which are defined as the information, ideology (beliefs), and interests evoked by the policy issue. Knowing the characteristics of a policy issue, one can predict the broad features of its initiation, analysis, decision making, and implementation.

This classification of the characteristics of policy issues is borrowed from Carol Weiss (1983). She wrote:

The premise that I want to develop is that public policy positions taken by policy actors are the resultant of three sets of forces: their ideologies, their interests (e.g., in power, reputation, financial reward), and the information they have. Each of these three forces interacts with the others in determining the participants’ stance in policy making. (p. 221)

Weiss explained that this model of the formation of policy positions is one in which there is “constant and iterative interaction” of information, interests, and ideology (beliefs).

With this premise or model, the expectation is that policy issues will evoke different levels of information (what is known about the issue), interests, and beliefs among policy makers, stakeholders, and the public. That is to say, issues will cause participants in policy making to be influenced more strongly by one characteristic (or a combination of two characteristics) than by the others. For example, when an issue directly affects the livelihood of the person, that person’s policy position will be most strongly influenced by self-interest considerations. When an issue is largely technical, the policy position will be influenced by information. If an issue is related to powerful beliefs, the person’s position will be most influenced by those beliefs.

Of course, the formation of policy positions will be complicated by the interactions of the three characteristics. Weiss (1983, p. 243) suggested how the characteristics of policy issues could interact:

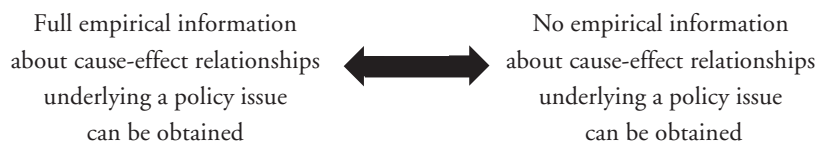
...if ideological commitments and strong interests are joined in a compelling way, they probably represent a combination too formidable to be overcome by an infusion of social science knowledge. If ideologies are weak or confused, or if there are division in interests among key actions, then social science knowledge is likely to stand a better chance of consideration and even action.

Policy decision making is a social process into which people bring their knowledge, beliefs, and interests, as well as their political skills and other resources. A policy issue affects the various stages of the policy process because it influences such things as who will be involved in making the decision and what they know, want, and believe. Dahl (1961), for example, showed that different types of local issues mobilized different sets of decision makers in New Haven, Connecticut.

Thus, the impact of policy characteristics on the policy process depends on the issue involved and the distribution of information, beliefs, and interests among policy makers, stakeholders, and the public related to that issue. The characteristics of an issue are essential in determining which interest groups are involved, their interests, and their beliefs. It will also determine the extent to which the public takes an interest in policy making and favors one position over another.

I suggest that issues can be characterized along these three dimensions:

Continuum 1: *Availability of empirical knowledge*



This dimension is concerned with both what is knowable and what is known. Empirical knowledge may be available because research can or has produced reliable knowledge of cause-effect relationships. Little empirical knowledge may be available either because research tools are not available to provide that information or because the research has not been undertaken.

The availability of knowledge is largely a function of the complexity of an issue and its putative cause-effect relationships. Research on technical and scientific issues is more likely to yield verifiable empirical conclusions than is research on behavioral issues.

Continuum 2: *Strength of beliefs*



This dimension is concerned with the extent to which issues are related to or evoke strongly held beliefs. If the issue is related to or evokes (e.g., through the use of symbols) a strongly held belief, it can be expected to influence the policy positions of policy makers. In the absence of strongly held beliefs, other characteristics are more likely to be influential.

Moral issues are likely to evoke deeply held beliefs. Thus, discussions of gay rights, gay marriages, euthanasia, and cloning will engage the beliefs of many policy makers. Similarly, issues related to important institutions such as families, religion, or private property can cause passionate reactions by decision makers and the public. On the other hand, few people have strong beliefs about countless issues such as soil conservation or civil service policies.

Continuum 3: *Extent of material rewards and deprivations*



This dimension is concerned with self-interest considerations. It suggests that if substantial rewards (money, power, prestige) from a policy issue are to be gained or deprivations (taxes, punishment) are to be avoided, the policy position of the persons who may receive the rewards or avoid the deprivations will be influenced by self-interest considerations. In the absence of potential rewards and deprivations, self-interest will not play an important role in forming a policy position.

For each of these three dimensions, there may be consensus or conflict. For example, consensus exists when information supports one position on a policy issue, when most participants in the policy process share beliefs related

to the policy issue, and when rewards or deprivations are divided in a way that evokes no conflicts among interest groups. When consensus exists on all three dimensions, potential policy issues do not generate conflict and policy decisions are easy.

Conflict will occur when decision makers, stakeholders, and the public disagree about the efficacy of information, when they hold different beliefs about an issue, and when they compete for substantial material rewards that will be produced by a policy. The most contentious issues will be those for which different groups of organized stakeholders have competing beliefs, competing interests, or both. For example, many issues in the policy process are characterized by the strongly held beliefs that they evoke among policy makers and the public. These issues include such things as whether abortion should be legal, if ownership of guns should be regulated, if the constitution should be amended to forbid burning the American flag, and whether prayers should be permitted in public schools. These issues evoke contradictory beliefs among substantial portions of society and thus provoke continuing conflict over public policy related to abortion.

Policy makers often have a difficult time resolving contentious issues when different groups (each with substantial numbers, resources, or influence) have competing beliefs, interests, or both. In many cases, they will seek compromise policy actions that will be acceptable to as many stakeholders as possible.

Q-methodology to Assist in Resolving Contentious Policy Issues

In the search for compromises and broadly acceptable solutions to contentious policy issues, Q-methodology can be a useful analytic tool. As described in more detail below, it can provide decision makers and stakeholders with information that can assist with the search for compromise. Because, as suggested above, different beliefs and interests are the main sources of policy conflict, Q-methodology can facilitate reaching a compromise by clarifying the perspectives and preferences of the participants in enacting governmental and organizational policies.

What is Q-methodology?

Q-methodology provides policy analysts with a research tool for studying systematically the subjectivity of one person or a group of people. It enables them to explore and understand in more depth the subjective perceptions of stakeholders, decision makers, and even themselves about the policy issues they are investigating.

This methodology was first proposed in an article published in *Nature* in 1935 by William Stephenson, a British physicist-psychologist. The theory underlying Q-methodology and its application is best described in Stephenson's book *The Study of Behavior*, published in 1953. Its application to political science was advanced in a book by Steven Brown, *Political Subjectivity*, published in 1980.

Q-methodology has been widely used in research, especially in psychology, sociology, social psychology, and political psychology. It has also been used in research in political science and, to a lesser extent, in public administration and public policy (Brown, Durning, and Selden 1999). However, advocates of post-positivist methods in policy analysis have urged its wider use by policy analysts (see Dryzek 1990 and Durning 1999).

The basic ideas of Q-methodology are simple, though its application requires substantial effort to master. It provides procedures for the empirical study of human subjectivity. The main steps in Q-methodology are as follows:

- Creation of a Q-sort, which is a set of statements that are broadly representative of the discourse on the topic of interest to the researcher.
- Administration of the Q-sort to one or more persons whose perspectives on the topic are of interest to the researchers or analysts. Each person sorts the statements in a quasi-normal distribution, placing each statement in relation to all other statements on the basis of the instructions given (e.g., agree more, disagree more). The selection of persons to complete the Q-sorts is purposeful, designed to include people whose opinions are of practical or theoretical interest.
- Correlation of the completed sorts and the factor analysis of the correlation matrix to identify clusters or groups of participants who sorted their statements similarly. In the factor analysis, the individual sorters are the variables and the Q-statements are the observations.
- Close examination of the weighted average sorts of the different groups of participants (the factors in the factor analysis) to identify the attitudes that characterize each of them and that cause them to differ from one another.

Following these steps, the researcher obtains insights into the sorters' minds. Through analysis of the Q-sorts, an analyst can map a participant's perspective on the topic that is being researched, that is, the research examines each participant's operant subjectivity. Thus, Q-methodology is an intensive

methodology that provides a picture of an individual's "subjective" understanding of the topic of interest.²

The designation of this method as "Q"-methodology is intended to differentiate it from "R"-methodology, which comprises the statistical methods used for "objective" research in the social sciences. The differences between the "Q"- and "R"-methods are not simply a matter of technique; they reflect different philosophies of inquiry that encompass competing epistemologies and understandings of what constitutes sound scientific practice. Some of the key differences between Q-methodology and R-methodology are:

- Q-methodology seeks to understand how individuals think (i.e., the structure of their thoughts) about the research topic of interest. R-methodology identifies the structure of opinion or attitudes in a population. Thus, the results of the Q-method identify the perspective of an individual, or individuals with common views, on the issue being researched; the results of the R-methods, describe the characteristics of a population that are associated statistically with opinions, attitudes, or behavior being investigated.
- While R-methods are intended for the "objective" analysis of research issues, Q-methodology is designed to study subjectivity. R-methodology is founded on logical positivism in which the researcher is an outside objective observer. In contrast, Q-methodology is more closely related to post-positivist ideas that reject the possibility of observer objectivity and question the assumption that the observer's viewpoint is, if not objective, then in some sense superior to that of any other observer, including the person being observed. Thus, Q-methodology is in tune with phenomenological, hermeneutic, and quantum theories.
- Q-methodology is an intensive method that seeks in-depth understanding of how at least one person thinks about the topic of investigation. As an intensive method, Q-methodology requires a small number of well-selected subjects to complete the Q-sort, which is a sample of the communications about the topic of interest. In comparison, R-methods are extensive methodologies designed to extract understandings of populations by surveying representative samples of them; thus, they require—depending on population size

² For a fuller discussion of Q-methodology and its use, see Brown (1980), McKeown and Thomas (1988), and Brown, Durning, and Selden (1999).

and sampling techniques—data drawn from a certain percentage of the population of interest.³

Dryzek (1990) explained Q-methodology and its value as a post-positivist method as follows:

The hallmark of Q-methodology is that it takes the subjective, self-referential opinions of respondents seriously in seeking to model the whole subject as [they apprehend] a particular situation.... (p. 176) Q is essentially interpretive in its philosophy of social science. As such, it abjures both objectivism and causal explanation.... Instead, Q seeks a “feeling for the organism” [Brown]. It engages in intensive analysis of particular individuals or collectivities in order to apprehend the fullness of their subjectivity in the subject’s own terms.... It does not (and cannot) seek causal explanation of individual actions. That is, Q interprets the actions of individuals in terms of their consistency (or otherwise) with the subjective orientations it uncovers.... (pp. 178–179) The encounter Q contrives is a thoroughly egalitarian one and the roles of observer and responded are interchangeable. (p. 184)

How Can It Help?

Q-methodology can assist with the search for compromise policy solutions for contentious issues in three ways. It can assist decision makers and stakeholders to:

- Understand more completely the interests and beliefs of contending stakeholders and search for commonalities among them; for example, it can help determine if positions on an issue are bipolar or multipolar.
- Identify different and competing definitions of problems to be addressed by a policy and the competing solutions linked to those problem definitions. This type of analysis can also identify actions that different groups of stakeholders find mutually agreeable.
- Forge a new solution that has not been advocated by any group of stakeholders, but may attract the support of a majority of stakeholders.

As discussed in the previous section, conflict over policy issues in governments and organizations is often based on disagreements about which values should guide the decision, which interests should benefit from them, or both. Q-methodology can clarify for participants in the policy process the

³ This comparison of Q- and R-methodologies is taken from Brown, Durning, and Selden (1999).

bases for the conflict and, perhaps, possible cooperation. It can enhance dialogue by precluding misunderstandings of the perspectives and motivations of contending groups of stakeholders. Also, it can help policy analysts to engage stakeholders in discourse about the issue and find widely acceptable compromises.

Each of these three uses of Q-methodology is discussed below in more detail.

Clarifying Stakeholder Perspectives⁴

Q-methodology makes transparent the values, beliefs, interests, and knowledge that underlie the competing positions of decision makers, stakeholders, and the public on issues to be decided. For example, the Q-method has been used to identify stakeholder perspectives related to environmental policies and specific controversial policies (e.g., abortion). Studies of this type have addressed many different issues, including forests (Hooker 2001, Clarke 2002, Steelman and Maguire 1999), coastal zone management (Shilin, Durning, and Gajdamaschko 2003), nature restoration (Wooley and McGinnis 2000), wolf management (Byrd 2002), biotechnology in Mexico (Galve-Peritore and Peritore 1995), corrections policy (Baker and Meyer 2002, 2003), and diversity in New Zealand (Wolf 2004).

Two good examples of these types of studies are Hooker's (2001) study of how stakeholders think about the relationship of individuals and society to forests, and Deitrick's research (1998) on how stakeholders in Pittsburgh perceive the issue of how brownfields should be redeveloped.

The purpose of Hooker's research was to identify competing perspectives related to forest policy. She wanted to understand the competing concepts of preservation, conservation, and development that influence individual perspectives on forest policy. She used Q-methodology for that purpose, gaining insight into how different stakeholders perceive the relationship of individuals to society and to forests.

To carry out the study, she created a 60-statement Q-sort that was a sample of 400 statements taken from literature on forest and natural resource policy. She administered the sort to a select group of diverse participants, including forest landowners, government officials, forest industry representatives, trade association representatives, scientists, leaders of conservation groups, academics, and public interest group representatives. A total of 189 participants ranked the 60 statements on a quasi-normal array from -5 (most disagree) to +5 (most agree).

⁴ The discussion of the three uses of Q-methodology to find solutions to contentious issues is taken from Durning and Brown (forthcoming).

Hooker used principal components factor analysis with varimax rotation to analyze the Q-sort correlation matrix, and she identified five factors, which represent five perspectives, that influence the positions that people take on forestry issues. She labeled these factors as New Stewards, New Conservationists, Individualists, Traditional Stewards, and Environmental Activists, and she explained how these have different, but sometimes overlapping, views on policies regarding the use of forests.

The purpose of Deitrick's (1998) research was to determine the different stakeholder views on proposals to redevelop brownfields in Pittsburgh. She constructed her 24-statement Q-sort from interviews with stakeholders (people with a direct interest in the brownfields issue), newspaper articles, letters to the editor, and other published materials. She asked stakeholders from the private, public, and nonprofit sectors, plus community activists in the areas affected by brownfields, to sort the statements from -4 (most disagree) to +4 (most agree). In all, 117 persons completed the Q-sort.

Deitrick analyzed the correlation matrix of the completed Q-sorts using principal components factor analysis and varimax rotation. She identified three factors, which can be considered to be separate perspectives related to this issue. She labeled them as (i) the development perspective, (ii) the community—environmental nonprofit/activist perspective, and (iii) the technical perspective.

Both of these studies provided novel social science knowledge about the perspectives related to these issues, and also offered decision makers information on the rival views of contending groups. Hooker's study gave decision makers a clearer picture of the clashing views on the use of forests, and Deitrick's study helped local decision makers understand better the differing perspectives on this difficult issue.

In her article, Hooker not only identified the different perspectives, but also suggested how that information could be used. She proposed that knowledge of the four different perspectives, especially information on the views they have in common, would be a good starting point for structuring beneficial interactions between factors. She wrote:

Conversations among analysts and members of the public who are interested in forest policy can use the new framework of beliefs identified in this study to redefine a policy agenda as well as commence facilitating dialogue. (p. 174)

Hooker also suggested that the results of her study could be used to assist an effort to "structure a more effective public involvement strategy"

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(p. 174). She argued that citizen participation should be set up so that all of the four perspectives were represented in the discussions. By including people with the four main perspectives in public hearings and advisory groups, policy makers could make sure that all of the competing views are heard.

Deitrick concluded that “planning and policy” could benefit from understanding the three perspectives her study identified. She agreed with Hooker that knowledge of these three perspectives should improve public participation by ensuring that each of the three perspectives is represented when brownfield issues are discussed. Also, she pointed out that the study identified not only the disagreements among the three factors, but also the ways that they agreed. Thus, conversations among people with different perspectives could start with areas of agreement.

Identifying Competing Problem Definitions and Solutions

Maxwell and Brown (1999) provide an example of how Q-methodology can be used as a consulting or organizational tool to help an organization make decisions to address a complex problem. Their case concerned a middle school in which faculty members disagreed on how best to deal with increasing levels of student misconduct. The consultants were brought in to help the school manage the conflict and to find solutions to the problem that would be widely accepted.

As their first step, they conducted a Q-methodology study to determine how members of the organization understood the problem of student misconduct. They began by interviewing the teachers, staff members, and administrators in the middle school, asking them for their thoughts on the problems facing the school related to misconduct. Through these open-ended interviews, they compiled a list of 44 problems identified by the interviewees. The following are examples of the problems perceived by one or more interviewees:

- Too many office detentions are given.
- Kids do not want to put in the effort.
- Teachers do not know how to punish kids effectively.
- Parents do not respect the teachers.
- Kids have too many rights.

The 44 problem statements were used as the Q-sort. Faculty and staff were asked to sort the statements into an array from +4 (most important) to -4 (least important). In all, 30 participants completed the Q-sorts.

The Q-sorts were correlated and the correlation matrix was factor analyzed using the centroid method with varimax rotation. The factor analysis showed that most participants loaded on one of two factors, which the consultants labeled as (i) the Resentment Factor and (ii) the Differentiating Factor.

An examination of these two factors indicated that the participants loading significantly on the Resentment Factor strongly identified with teachers and staff in general, and had complaints against students, parents, administrators, and the school board, all of whom were viewed as “placing them in an untenable position” (p. 38). While the Resentment Factor was concerned largely with *inter*-group relations, the Differentiating Factor was more concerned with *intra*-group relations. The participants loading significantly on this factor wanted to recognize that the school had both helpful and harmful elements. They differentiated between groups of students (those needing support, as well as those needing discipline) and groups of teachers (those who punish effectively and those who do not).

The consultants presented the results of the first part of the Q-methodology study to the participants, showing them the statements that represented the sources of disagreement about the issue, but also pointing out the statements on which they agreed. They likened this process to “holding a mirror up to the teachers and staff...so that they might see themselves and co-workers more clearly” (p. 40).

In the second part of the study, the same participants were interviewed to elicit their proposals to solve the problems that had been identified. They came up with a list of 35 potential solutions, which became the Q-sort that was completed by 28 faculty and staff members. They were asked to sort the 35 potential solutions in an array from +4 (least effective) to -4 (most effective). This time the consultants used judgmental rotation rather than varimax rotation to analyze the Q-sort. They found three different perspectives, which they described as (i) Punishment (solve the discipline problem through punishment), (ii) Quarantine (use special programs to separate children causing problems from others), and (iii) Coordination (get teachers and staff to work together more effectively through cooperation and coordination).

In addition to these competing approaches to solving the problem, the Q-sorts identified actions that all three groups agreed should be implemented or should be avoided. For example, all three groups agreed that actions should be taken to:

- Establish a procedure for parents to sign an agreement about the rules of conduct and the consequences for misconduct that will apply to their child; and

- Consistently follow rules and regulations already in existence, such as the Student Conduct Code.

On the basis of the results of their Q-methodology research, the consultants informed school administrators about the differences of opinion on the causes of student misconduct and the differing preferences for actions to address the problems. Also, they identified the actions that were agreeable to all three factors as well as those they unanimously opposed.

Other studies report a similar approach to identifying competing problem definitions and solutions for other policy issues. For example, a paper by Brown et al. (2004) describes a 2-day workshop to “improve practices and to establish some common ground amid the controversies and conflicts surrounding carnivore management.” At the start of this workshop, 30 participants with very different perspectives (e.g., ranchers, environmental activists, scientists, and state and federal government managers) brainstormed about “the nature of problems associated with carnivore conservation.” The almost 300 problems identified by the group were recorded and a sample of 51 of them was incorporated into a Q-sort that the participants completed. This exercise identified four different decision structures (perspectives) on the issue of carnivore management.

After that, the researchers elicited opinions from the participants about possible solutions to the problems that had been identified. The solutions were recorded, and 40 of them were incorporated into a Q-sort, which was administered to the same group of participants. An analysis of those sorts found four factors, each a different decision structure (perspective) on how the problems associated with carnivore conservation should be addressed.

As with the middle school study, this workshop on carnivore management identified some possible policy actions that would be supported—or at least not opposed—by the four groups. These proposed actions are good starting points for policy makers. By identifying both the differences and commonalities in decision structures, Q-methodology provides policy makers with information that can help them put together a winning coalition to support policy actions.

An article by Gargan and Brown (1993) presents a case showing how Q-methodology can clarify “the perspectives of decision makers” and, in conjunction with other procedures, can ferret out “prudent courses of action” (p. 348). According to these authors, the special contribution of Q-methodology to decision making is “that it helps overcome the limitations of the mind in dealing with complexity, and also serves to locate elements of consensus (if they exist) that might otherwise go unnoticed in the emotional turmoil of political debate.”

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The case concerns the formation of a strategic plan by a Private Industry Council (PIC), a local nonprofit agency primarily responsible for implementing the federal Job Training Partnership Act in a rural Midwestern county. The program's goal was to improve the employment chances of people having difficulty getting a job by providing them with training and skill development.

The PIC board of directors decided to develop a strategic plan to respond to opportunities and challenges it faced. First, the PIC board used nominal group technique to identify major issues and problems facing the agency. The board members answered this question: "What issues and problems must be considered as most important and of highest priority for PIC over the next 2 to 4 years if the employment needs of the hard-to-serve are to be dealt with effectively?" (p. 349).

A total of 33 answers were collected and were used as a Q-sort. Each of the 10 board members was asked to sort the statements according to the following condition:

Since all of the issues raised cannot be addressed simultaneously, some priorities must be established. To do this, you need to rank order the statements from those which you think should be the most important for PIC to deal with in the next two to four years (+4), to those which should be considered least important (-4). (p. 351)

The Q-sorts were correlated, and the correlation matrix was factor analyzed using the centroid method with varimax rotation. The factor analysis produced three factors, each representing different preferences for PIC priorities. These factors can be viewed as decision structures based on the values, beliefs, interests, and ideology of each of the board members.

Gargan and Brown noted that the different policy preferences revealed in the Q-sorts sometimes converged into agreement while at other times they conflicted sharply. Sometimes two of the factors (say, factors A and B) converged to agree on statement while factor C disagreed with them. On another statement, factors A and C agreed, but factor B disagreed. On some proposed policy actions, all three agreed; on others, all three disagreed.

By identifying the underlying conflicting perspectives and their views of different actions, Q-methodology provided valuable information to the board members who were going to decide about the strategic plan. Brown and Gargan suggested three ways that the decision makers could use the information from this Q-method study:

- Create a committee to write the group's strategic plan, including a representative of the three groups;

- Adopt policies for which there is consensus support; and
- Use insights from the study to help formulate mutually beneficial deals and build coalitions to support a set of actions.

Finding New Solutions

Maxwell and Brown (1999) and Gargan and Brown (1993) illustrated how decision makers could use the results of Q-methodology to help with decisions on important issues. They showed that Q-methodology provides information about (i) consensus statements on which all of the factors agree, (ii) statements on which some factors—but not all—agree, and (iii) statements showing the greatest disagreements among the factors. This information can be employed in different ways to assist decision makers in making good choices.

Other research has shown how Q-methodology can be used innovatively to help decision makers facing intractable problems. Van Eeten's (2001) research demonstrated the utility of Q-methodology to help "recast intractable problems" to make them tractable.⁵ He presented a case study in which Q methodology was used to change an intractable problem into one that can be solved. The case was based on his experience in 1998 as a consultant to the Government of the Netherlands. He was involved in a study to determine the future policy for expanding Amsterdam's Schiphol Airport. A controversial expansion of the airport (requiring the building of a fifth runway) had been approved in 1995, and future expansion was due to come up again soon for consideration.

When discussing another expansion of the airport with stakeholders, he found bipolar positions. Stakeholders advocating an expansion of Schiphol Airport argued that it was necessary for the economic benefits that would result. Stakeholders opposing expansion argued that the environmental costs were too great for it to be allowed to happen.

As part of his work, van Eeten wanted to get a better understanding of how stakeholders viewed this issue: Were views really bipolar? To answer that question, he wanted stakeholders to reveal their views rather than being forced into the predefined categories (e.g., business orientation vs. environmentalists). To do so, he conducted a Q-study using Q-methodology. He collected 200 statements about the expansion of the airport from media archives, advocacy papers, interviews, and transcripts of several stakeholder meetings. From these statements, he extracted a sample of 80 statements for a Q-sort and administered it to 38 stakeholders.

⁵ Also see Dayton (2000), who suggested how Q-methodology could be used to assist dialogue about intractable issues, such as global climate change. For another example, see Focht and Lawler (2000).

The participants in his Q-methodology study were selected to reflect the distribution of views on the expansion issue, including people who worked for airlines, airport management, different levels and sectors of government, national environmental organizations, local citizens, environmental groups, and commercial or regional economic interests. The participants were asked to sort the 80 statements into seven groups from -3 (most disagree) to +3 (most agree).

Van Eeten analyzed the 38 Q-sorts by correlating them and factor analyzing the correlation matrix using the centroid method with varimax rotation. He identified four factors containing five “policy arguments” (which could also be understood as “decision structures”). He labeled these as:

- Policy Argument A: Societal integration of a growing airport;
- Policy Argument B1: Expansion of aviation infrastructure as a necessity in the face of international competition;
- Policy Argument B2: Expansion of civil aviation as an unjustified use of public funds;
- Policy Argument C: Ecological modernization of the civil aviation sector; and
- Policy Argument D: Sustainable solutions to a growing demand for mobility.

Van Eeten noted that policy arguments B1 and B2 captured the main public debate on the issue, and they represented a dichotomy of views that could not be reconciled. The clash of these two views made the issue intractable—they offered no room for compromise. However, he also observed that the Q study had identified three other perspectives, policy arguments not captured in the B1 vs. B2 arguments. He wrote,

Arguments A, C, and D...each state that there is more to the problem than what key stakeholders are now considering. Although these arguments are habitually collapsed into and treated as part and parcel of the positions for or against growth, the analysis indicates that they are, in fact, relatively independent. Instead of conflating the alternatives in A, C, and D into B1 or B2, the data insist that they can be sensibly viewed as relatively independent from (indeed orthogonal to) the continuum for-or-against further growth. (2001, p. 404)

Van Eeten suggested that the alternatives corresponding to policy arguments A, C, and D should be brought into the debate. They could be decoupled from the B1-B2 arguments and placed on the policy agenda for

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consideration. According to him, their addition would present a “richer package of proposals” for consideration by decision makers. He wrote, “the alternatives posed by policy arguments A, C, and D address the expansion proposal by defining the problem more tractably as something in which decision makers can intervene in real and important ways” (2001, p. 406).

Conclusion

In this paper, I have suggested that Q-methodology can be a valuable tool for policy analysts to help resolve contentious policy issues for which compromise is possible. The paper maintains that some issues generate conflict based on differing beliefs held by groups of stakeholders. Other issues evoke conflict because they provide benefits and impose costs, and different stakeholders want to maximize the benefits they receive from the policy and minimize the costs. Still other issues create conflict because they evoke both competing beliefs and interest in gaining benefits and avoiding costs.

Q-methodology can help resolve conflict over policy decisions by clarifying the beliefs and interests of different groups of stakeholders with competing positions on a policy issue. Also, it can reveal how different groups understand (or define) the problem that a policy is supposed to address, along with the preferred solution to the problem. This information can be used by analysts to help structure a productive discourse among competing stakeholders that avoids misunderstandings of the motives and preferences of the competing groups. This transparency can help groups negotiate compromises.

In addition, as shown in the research summarized in this paper, Q-methodology can help resolve contentious issues in other ways. It can be used to:

- Structure an effective public and stakeholder involvement program by making sure that representatives of all perspectives are invited to participate in hearings and discussions (Hooker 2001, Deitrick 1998, Gargan and Brown 1993).
- Identify ways that different groups agree, often finding consensus actions that can be adopted with little controversy (Deitrick 1998, Maxwell and Brown 1999, Gargan and Brown 1993).
- Create insights to help formulate mutually beneficial deals and build coalitions to support a set of actions (Gargan and Brown 1993).
- Find new policy alternatives that can make a policy issue more tractable (van Eeten 2001).

These uses of Q-methodology to help solve difficult issues suggest that this analytic tool should be more widely used and taught.

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Session 6

Health Care for the Poor in Asia

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Health Care for the Poor in India with Special Reference to Punjab State

B. S. Ghuman¹

Akshat Mehta²

Introduction

The economic and social development of a country depends on the quality of its human resources, and the quality of human resources, in turn, depends on the quality of education and health services. Health, like education, is a “merit good,” which, if left to individuals, is generally under-consumed. This is so especially among the poor who have meager resources. Merit goods also have benefits that are not confined to the individuals who pay for it; the society at large also benefits. Health care being a merit good, private markets may restrict access. In India, the provision of health care is marred by class inequalities, the denial of opportunities to disadvantaged groups, low accessibility to the lower classes of society, and rampant corruption. The same trend is noticeable in Punjab (Government of Punjab 2004). Government must either provide health-care services or regulate their provision by the private sector to ensure equitable access particularly for the poor (Walsh 1997).

At present, there are three health-care policy initiatives for the poor: (i) exemption from the user fee in government hospitals; (ii) free treatment in private super-specialty hospitals (within a defined proportion of total patients); and (iii) health insurance.

This paper examines health care for the poor in India, particularly in the state of Punjab.

Methodology

The study used both primary and secondary data. The secondary data came from various government and private sector reports. The primary data were collected with the help of a structured questionnaire with five sections: general information about the respondents, awareness of the yellow card (an entitlement card for groups below the poverty line), use of the yellow card at government and private hospitals, level of satisfaction with health-care services,

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and health insurance. The questionnaire was pretested before it was finalized. Copies of the final questionnaire were given to 100 respondents, mainly residents of Mundi Kharar village in the Kharar development block of Ropar district in Punjab state. All the respondents belonged to the scheduled caste, the lowest class of society. In Punjab, as in the rest of the country, most of the poor belong to the scheduled caste. Data were also collected through observation, to supplement the information obtained through the questionnaire. The data were analyzed through simple techniques like percentages and averages.

Resource Allocation to Health Sector and Inequity in Health Services

The Indian economy has been growing at a rate of 5% since the mid-1980s, barring a few years of economic crisis. The benefits of economic growth, however, have not percolated to the social sector. The health sector—a major part of the social sector—instead of gaining has suffered on account of the allocation of funds during the period of high growth. Public expenditure on health was 3.12% of total government expenditure during the first year of economic liberalization (1992–1993) and declined to 2.99% in 2003–2004 (see Table 1). The combined expenditure on health as a percentage of gross domestic product (GDP) follows the same trend, according to Table 1: from 1.01% in 1992–1993, it went down to 0.99% in 2003–2004.

Table 1: Public Expenditures on Health, Disaggregated

Year	% of Total Government Expenditure			% of GDP		
	States	Center	Total	States	Center	Total
1992–1993	4.96	1.31	3.12	0.79	0.22	1.01
1993–1994	5.16	1.49	3.28	0.81	0.25	1.05
1994–1995	4.85	1.62	3.26	0.77	0.25	1.01
1995–1996	4.98	1.78	3.39	0.75	0.26	1.00
1996–1997	4.85	1.50	3.21	0.72	0.21	0.93
1997–1998	4.94	1.55	3.32	0.74	0.21	0.95
1998–1999	4.98	1.58	3.33	0.76	0.23	0.99
1999–2000	4.80	1.75	3.34	0.78	0.26	1.04
2000–2001	4.65	1.87	3.33	0.77	0.28	1.05
2001–2002	4.41	1.99	3.25	0.73	0.30	1.03
2002–2003	4.27	1.67	3.06	0.77	0.26	1.03
2003–2004	4.12	1.69	2.99	0.73	0.26	0.99

Source: National Accounts Statistics, 2004, Table SI.1, pages 196–197, cited in Planning Commission, 2005.

Not only has public investment in health been declining, public health benefits have been accruing mainly to those who are better off. Marginalized and socially disadvantaged people have been hit hard (Government of India 2002). By one estimate, the infant mortality rate is 2.5 times higher among the poorest 20% of the society than among the richest 20% (Deogaonkar 2004). Mahal et al. (2002) also found bias in favor of the rich in public policy. According to them, the poorest 20% of the population receive only about 10% of the total net public subsidy. The richest 20%, on the other hand, get around 30% of the subsidy (Planning Commission 2005). The mushrooming of private sector hospitals has further widened the gap between urban and rural areas and between the classes of society. *The Hindu* in its editorial on 5 April 2005 stated:

International studies have shown nearly 80 percent of patients in India resorting to private caregivers for major and minor ailments—despite the existence of a public health system of a sort. Such patronage and steadily increasing demand have resulted in a significant expansion of private hospital bed capacity, although this is concentrated largely in urban India and remains unaffordable to the overwhelming majority of the people. The strong growth of private healthcare has understandably led to the demand for a system of oversight in the interests of equity, credibility, and professional accountability.

The case of Punjab state is not much different. Punjab state is one of the richest states of the Indian Union. Its growth rate (around 5%) was the highest among Indian states for about 30 years, although it has started to decelerate recently. Yet, despite being the richest state in economic development, Punjab lags behind in social development, particularly in health. According to the *Human Development Report 2004* prepared by the Punjab government, public investment in health in Punjab is very low. The lack of investment has affected primary health care the most and is pushing people, particularly the poor, toward expensive and unregulated private sector providers (Government of Punjab 2004). The state budget allocates meager resources to both the primary and secondary health-care sectors. Table 2 shows that the state allocates only around 4% of total expenditure to health. The total expenditure on medical and public health is only 0.79% of the net state domestic product, which is below the average expenditure of 0.99% nationwide.

Table 2: Punjab Government Expenditure on Medical and Public Health

(Rs10 million)

Item	Year	
	2003–2004 (Actual)	2004–2005 (Revised)
Total Expenditure	15,701.92	19,220.07
Expenditure on Medical and Public Health	556.70	704.77
Net State Domestic Product (NSDP)	69,840.82	—
Expenditure on Medical and Public Health as % of Total Expenditure	3.54	3.66
Expenditure on Medical and Public Health as % of NSDP	0.79	—

— = not available

Source: Punjab State Budget for 2005–2006. www.punjabgovt.nic.in.

Exemption from User Fee in Government Hospitals

Since the start of economic liberalization, privatization, and globalization in the 1990s, the Punjab government has introduced two drastic reforms in health policy. First, it set up the Punjab Health Systems Corporation (PHSC) in October 1995, under the World Bank-sponsored State Health Systems Development Project II, and transferred more than 150 health-care institutions run by the government to PHSC. To mobilize more resources, the hospitals no longer provide free services and instead charge all patients a user fee, barring a few categories of patients including people below the poverty line.

The second policy decision is the significant opening up of health-care services to the private corporate sector. Private sector hospitals have been getting land and facilities at subsidized rates and are expected in return to provide free treatment to yellow card holders (people below the poverty line)—up to 10% of outpatients and 5% of inpatients. Each year these hospitals are required to provide the details of their yellow card holder patients to the Punjab Urban Development Authority (PUDA), the organization that allotted land to these hospitals at subsidized rates.

In government hospitals, under the new policy, the poor are exempt from user charges, as stated earlier. However, the outcome is far from the rhetoric.

Primary data show that only a negligible proportion of people below the poverty line avail themselves of exemptions from user charges at government hospitals. According to Table 3, the yellow card holders treated free of cost make up only 0.4% of the patients treated in the outpatient department of the Kharar civil hospital in Punjab in 2002–2003, and the proportion further

Table 3: Treatment of Patients in the Outpatient Department of Civil Hospital Kharar, Ropar District, Punjab

Time Period	Yellow Card Holders Treated	Total Patients Treated	% of Yellow Card Holders to Total Patients Treated
Sept 2002–Sept 2003	321	80,109	0.4
Sept 2003–Sept 2004	18	78,107	0.02
Sept 2004–Sept 2005	7	79,553	0.008

Source: Health Management Information System, Civil Hospital, Kharar, Punjab.

declined to a negligible 0.008% in 2004–2005. In the district hospital of Ropar, of the 148,300 patients in 2004–2005, only four were yellow card holders.

According to the field survey, two main factors—ignorance among the poor about the free treatment, and the complex and cumbersome procedure for getting and renewing the yellow cards—are constraining the access of the poor to public health-care services.

Around 58% of the survey respondents were yellow card holders at some point. Seventy-five percent of the respondents were not aware that a yellow card holder is exempted from user fees at government hospitals. As many as 43% of the respondents faced renewal problems and 32% said that they had encountered procedural problems while obtaining the yellow card. The overwhelming majority of the respondents, 84%, were illiterate. As a result, 37% of the respondents were not aware of the procedure for getting a yellow card and 31% did not apply to get one. While applying for a yellow card, 77% respondents had loan benefits in mind and only 7% were aware of the health benefits.

Of those who were aware of the user-fee benefits of the yellow card in government hospitals, only 8% used this facility. X-rays, medicines, and treatment were made available to them at concessional rates or free of charge. But even with the benefits, the out-of-pocket expenses were quite high, at around Rs500 per case on average.

Getting health-care benefits with the yellow cards is not easy. About 10% of the respondents found it difficult to get yellow-card benefits at government hospitals. The hospital staff were uncooperative and insensitive. The waiting list was long, so the card holders had to visit repeatedly to get the benefits. Others were told to pay for the services instead.

Lack of adequate health services from the government compels the poor to depend mainly on their own resources for health care. On average, poor households spend Rs428 per month on health care, or about 25% of their

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mean household income (Rs1,730). Among poor families the elderly suffer most from the lack of resources for health care. All survey respondents said that old people had to make a sacrifice because of low income. Children, followed by young people, get preference in health-care expenditure. Interestingly enough, among the poor there is no gender bias in getting medical treatment for family members.

In the absence of adequate opportunities from the government for health care, the poor in Punjab depend largely on the unorganized private sector (Gupta 2002). About 90% of the respondents preferred private hospitals because they get proper attention and immediate relief, and so they save time. Time saving is the major consideration, as the opportunity cost in the form of lost wages is high. But the private sector in Punjab is dominated by quacks. Eighty-nine percent of the respondents use the services of quacks, traditionally known as *dais*, for childbirth. Only when the *dais* cannot handle a case or complications develop are the patients taken to the government hospitals. *Dais* are preferred because their services are cheaper and more accessible. According to a recent report, three children died while two other children and one man were taken seriously ill within minutes of taking medicines given by quacks in Ludhiana. Such cases are not uncommon in Punjab (*Hindustan Times* 2005b).

Private Super-specialty Hospitals and the Poor

As mentioned earlier, the second policy decision was to open up health-care services in a major way to the private sector.

Unfortunately, the benefits of this policy decision have not percolated down to the poor. In one very prestigious private hospital, not a single poor patient received free treatment, against the targets of 10% for outpatients and 5% for inpatients. The PUDA so far has not received the required list of poor patients from any of the private hospitals in the state. The elite orientation of management, lack of awareness among the poor about free treatment in private hospitals, and ineffective regulatory mechanisms are the major hindrances to free treatment for the poor in private hospitals.

The field survey revealed that 99% of the respondents had not even heard about the user-fee benefits of yellow card holders at private super-specialty hospitals. Not only were the respondents unaware of any such facility but they simply could not imagine that the private sector, motivated solely by profit, could offer services for free. Only 1% of the respondents had approached a private sector super-specialty hospital. They said that the staff were nonsupportive because of their profit orientation and added that such hospitals do not pay attention to poor patients.

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But it is not only in Punjab where the poor have not gotten free treatment at the super-speciality private hospitals. Two public interest litigations (PILs) have been filed in Delhi High Court and in Bombay High Court against corporate hospitals for not providing free treatment to the poor. According to the PIL in Delhi High Court, the Delhi Development Authority provided land at concessional rates to 12 private hospitals, yet none of these hospitals provides free treatment to the deserving poor; but then nor do the 70 others in Bombay that have been similarly favored (Thomas 2005, *The Tribune* 1999). On the other hand, there have been reported cases of the nonpoor being classed as poor and given free treatment (*The Tribune* 1999). A recent study by the Planning Commission also says that the bulk of private health-care units in India are run by doctors and doctor-entrepreneurs and are unregulated in terms of adequacy of facility or competence, standards of quality, and accountability. Also, as a follow-up to the National Health Policy 2002, private hospitals were given concessional lands, customs exemption, and liberal tax benefits against a commitment to reserve beds for poor patients for free treatment. Unfortunately, as no procedure to monitor this exists and the disclosure systems are far from transparent, redress of patient grievances is poor (Neogi 2005). Adenwalla (2005), while making similar observations, noted: "The administrators in most private sector hospitals and medical colleges are essentially businessmen. They have reduced medical care to the level of an industry. The poor man, unless he is willing to incur enormous debts, is unceremoniously elbowed out of these institutions" (also see Praveenlal et al. 2005). The Prime Minister of India, while inaugurating a private sector multi-specialty hospital in Punjab recently, reiterated the Government's view that the benefits of these institutions must reach the poor (*Hindustan Times* 2005a).

Health Insurance and the Poor

Health insurance is another means of improving the access of the poor to health-care services, as was also underlined by the Prime Minister of India (*Hindustan Times* 2005a). In India, public sector insurance companies, nongovernment organizations (NGOs), and community-based organizations offer a host of insurance schemes for the poor. Two prominent schemes introduced by public insurance companies are *Jan Arogya* (an insurance policy designed for the poor with a view to protect them from high costs of hospitalization) and the Universal Health Insurance Scheme. The NGOs have around 26 insurance schemes for the poor. But all these schemes have not achieved their objective of helping the poor when they fall sick. For example, Bennett, Creese, and Monasch (1998), while reviewing the community-based insurance schemes, expressed the view that most of the schemes are poorly

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designed and mismanaged, and fail to reach the poorest of the poor. Their membership is not widely spread over the poor population, and these schemes also need extensive financial support (World Health Organization 2004). In Punjab, health insurance for the poor is in a grim situation. The insurance companies have not launched any comprehensive awareness and marketing strategies for the schemes, and thus the poor fail to take advantage. For example, the field survey showed that none of the respondents had even heard of health insurance policies for the poor, as nobody had told them; illiteracy also restricted their access to the policies. Though most of the respondents showed keen interest in the scheme, they did not know which agency to contact or what to do.

Conclusion and Policy Implications

In India, the social sector in general and the health sector in particular have been the loser on account of poor resource allocation during the post-liberalization and globalization phase. In the first year of liberalization (1992–1993), the combined expenditure of the central and state governments on health was 1.01% of gross domestic product. This declined to 0.99% in 2003–2004. A similar trend was noticeable in Punjab state. The meager allocations to the health sector have affected the poorer members of society more.

Punjab health policy has undergone two major reforms in the post-liberalization phase. First, the government set up the Punjab Health Systems Corporation (PHSC) in October 1995, under the World Bank-sponsored State Health Systems Development Project II, and transferred more than 150 health-care institutions run by the government to PHSC. To raise resources, the earlier practice of free services was discarded; instead the user fee was applied to all patients except for a few categories, including people below the poverty line. The second major reform was the opening up of health-care services to the private sector. Under this policy, private sector hospitals get land and facilities at subsidized rates from the government in return for free treatment for yellow card holders.

The data gathered from both secondary and primary sources suggest that the promised free treatment for the poor has not materialized. Two main factors—lack of awareness of the benefit among the poor and the bureaucratic procedures involved in getting and renewing the yellow cards—are holding back the poor from access to free health-care services.

Without adequate access to government hospitals, the poor depend mainly on the unorganized private sector for health care, a sector unfortunately dominated by untrained doctors or quacks. The poor, as a result, have to spend around one fourth of their income on health care.

The benefits of super-specialty hospitals have not reached the poor at all. Factors such as the elite orientation of management, the lack of awareness among the poor about free treatment, and ineffective regulatory mechanisms are the major stumbling blocks.

The government and NGOs have announced many health insurance policies for the poor. Here the outcome is again unsatisfactory. Poor design and management of the policies, narrow coverage, and inadequacy of funds explain the unsatisfactory progress of insurance policies for the poor.

On the basis of this analysis, the study suggests the following ways of improving the access of the poor to health-care services in India in general and in Punjab in particular.

First, the national and state governments should allocate more resources to health care and achieve the target of 6% set by the National Health Policy 2002. Further, within the health sector, allocations for primary health care should progressively increase, as the poor are the major beneficiaries of primary health care services.

Second, the government and NGOs should launch a campaign to make the poor more aware of the exemption from user charges in government hospitals and super-specialty private hospitals. The government should make it mandatory for both public and private hospitals to prominently display on their premises information on the exemption.

Third, the procedure for getting and renewing the yellow card should be simplified and made more transparent and time-bound. In the light of decentralization initiatives (the 73rd and 74th constitutional amendments) to empower rural and urban locally elected bodies, the authority to issue yellow cards should be transferred to local governments.

Fourth, the government should make it mandatory for super-specialty hospitals to meet their targets for poor patients. The hospitals should regularly submit data regarding poor patients served to PUDA, and if they fail to do that, they should be heavily penalized.

Fifth, the poor should be widely informed through locally elected bodies and civil society organizations about the health insurance plans for them. The participation of the poor in the design, management, and implementation of such plans should be solicited.

Sixth, to make the delivery of health-care services pro-poor, a more vigilant, transparent, and regulatory regime is all the more necessary. Information about the regulatory authorities, particularly the nodal officer's name and phone number, should be displayed prominently in each hospital, so that the poor patients can easily contact the officer if the hospital refuses to serve them.

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Health Care for the Poor and the Millennium Development Goals: A Case Study of Pakistan

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Introduction

The development of the social sector of Pakistan in general, and the health sector in particular, has lagged behind and has not gotten the priority it deserves. As a result, the country's Human Development Index is abysmal. The *2004 Human Development Report* of the United Nations Development Programme places Pakistan with nine others at the lowest level of development.

The living standard of the poor has declined steadily over the years, while the gap between the rich and the poor has significantly widened. More than a third of the population lives below the poverty line. Overcrowding, improper ventilation, and poor sanitation make the poor vulnerable to various infectious diseases. Chilling stories of deaths due to slow starvation and malnutrition have become routine. According to the United Nations Population Fund, Pakistan's maternal mortality rate is 300–700 per 100,000 live births, partly because 80% of the 4.5 million births yearly occur at home. The Pakistan report (2003) of the United Nations Children's Education Fund suggests an infant mortality rate of 82 per 1,000 live births—the second highest in South Asia. A major reason for this poor performance is the Government's low spending on health. In 2004–2005, Pakistan spent only 0.6% of its gross development product (GDP) on the sector (Pakistan Economic Survey, 2005, Government of Pakistan, page 151).

This paper analyzes the issues facing the health sector of Pakistan and looks into the possibility of achieving the mid-decade Millennium Development Goals (MDGs) for the country by 2015.

Health-care Facilities in Pakistan

There is a Ministry of Health at the federal level and health departments at provincial levels. The Ministry of Health supervises the overall health delivery system of the country sets health sector policies and reforms. It also has a vast network of hospitals all over the country. However, the major responsibility for providing health services to the general public rests with the provincial health departments.

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The public health delivery system has three tiers: (i) primary health-care facilities, comprising basic health units and rural health centers; (ii) secondary health-care facilities, made up of *tehsil* (subdistrict) and district headquarters hospitals; and (iii) tertiary health-care facilities (teaching hospitals).

Primary Health-care Facilities

Basic Health Units (BHUs). The BHU, with two labor beds and outdoor dispensing facilities, is the health-care facility provided at the level of the union council, the smallest administrative unit (population: 4,000–8,000). The Ministry of Health has made efforts to see that all union councils have at least one BHU each, providing basic curative, preventive, and supportive services. The BHU is staffed with a doctor, a male health technician, a female health technician, a lady health visitor, and other support staff. Every BHU also supervises the activities of 20 outreach lady health workers (LHWs). From 20 to 40 patients visit a BHU a day, on average.

Rural Health Centers (RHCs). The RHC is a better-equipped facility at the town committee level in the districts and has 20–30 beds. It provides inpatient and outpatient curative and preventive health services to a population of 20,000–40,000. The RHC is staffed with four to six male doctors and one or two lady doctors, plus technical and support staff, both male and female. Each RHC is a small colony consisting of the main building and residences for the medical officers and LHWs to ensure that they are available throughout the day.

Secondary Health-care Facilities

***Tehsil* Headquarters Hospitals (THQs).** Each THQ has 50–60 beds. The services the THQs provide differ from place to place.

District Headquarters Hospitals (DHQs). Each DHQ has 100 or more beds and provides secondary health-care services to a population of more than two million.

Tertiary Health-care Facilities (Teaching Hospitals)

At the highest level of the public health delivery system are these hospitals, situated in relatively larger cities. They offer extensive health facilities in several medical fields and are normally also attached to a medical college.

The present vision and strategy for the health sector of Pakistan is built on (i) the Health for All (HFA) principle; (ii) accessible, acceptable, and affordable service delivery; (iii) efficient, equitable, and effective health care; and (iv) preventive and promotive health care.

Shortcomings of the Health System

Through the network of primary health-care facilities, free treatment is provided to patients. But owing to inadequate laboratory equipment and medical staff, these government-owned health facilities and hospitals fail to provide adequate health care. Furthermore, most health practitioners are employed in public health facilities during the morning and practice privately in the evening. Most physicians in the basic health units are fresh graduates from the medical schools. (See Table 1 for a summary of health personnel numbers.) The allocation to the health sector is less than 1% of gross domestic product (GDP), but the distribution of financial resources is an even more serious problem, as can be seen from Table 2.

Efforts to contain infectious diseases are mostly in vain because of poor financial accountability, the scarcity of skilled manpower, inaccessibility, and other factors. Technical difficulties in the supply of medicines, such as the failure to maintain the cold chain in the case of the polio vaccine, are just as important. Polio cases are still found in the country despite the multiple mass campaigns. Pakistan has also been running a tuberculosis control program for the last decade and a half without achieving much.

Table 1: Health Personnel

Category	2002–2003	2003–2004	2004–2005
Registered doctors	101,635	108,062	113,206
Registered dentists	5,068	5,530	6,127
Registered nurses	44,520	46,331	48,446
Population per doctor	1,466	1,404	1,359
Population per dentist	29,402	27,414	25,107
Population per nurse	3,347	3,296	3,175

Source: Pakistan Economic Survey 2005; Government of Pakistan, page 150.

Table 2: Population Served and Share of Health Expenditure

Service	Population Served	Share of Expenditure
Primary health care	90%	15%
Secondary health care	9%	45%
Tertiary health care	1%	40%

Source: Ministry of Health.

State-run hospitals are tremendously overstretched and their standards are getting worse by the day. Primary health-care facilities are often without a doctor, so that patients are left to the care of paramedics or even peons. Insufficient funds and flagging management contribute in large measure to the failure of these facilities. The quality and delivery of services is likewise negligible at the secondary level of health care. At the tertiary level, care is well structured in the private sector but not accessible to more than 80% of the population. Tertiary care in the public sector is clogged. Lacking trust and confidence in primary and secondary level care, the masses move to the tertiary level if the facilities are accessible.

Despite the recent proliferation of medical colleges, there is still a shortage of doctors. There is at present a huge imbalance in the doctor-patient ratio. Doctors are reluctant to serve in remote areas because of insecurity and lack of professional growth. This, in turn, has bred quackery. According to one survey, 600,000 quacks are practicing illegally in the country.

The World Bank argues that poor health is largely a consequence of poverty, reflecting low income, poor sanitation, inadequate water supplies, and low level of education especially among women. But poor health in Pakistan is also indicative of major shortcomings in its health policy, and particularly denotes a failure to design and deliver the kind of health care that could be cost-effective, besides improving the health of most of the population. Health policies and program in Pakistan have often set ambitious health targets without adequate concern for the distributional aspect of health.

Policy Measures

To provide acceptable, accessible, and affordable health care, it is important to (i) promote the primary health care approach in the light of the global HFA strategy, (ii) improve the quality of health care in both rural and urban areas, (iii) encourage community and private sector involvement in health-care delivery, (iv) evolve and initiate a strong district health system, and (v) reduce or eliminate the use of narcotics and psychotropic drugs.

Short-term Policies

These will include the following:

- Reorganizing district health offices to make them more community-based and locally managed;
- Consolidating the primary health-care network in rural areas, achieving the functional integration of the vertical program, and making structural adjustments;

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- Promoting child spacing as a component of reproductive health services;
- Improving hospital administration and financial management;
- Establishing a properly regulated private health sector and protecting communities against quackery;
- Evolving a policy for making good-quality drugs available at affordable prices; and
- Reviving traditional medicine and the quality control center at the National Institute of Health (NIH).

Long-term Policies

In addition to continuing the above policy measures, the following steps will be taken over the long term:

- Streamlining the role of the federal and provincial governments to give more responsibility for health delivery implementation to provincial governments;
- Recovering the cost of services rendered and subsidizing services to the poor segment of vulnerable population through *zakat*;²
- Encouraging public-private partnership in health with nongovernment organizations (NGOs), local bodies, and the private sector;
- Improving services and making them more efficient through good governance;
- Making continued efforts to achieve self-sufficiency in vaccine and drug production;
- Eliminating malnutrition of all kinds among vulnerable groups; and
- Creating a drug-free society.

Improvements in Equity, Efficiency, and Effectiveness

At present, the provision of health services is inequitable and inadequate, inefficient, and ineffective. The long-term strategies will address the issue of equity by establishing primary health outlets in the public sector only for unserved and underserved populations and areas, involving NGOs, removing gender imbalance, and developing public-private partnerships in service delivery.

The long-term health sector strategies will address the issue of efficiency by improving the social environment and management capacity, controlling malpractice at all levels, enforcing accountability, decentralizing, recovering costs, maximizing the role of the private sector, reducing waste, and following a health sector reform agenda.

² It is incumbent on every Muslim to give 2.5% charity on amount of gold kept for more than a year.

The long-term health strategies will address the effectiveness issue by avoiding expansion, focusing on consolidation, linking primary health care with other components of the health sector, ensuring the availability of good-quality drugs at affordable prices, regulating the private sector, checking quackery, involving and empowering the community and NGOs/community-based organizations, and strengthening preventive and promotive health services through health and nutrition education.

Millennium Development Goals (MDGs)

The Millennium Summit 2000 convened by the United Nations is a landmark in the history of this global organization. Heads of 189 states and governments attended the summit and approved the MDGs. The MDGs are defined procedures for a dramatic reduction in poverty and marked improvements in the health of the poor. They constitute a development agenda—including quantitative goals, time-bound targets, and numerical indicators.

Pakistan is a signatory to the MDGs. Table 3 shows the targets for Pakistan.

Table 3: MDG Targets for Pakistan

Indicator	1990	Current	By 2015
Reduced child mortality			
Under-5 mortality rate (per 1,000 live births)	140	105	47
Infant mortality rate (per 1,000 live births)	120	82	40
Proportion of fully immunized children 12–23 months (%)	25	53	90
Improved maternal health			
Maternal mortality ratio (per 100,000 live births)	550	350	140
Births attended by skilled birth attendant (%)	—	24	90
Contraceptive prevalence (%)	12	30	90

— = data not available, MDGs = Millennium Development Goals.

Source: Progress on Agenda for Health Sector Reform, May 2003, Ministry of Health, Islamabad, Pakistan.

Strategies for Achieving the MDGs

The theme of Health Care for All (HFA)—providing services that are **accessible, acceptable, and affordable**—will be vigorously pursued over the long term. The service delivery mechanism will be made more **efficient, equitable, and effective**.

There will be a shift in policy from curative services to preventive, promotive, and primary health care.

Primary health care will be strengthened with necessary backup support in rural areas, where all the service outlets will be focal points for primary health care components and family planning services. In the urban areas, health centers will be established to cover the underserved population.

To address the issue of accessibility of health-care services to vulnerable sectors of the society, the Women Health Project, which is being implemented, will be replicated in the rest of the districts.

Medical staff at all levels will be trained and retrained through further support for the provincial and district human development centers established under health-care and family health projects.

Health sector reforms will deal with service cost recovery, subsidization for the poor segments of the target population, and regulation of the private sector.

Public-private partnerships will be instituted in the health sector through the privatization of unutilized and underutilized health facilities up to the secondary health-care level.

Autonomy will be given to teaching hospitals, and health boards and village health committees will be established.

The program of tuberculosis and malaria control—with the new strategies of directly observed treatment short course for tuberculosis and the Roll Back Malaria global partnership—will greatly help to deal with reemerging communicable diseases affecting mainly the reproductive age group.

Conclusion

The failure of successive national governments in Pakistan to develop a compact and comprehensive health policy is due to various factors. Other than the fragmented urban health services and problems related to public expenditure, these factors also include issues related to development projects like overlapping; gaps in planning and implementation; vertical program; dependency of provinces on the federal Government for funding, which delays the projects; planning problems; lack of regulation of the private sector; the issue of service accessibility; and poor community involvement.

The analytical review by Dr. Talib Lashari of different health policies in Pakistan leads to the conclusion that these initiatives were nothing more than Government's attempts to institutionalize and regularize the drafting of policies. Deploring the irrationality of decision making regarding health policy in Pakistan, Lashari (2004) writes: "This is due to three reasons: Health does not get priority in [the] overall decision-making process[;] health expenditures hardly differ from [the] previous budget; within the health sector, there is no proper use of minimal resources[;] and...decision making takes place in [an]

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isolated manner without including all stakeholders[,] i.e.,] legislatures and civil society[,] etc.”

Lack of continuity of policies, lack of community participation, lack of government initiatives to bring the private health sector into the mainstream of health care, lack of good governance, and lack of the necessary skills and interest on the part of some stakeholders including public representatives and NGOs are some of the other negative factors.

The role of civil society organizations is very important in this regard. They can be very helpful to policy makers through their policy-related research and advocacy. Private sector resources can also be used to bring about a positive change in the health sector. But the private sector needs to be regulated so that the irrational use of drugs and other ills can be eliminated.

With the present low level of investment in the health sector, weak implementation, and poor accountability and monitoring, achieving the MDG targets within the given time frame would be an uphill task.

Recommendations

The first step, which urgently needs to be taken, is to change the traditional governmental perception of health. No development is possible without improving the health of a country. Development also depends on improvements in economic, political, and social conditions.

All these require better planning of human resources for health by (i) identifying shortages and surpluses of specific groups of health workers, (ii) defining the necessary core skills and competencies of categories of health personnel, (iii) identifying the training needs of health workers and using appropriate training methodologies, (iv) analyzing subsequent absorption and retention in the public and private sectors, and (v) instituting appropriate regulation.

Human resources are central to managing and delivering health services and to meeting the MDGs and other health targets. Given the diversity of health workers and their skills and experience, defining and classifying these human resources precisely can help policy makers and planners better appreciate the importance of health personnel. The development of human resources at all levels of health care must inevitably be a top priority. The medical education system should be allowed to develop in a decentralized manner. The development of local talent base should be undertaken as a top priority, and encouraged. It is a tedious and lengthy process, which cannot be cut short.

The level of investment in the health sector must increase: it should be no less than 2% of GDP to start with. Strategies must also be implemented well. The health system has to be based on needs and on primary health care,

and balanced with an equitable distribution between curative and preventive approaches to health care. Research—both clinical and public health (health systems research)—is vital to the development of the health system and must be encouraged.

But the health system also cannot be developed in isolation. There has to be a long-term, integrated approach with the appropriate involvement of the education, administration, local government and rural development, community development, agriculture, livestock, public health engineering, and political sectors.

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Opportunities and Challenges in the Local Governance of Public Health

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Introduction

Poverty is a persistent problem in the Philippines. While incidence has declined from 49.2% in 1985 to 39.5% in 2000, according to the National Statistical Coordination Board (cited in Reyes 2003, pages 10–11), the poor have increased in number over time, from 26.7 million in 1985 to 30.8 million in 2000. This increase can be attributed to the high population growth rate in the Philippines, which was 2.36 from 1995 to 2000 (Reyes 2003, page 5). There are also regional disparities in poverty. In some regions in Mindanao and the Visayas, more than 40% of the population is poor—in the Autonomous Region of Muslim Mindanao, where the proportion is highest, the poor make up 71.3% of the population—while in most regions in Luzon, except the Bicol region, the poor make up less than 40%.

The governance of public health should be of interest to Filipinos, especially the poor, who rely on this system for their needs. Public health services are generally cheaper, if not available for free. The reliance of the poor on public health facilities is borne out by studies on the use of these facilities, such as the ones done for the National Demographic Survey of 2003 and the Social Weather Station study for the World Bank in 2001 (cited in Olarte and Chua 2005).

Public health is normally concerned with “threats to the overall health of a community...[and] includes surveillance and control of infectious disease and promotion of healthy behaviors among members of the community” (www.answers.com/topic/public-health). Doctors, on the other hand, treat patients one-on-one for a specific disease or injury (www.answers.com/topic/public-health). Thus, public health involves not only the curative aspect of health for the entire community but also the promotion and prevention of diseases.

In this context, this paper discusses two key topics:

- What are the opportunities in public health governance in local government units (LGUs)?
- What still needs to be improved (challenges)?

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Opportunities

Devolution

Devolution is one of the opportunities in public health. For one thing, devolution gives local executives and implementers a direct hand in designing relevant projects and approaches according to the needs of their constituents. This mode of management veers away from the traditional way of having national planners and implementers design program and project packages for local government units, which may not suit the conditions in some localities.

Devolution also allows local executives and implementers to use resources that are indigenous to the locality, and to boost local capacities and energies in the process. Local knowledge, which has given rise to the application of some herbal medicines to treat ailments, could be harnessed to generate local enterprise and improve the local economy.

Then, of course, transferring decision making in health matters to local government enables the citizenry to see firsthand how decisions are made, to express their needs and concerns, and, more importantly, to be more actively involved in analysis, planning, implementation, and monitoring and evaluation. For participatory governance, development programs can be placed under the jurisdiction of local chief executives (LCEs), who have direct access to the people, instead of having decisions made chiefly by national decision makers and their regional counterparts.

The Local Government Code of 1991 made the maintenance of barangay health centers a key responsibility of the lowest level of the local government unit, the barangay. At the municipal level, the responsibility for health services includes the implementation of programs and projects in primary health care, maternal and child care, and control of communicable and non-communicable diseases, besides secondary and tertiary health-care services. Municipal health facilities also attend to the purchase of medicines, medical supplies, and equipment to carry out the services. Provincial health facilities provide health services in hospitals and tertiary health services.

These services are to be funded from the share of the local government unit in the proceeds of national taxes and other local revenues, and receive funding support from the national Government and its instrumentalities, and government-owned and -controlled corporations.

Volunteerism

One of the most significant contributions of advocacy for primary health care (PHC) is motivating community health volunteers. Barangay health workers (BHWs) have emerged as partners of government health workers

since the early 1980s. They are in the frontline of the referral system chain, first-aid provision, community mobilization in public health projects, and the health information campaign. Even after devolution, we see vibrant volunteerism among BHWs. In fact, BHWs are active not only in public health but also in many community development projects. They gather information on local poverty indicators for the nationwide monitoring of the quality of such as in the communities. They take an active part as well in poverty programs like the Comprehensive and Integrated Delivery of Social Services (CIDSS), which was led by the Department of Social Welfare and Development (DSWD) until 2004, and the foreign-funded Kapit-Bisig Laban sa Kahirapan (“shared fight against poverty”)–CIDSS (KALAH-I-CIDSS) project of the DSWD.

BHWs are also a very visible part of community-based health programs managed by nongovernment organizations (NGOs) as Plan International Philippines, which supports community-managed health programs, and World Vision, through its advocacy program against tuberculosis called Kusog Baga (“strong lungs”) Program.

The federations of BHWs around the country could be channels for social mobilization and advocacy.

The legacy of the Department of Health (DOH) in steering volunteerism in the community is still felt and seen today. If properly steered, the volunteers can be a significant force in public health advocacy and serve as key mobilizers in harnessing community participation in decision making.

Basic Needs Approach

The basic needs approach to assessing the quality of life, and even measuring poverty, is a comparative advantage for public health. It is a useful planning tool in determining which services should be prioritized, and which individuals and families should be given priority attention. Basic needs indicators have already been institutionalized in the Social Reform and Poverty Alleviation Act (Republic Act 8425) passed in December 1997. The indicators were advocated and implemented in national programs like the CIDSS.

The Local Poverty Reduction Action Agenda (LPRAA), drawn up by local government units at the prompting of the Department of the Interior and Local Government (DILG) applies a modified version of the basic needs indicators. The indicators have been reduced to 14 (with six of these related to health) from the original 33 indicators (the Minimum Basic Needs [MBN]). LGU advocacy of these indicators called the Core Local Poverty Indicators reinforces the local mandate for health embodied in the Local Government Code. These indicators set the parameters for allocating resources and for determining the progress made by different LGUs.

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An improvement in the new set of indicators is their focus on impact concerns rather than a combination of inputs, outputs, and impact (the concern of the set of 33 indicators). The 14 indicators also focus on individual household members and not on the household (the unit of analysis in the original set of indicators). The MBN and Core Local Poverty Indicators sets of indicators are compared in Appendix A.

However, both sets of indicators highlight the importance of enabling members of the community to identify the programs that respond to their needs, rather than providing them with packaged services.

Local Empowerment

An important feature of LPRAA is the recognition of people's organizations as participants in decision making. In the *Guidebook on Local Diagnosis and Planning* prepared by the DILG, the National Economic and Development Authority (NEDA), National Anti-Poverty Commission (NAPC), and United Nations Development Programme (UNDP), representatives of the basic sectors (farmers, fisherfolk, women, children, youth, senior citizens, persons with disabilities, indigenous peoples, informal labor, formal labor, urban poor, victims of calamities, cooperatives, and NGOs), mostly from the marginalized groups, are expected to be included in the Local Poverty Reduction Action Team (DILG, NEDA, NAPC, and UNDP 2002). In effect, this directive reinforces the participatory approach to health management consistent with PHC, a devolved responsibility under the 1991 Local Government Code. The advantage of planning with a poverty reduction focus is its holistic view of development, which the PHC approach underscores.

In addition, NGOs and people's organizations can participate in local planning, with their representatives composing at least one fourth of the planning bodies.

Role of LGUs in National and Foreign-funded Programs

Many national and foreign-funded programs or projects in health recognize the need to work in tandem with local government. The CIDSS and the KALAH-CIDSS programs in poverty alleviation are national programs that engage the participation of local chief executives, who will ultimately have to commit their resources and people to these projects. In the case of the KALAH-CIDSS project, municipal officials chair inter-barangay forums to evaluate proposals for funding support from the World Bank, with counterpart funding from the local government unit. The inter-barangay forums also set the criteria for assigning priority to proposals from the different barangays.

The forums are composed of representatives from the national and local government units in social development, people's organizations, NGOs, and the basic sectors.

The foreign-funded project Family Health by and for Poor Settlers, funded by German technical cooperation (GTZ), on the other hand, mobilizes LGUs to help improve family health self-management activities and the use of family and reproductive health services by target groups; to organize and support community centers for family health; and to develop family health workers (DOH 2001a).

Working together with LGUs ensures transfer of technology and, hence, local ownership and program sustainability after the phaseout of the national and internal interventions.

Community-based Approach and Integrated Planning in National and Foreign-funded Projects

Many national and foreign-funded projects operating in different LGUs are committed to mobilizing communities to empower them, as well as to partnering with other civil society groups, especially NGOs. They also strive to take a multidimensional view to development, where health is often a concern.

For instance, UNDP, with P14 million in grants, supports the promotion of a multi-sectoral and community-based approach to HIV prevention in urban areas in the National Capital Region, Region IV, Cordillera Administrative Region, and Region VI (DOH 2001).

The Canadian International Agency for International Development (CIDA) has also extended a grant of P1.234 billion for community mobilization to reduce the incidence of tuberculosis in areas in four regions covered by the previous community-based program of World Vision (DOH Web site 2005).

A P49.882 billion grant from the Australian Agency for International Development supports the implementation and evaluation of self-sustaining community-based projects in malaria eradication. This entails mobilizing volunteers, setting up health insurance, conducting health education, and setting up surveillance systems (DOH Web site 2005).

Thus, of the 36 foreign-funded projects listed by DOH Bureau of International Health Cooperation in 2001 (DOH Web site 2005), 13 have community mobilization at the top of their agenda and, hence, conform to the PHC mandate.

Local Innovations Recognized by Award-giving Bodies

Award-giving bodies have recognized innovative approaches and strategies in governance in LGUs. An award specific to local health development is the *Sentrong Sigla* (“health center”) seal that the DOH gives to LGUs that meet health-care quality standards and comply with indicators pertinent to the physical and human resources available in their facility. The standards pertain to infrastructure and amenities, services, attitudes and behavior of health workers, human resources, equipment, medicines and supplies, health information system, and community intervention (Bautista, Legaspi, et al. 2002, page 32). These standards have been improved lately to incorporate not only input indicators but also process and outcome indicators. *Sentrong Sigla* LGUs receive monetary rewards by DOH for their use in their operations (interview with DOH technical staff, 6 June 2003).

The *Galing Pook* (“excellent place”) Foundation, started in 1993, is considered a pioneering program that recognizes innovation and excellence in local governance in the Philippines. From 1994 to 2004, *Galing Pook* annual awards went to 195 outstanding local governance programs, which are now models of effective local governance (*Galing Pook* Web site 2005). This award system is part of an international network of local governance award mechanisms in eight countries (Brazil, Chile, People’s Republic of China, Mexico, Peru, Philippines, South Africa, and United States) assisted by Ford Foundation (Rodriguez 2002). Innovations in governance with direct or indirect implications for health care are evident among the roster of winners. In 2002, 5 of the 10 awards went to the health sector, the highest number registered so far. The health awardees all subscribed to participatory governance, according to the PHC approach (*Galing Pook* Foundation 2002).

One of the recipients of a *Galing Pook* health award, a drive participated in by people’s organizations and other civil society groups, cleaned up the coastline of Bataan and helped prevent diseases. A constituent-responsive program in Bulacan, which applied the survey research method to get representative feedback from citizens on projects, led to the setting up of health insurance (*Medicare para sa Masa*) (“Medicare for the Masses”). Another initiative, this one started by the governor of Davao del Norte Province, used basic needs indicators, including health indicators, as tools in project planning and prioritization (*Galing Pook* Foundation 2002). Also a recent awardee was the inter-LGU-NGO partnership in health-care delivery in the province of Negros Oriental, where hospital boards capitalized on partnerships between stakeholders outside government to devise creative ways of addressing concerns in health-care delivery. Health zones were formed to devolve program

management further to the districts, a level of administration between the provinces and the municipalities.

All these award systems motivate LGUs to innovate in governance for local development.

International Commitments Reinforcing Health Priorities

Another opportunity is the commitment of global networks to prioritize health. For instance, the 20-20 agreement is a commitment that grew out of the World Summit for Social Development. It stipulates the allocation of 20% of government resources to so-called human priority expenditures to attain decent levels of human development. Official development assistance will allocate another 20%. The expenditures are mainly for PHC—reproductive health, basic nutrition, low-cost water supply, and sanitation. The others go to basic education, early child care, and basic social welfare.

The Millennium Development Goals (MDGs) reinforced the 20-20 initiative which were passed at a Special Session of the United Nations General Assembly in September 2000. Four out of the 10 goals pertain to health, with quantitative targets up to the year 2015 for use in assessing if the goals have been achieved. Corresponding programs of action to address each goal have been incorporated by the Philippines in its Medium-Term Development Plan. The four health-related goals are (United Nations 2000, Manasan 2002):

- Two-thirds reduction in child mortality (among children under 5 years old);
- Improvements in maternal health, as indicated by a three-fourths reduction in maternal mortality;
- Control of HIV/AIDS, malaria, and other diseases through the prevention or reversal of their spread; and
- Environmental sustainability, as indicated by a 50% reduction in the proportion of people without sustainable access to safe drinking water, and the integration of the principles of sustainable development into country policies and programs to reverse the loss of environmental resources.

The institutionalization of these goals in the Philippines steered the adoption of the Local Poverty Indicator Monitoring System by some LGUs to assess the extent of attainment of the MDGs. This was reported by DILG Assistant Secretary Austere Panadero (2005), citing the experience of Pasay City and the provinces of Camiguin, Marinduque, and Masbate.

Challenges

Role of Local Chief Executives (LCEs)

The most critical challenge in public health is obtaining the commitment of LCEs. While public health is a devolved responsibility, this is no assurance that the local executives fully understand the responsibility or will commit to it. Most problematic is local appreciation of the meaning of PHC, since the concept is not well defined even in the implementing rules and regulations of the Local Government Code. Hence, traditional curative health, and not health promotion and prevention (and even less the mobilization of communities and people in governance), is how these executives normally perceive their responsibility..

The most difficult challenge for public health workers is the 3-year term of local executives, since a change in political leadership could also mean a change in commitment and investments in health. Continuity of projects could be a problem, especially if the new executives are bent on making their mark through a change in administrative focus. Each change in administration necessitates advocacy and orientation for the new leaders.

The DILG and local universities can be allies in an orientation program in public health for new LCEs.

Career Path and Mobility for Public Health Workers

There is a need to assess how public health workers in LGUs can be motivated, as their career path is not clearly spelled out in the Magna Carta for Health Workers. This fact is considered a key problem by the national office (Bautista 2001, page 13). Unless innovative mechanisms for mobility are instituted in LGUs, not knowing how much professional growth is open to them could demoralize health workers.

Moreover, although the Magna Carta for Health Workers stipulates benefits and incentives for devolved health workers—including hazard pay, laundry allowance, holiday pay, and even remote allowance and medico-legal allowance (Olarde and Chua 2005)—many LGUs have reportedly failed to fully implement the provisions. Frustrated, the health workers either transfer to Manila or go abroad (Olarde and Chua 2005).

Need to Motivate and Orient BHWs

There is a need to continuously motivate BHWs to keep abreast of recent developments and challenges in health. Devolved health workers have a major role in harnessing, orienting, and motivating BHWs. But political intervention is possible, as local officials have the power to determine how much hazard

and subsistence pay the BHWs can receive, in accordance with the BHW Benefits and Incentives Act (Republic Act 7883) of 15 February 1995. A recent study on the Directly Observed Treatment Short Course Strategy among tubercular patients noted that local chief executives had appointed political allies to replace well-trained and knowledgeable BHWs (Bautista and Gervacio 2003).

Need for Focused Targeting Technology in Health

In training programs of LCEs conducted by the National College of Public Administration and Governance of the University of the Philippines, health is often a dreaded service because, to them, it is a curative service that must be universally provided. Public health management should consider focused targeting technology, as this will enable health workers to determine who should receive priority attention. It is important to have a system that separates those who can afford the service from those who cannot, so that health services can benefit the most marginalized. Mechanisms for charging those who can afford to pay can be considered in public health systems to ensure that medicines, immunizations, and laboratory fees are not given to them for free.

The application of focused targeting technology hinges on the adoption of a set of indicators to assess the extent of deprivation. At the moment, only selected barangays that had been targeted in poverty alleviation programs have implemented the methodology as a national government priority, besides areas where LCEs took the initiative to adopt the system.

Advocacy of the indicators, as the basis for the LPRAA, has to be fast-tracked to cover more LGUs.

Having a reliable set of indicators could also be helpful in setting up a health insurance system, as was discussed recently at a National Conference for Community-based Monitoring Systems (Angelo King Institute for Economics and Business Studies of the De La Salle University 2005). Participants from the provinces shared the applicability of the indicators in targeting families and individuals that deserve priority attention.

The Challenge for Community Mobilization

The extent to which community mobilization is to be undertaken remains an issue. This devolved responsibility has been transferred to local health workers. The question is, who assumes this responsibility, and is mobilization to be continuous?

In a study on the impact of Plan International Philippines, an NGO that advocated community-managed health systems, its partner communities

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did better in mobilizing people's participation in governance after advocacy by the NGO's mobilizers (Bautista, Nicolas, et al. 2004). This assessment shows the importance of continuous advocacy to institutionalize the participatory approach.

Funds for Public Health

One of the nagging problems affecting the national Government is having to service government borrowings made to supplement revenue deficits. Debt service has major implications for the amount of money available for development projects and directly affects public health. The national budget for social development, including health, has declined from a high of 33.2% in 1999 to a low of 29.6% in 2003. Economic services also suffered a decline, from 24% to 20.2%. On the other hand, debt servicing increased from 18.3% to 27.8% in the same period (Briones 2002). By year 2006, the prognosis is even worse for social development, estimated to be P27.91% and economic services, 18.72% (Briones 1996: 2). This is because debt servicing has substantially increased to 32.28%.

Another issue is the extent of priority given to public health care. In a report on health spending by Simbulan (2001), it was learned that curative services got the major chunk of the national allocation for 1986–2000, as 20–73% of the budget went to hospital and regional operations, services, and maintenance. On the other hand, promotive and preventive health care got only 1.3–30% (Simbulan 2001, page 60).

Gañac and Amoranto (2001, page 23) disclosed that in 1999, 16.8% of the health-care expenditure of DOH went to public health, as against 67.54% for curative services. Also in 1999, in LGUs where basic health services were devolved, Gañac and Amoranto (2001) showed 47.39% going to public health while curative care got 26.35%. However, the average expenditure per public health facility was a measly P147,000 as against a whopping P1,720,000 per hospital.

Health-care spending in 1999 was below 5% of gross national product (GNP), the standard set by the World Health Organization (WHO), with the Philippines spending 3.4% of GNP (Gañac and Amoranto 2001).

The current Secretary of Health believes that a budget of P86 billion (versus the present P10 billion) is needed to allow the Government to comply with the WHO recommendation (Crisostomo 2005).

Poor Appreciation of Health Insurance

Appreciation for health insurance to date is very low. That leaves the poor at the mercy of government health facilities. Per capita expenditure for

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health in 1999 was P1,449, with P70 of that (or 0.5%) coming from social insurance and P549 (or 37.9%) from government. Private spending, to make up for the difference, amounted to P829, or 57.2% (NSCB 2001).

This pattern implies that the financial burden of health on individual families remains heavy, leaving access to care highly inequitable (NSCB 2001).

Preventable Diseases Still Prevalent

A raging public health concern is the burden of managing and controlling infectious diseases that can be prevented or avoided. The latest statistical data from the DOH on leading causes of morbidity for 2001 show that 8 out of 10 are preventable (diarrhea, bronchitis, pneumonia, influenza, tuberculosis, malaria, measles, and chicken pox) (DOH Web site 2005). The two other causes are hypertension and diseases of the heart. (See Appendix B.)

Two of the 10 causes of mortality in 1997 (pneumonia and tuberculosis) were preventable (DOH Web site 2005). The other eight causes were diseases of the heart, diseases of the vascular system, malignant neoplasms, accidents, chronic obstructive pulmonary diseases and allied conditions, certain conditions originating in the perinatal period, diabetes mellitus, and nephritis/nephritic syndrome/nephrosis) (DOH Web site 2005) (See Appendix B).

The fact that preventable disease still exist shows the need to invest more effort in promotive and preventive health care.

The health management burden is aggravated by the fact that annual population growth (2.36% in 1995–2000) is higher than in neighboring countries (Reyes 2003, citing National Statistics Office data). In 1997, the population growth rate was 1.9% in Bangladesh, 1.9% in the People's Republic of China, 1.6% in Indonesia, and 0.9% in the Republic of Korea (Government of the Philippines and United Nations Fund for Population 1999, page 10).

Then, of course, new global threats as bird flu have to be dealt with and are a further drain on local resources.

Conclusion

On the whole, these issues and challenges reflect expectations on the part of the national and local governments to improve the implementation of public health services.

More specifically, national and local health offices have a major role to play in continuous advocacy among local government officials to get them to commit to the delivery of health services, consistent with the needs and demands of the community, and the principles of the PHC approach. This means that advocacy must deal not only with health programs but also with the basic principles of participatory governance, which is what PHC is all

about. There is therefore a need to orient a new breed of public health practitioners who will also excel in social mobilization, policy advocacy, and alliance building, apart from the technical dimension of health. This group can foster partnerships with civil society groups, the private sector, and LGUs in devising more urgent solutions to public health problems. Hence, these practitioners must have the skills to mobilize the community to participate in governance.

An information dissemination network that makes available constantly updated data on the technical aspects of diseases will help prevent outbreaks and facilitate public health service planning and implementation.

National and local health offices should also seize opportunities to use existing technologies for governance, such as local information systems, that could objectively and rationally define the needs of the community. The technology could be used for focused targeting of beneficiaries, apart from planning and monitoring and evaluation, to achieve global commitments such as the MDGs.

Furthermore, strengthening the capacities of LGUs to seek out new sources of revenues to supplement what they can generate apart and what the national government is able to transfer to them is another possible area of advocacy.

NGOs and multinational agencies have as much responsibility to consider the capabilities of the localities and recognize their role in the governance of development projects. In keeping with the spirit of PHC, they should involve people's organizations in local governance to ensure that programs and services are appreciated and sustained.

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Appendix 1: Indicators on Basic Needs

Basic Needs	Minimum Basic Needs (MBN) Indicators	Core Local Poverty Indicators
SURVIVAL A. Food and Nutrition	1. Newborns with birth weight of at least 2.5 kg. 2. No severely and moderately underweight children under 5 years old 3. Pregnant and lactating mothers provided with iron and iodine supplements 4. Infants breastfed for at least 4 months	1. Malnutrition prevalence - Proportion of children 0–5 years old who are moderately and severely underweight
B. Health	5. Deliveries attended by trained personnel 6. Infants 0–1 year old fully immunized 7. Pregnant women given at least 2 doses of tetanus toxoid 8. Not more than 1 diarrhea episode per child below 5 9. No deaths in the family due to preventable causes 10. Couples with access to family planning 11. Couples practicing family planning in the last 6 months 12. Solo parent availing himself or herself of health services	2. Proportion of children aged 0–5 years old who died to the sum of children 0–5 years old 3. Proportion of women's deaths due to pregnancy-related causes
C. Water and Sanitation	13. Access to potable water (faucet/deep well within 250 meters) 14. Access to sanitary toilets	4. Proportion of households without access to safe water 5. Proportion of households without access to sanitary toilet facilities
D. Clothing	15. Family members with basic clothing (at least 3 sets of internal and external clothing)	6. Proportion of households who are squatters 7. Proportion of households who are living in makeshift housing
SECURITY A. Shelter B. Peace and Order/Public Safety	16. House owned, rented, or shared 17. Housing durable for at least 5 years 18. No family member victimized by crime against person 19. No family members victimized by crime against property 20. No family member displaced by natural disaster 21. No family member victimized by armed conflict	8. Proportion of households victimized by crime

continued on next page

Appendix 1: Indicators on Basic Needs (cont'd)

Basic Needs	Minimum Basic Needs (MBN) Indicators	Core Local Poverty Indicators
C. Income and Employment	22. Head of family employed 23. Other family members 15 years old and above employed 24. Families with income above subsistence threshold level	9. Poverty incidence -Proportion of households with income less than the poverty threshold 10. Subsistence incidence - Proportion of households with income less than the food threshold 11. Proportion of households eating three meals a day 12. Unemployment rate
ENABLING		
A. Basic Education and Literacy	25. Children aged 3–6 attending day care/ preschool 26. Children 6–12 years old in elementary school 27. Children 13–16 years old in high school 28. Family members 10 years old and above who are able to read and write and do simple calculation	13. Proportion of 6–12 children who are not in elementary school 14. Proportion of 13- to 16-year-olds who are not in secondary school
B. People's participation	29. Family members involved in at least 1 people's organization 30. Family members able to vote at elections	
C. Family Care/ Psychosocial Needs	31. Children 18 years old and below not engaged in hazardous occupation 32. No incidence of domestic violence 33. No child below 7 years old left unattended	

Appendix 2: Health Statistics

10 Leading Causes of Morbidity, 2001

(Rate per 100,000 population)

Causes	Rate
Diarrhea	1,085.0
Bronchitis/Bronchiolitis	891.7
Pneumonia	837.4
Influenza	641.5
Hypertension	408.7
Tuberculosis, respiratory	142.2
Diseases of the heart	60.4
Malaria	52.0
Measles	31.4
Chicken pox	31.3

10 Leading Causes of Mortality, 1999

(Rate per 100,000 population)

Causes	Rate
Diseases of the heart	78.4
Diseases of the vascular system	58.4
Malignant neoplasms	45.8
Pneumonia	44.0
Accidents	40.2
Tuberculosis, all forms	38.7
Chronic obstructive pulmonary diseases and allied conditions	20.3
Certain conditions originating in the perinatal period	17.1
Diabetes mellitus	13.0
Nephritis, nephrotic syndrome, and nephrosis	10.1

Source: Department of Health Website: www.doh.gov.ph/health-statistics. January 2005.

Building the Public Health Emergency Management System of the People's Republic of China

Mengzhong Zhang¹

Jianhua Zhang²

Introduction

Severe acute respiratory syndrome (SARS) is a new contagious disease that spread to 33 countries and regions from November 2002 to June 2003. In the People's Republic of China (PRC), cases of SARS were found in 24 provinces, autonomous regions, and municipalities. The 7-month SARS problem sparked public health issues and related economic, social, cultural, and psychological problems. The event also had a significant impact on PRC's politics, economy, and society, especially public health. It is thus important to analyze the impact of SARS, find out what problems remain, and examine the development and future directions of the public health emergency preparedness and response system in the PRC.

The history of mankind is a history of struggle with diseases that threaten survival and development. The shocks dealt by these diseases have often affected not only the body but also the mind and the spirit. For this reason, there have been more severe than those caused by wars, revolutions, and riots. The SARS outbreak in the spring of 2003 is a case in point.

The outbreak lasted for about 220 days—from 16 November 2002 (in Guangdong Province) until 24 June 2003, when the World Health Organization announced that it was lifting its warning against travel to the PRC. In that time, there were 8,430 cases of SARS. The PRC had 5,327 reported cases, including 349 deaths. SARS was reported to have caused a loss of \$50 billion in Southeast Asia and CNY151 billion (Ping 2005).

From the first to the last case, the Chinese Communist Party, the new administration, and local governments tried their best to deal with SARS and achieved temporary success. But the SARS crisis exposed weaknesses in the country's public health system. It showed that the PRC lacked the knowledge

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and the capacity to respond to public health emergencies. Disease prevention and control was deficient; the flow of information about the disease was not smooth; laboratories had no quick-diagnosis system; monitoring and enforcement was inadequate; medical care did not fit the requirements; laws and regulations were incomplete; government functions were unclear; coordination was weak. Moreover, the public psyche had been severely damaged (Wu 2003).

The experience with SARS showed that the management of public health emergencies had to be strengthened to guarantee the security and safety of the country, social stability, and the interests of the public.

Now, 3 years after SARS, the PRC has built an emergency preparedness and response mechanism, as the Central Committee of Chinese Communist Party and the State Council planned, and with the help of relevant organizations and medical staff. The system covers the management of public health emergencies, disease prevention and control, medical care, and health maintenance and monitoring (Zhao 2003). The national Government and local governments have also restructured public expenditure to increase public health spending.

Yet much more needs to be done. Using Jiangxi Province as an example and data from surveys and focus group discussions, this paper looks at the present status of public health and disease prevention in the PRC, reveals the areas that still need to be addressed, and proposes policies to strengthen the system.

Public Health Emergency Preparedness and Response Systems

The United States (US)

The public health emergency preparedness and response system in the United States (US) is one of the most advanced in the world. Through vertical (federal-state-local) coordination and horizontal collaboration among government organizations, the US has built a comprehensive and multilayered response network for public health emergencies. When a significant public health emergency occurs, a system-wide alert is raised, a suitable response is readied, and information is fed into the federal emergency program via the Centers for Disease Control and Prevention in Atlanta, Georgia. The President decides, depending on the nature and seriousness of the emergency, whether to declare a state of emergency and start the federal emergency program (Zhang 2003).

At present, the US Government is improving the following aspects of the response system (Liu and Hu 2003):

- **Preparedness planning and assessment.** Strengthening strategic leadership, management, assessment, and coordination capability; enhancing and maintaining the capacity of federal, state, and local government agencies to respond to public health emergencies; and ensuring coordinated operations.
- **Surveillance and epidemiology capacity.** Improving routine surveillance; strengthening epidemiology capacity; and creating the capacity to respond rapidly, identify the type of event, and immediately report its progress to guide decision making.
- **Laboratory network.** Building a nationwide network of laboratories at the federal, state, and local government levels; and strengthening research on hazardous biochemical materials.
- **Health-related information and communication technology.** Building an effective computer-based information network; strengthening communication between health workers and the public; and strengthening the security of information.
- **Dissemination of health and health risk information.** Helping state and local public health organizations to build an effective mechanism for exchanging information about public health risks, making them better able to communicate relevant information to the public. The work would include training service delivery personnel, certifying the primary spokesperson, printing pamphlets for public distribution, reporting information on time, and effectively interacting with mass media.
- **Education and training.** Training personnel for public health emergencies and communicating relevant information to the public through a variety of channels.

The PRC

The Government has prioritized to develop and improve the public health response system in view of the weaknesses revealed during the SARS outbreak. To effectively prevent and immediately control and do away with public health threats, ensure the health and safety of the public, maintain the normal social order, and build a lawful system of information, rapid response, vigorous management, and clear responsibility to cope with public health emergencies, the State Council, on 12 May 2003, passed a regulation governing the suitable response to public health emergencies. The regulation is based on the law on the prevention and treatment of contagious diseases and other relevant laws, as well as the experience with SARS in early 2003. While its passage was an

immediate outcome of the SARS event, the regulation applies to all public health emergencies in the PRC. The SARS incident made the country realize the importance and necessity of building a comprehensive response system for public health emergencies. It is looking to borrow from the experience of other countries with more advanced systems and to adapt the experience to the PRC context.

Research Questions and Methodology

This paper is mainly interested in two research questions related to the building of the public health emergency management system:

- What is the status of the system and what remaining issues need to be settled?
- What are the policy implications of the construction of the public health emergency management system?

The authors of this paper relied on empirical research (a case study) to deal with the foregoing issues. Survey questionnaires, focus group discussions, individual interviews, and a review of the experience of the PRC and other countries, particularly the US, were used. The respondents were drawn from among the officials and staff of provincial health organizations in Jiangxi and public health agencies in Nanchang and Ganzhou cities. Materials from other provinces were also referred to for a broader understanding of the issues.

The 150 survey questionnaires sent out to public health agencies at the provincial, prefecture, and county levels were all filled out and returned. The organizations surveyed included the Chinese Center for Disease Control and Prevention (CDC), hospitals, and health surveillance, administration, education, and other agencies. The questionnaires were distributed as follows: Jiangxi Provincial Health Bureau, 10; Jiangxi Provincial Medical University, 10; Jiangxi Provincial CDC, 15; Jiangxi Provincial Health Surveillance Institute, 15; Health Bureau of Nanchang City, 10; Health Bureau of Ganzhou City, 10; CDC of Ganzhou City, 30; The First People's Hospital of Ganzhou City, 30; and Health Surveillance Institute of Ganzhou, 20.

The survey questionnaires asked three open-ended questions:

- Is the provincial public health response system adequate or not? What are its main problems?
- What are the main issues to be considered in building the provincial public health response system?

- What do you recommend for the construction of the provincial public health response system?

Three separate focus group discussions were held among public health administrators, medical personnel of hospitals, and CDC and health surveillance staff to get a variety of views about the public health response system for Jiangxi Province, the problems that still have to be resolved, and recommended strategies and measures.

To get the views of different professional groups, three focus group discussions were conducted for the following:

- Eight public health administrators occupying positions higher than that of deputy section chief—four from the public health bureau of Ganzhou City, one from the Ganzhou Municipal Surveillance Institute, and three from the County Public Health Bureau—for more than 3 hours in the afternoon of 5 September 2005.
- Eleven frontline doctors, all with intermediate professional experience and qualifications—one from Public Health Bureau of Ganzhou City, four from Gannan Medical College Affiliated Hospital, four from the First People's Hospital of Ganzhou City, and two from Ganzhou Municipal Hospital—for 3½ hours in the morning of 6 September 2005.
- Eleven CDC and health surveillance staff members above the level of deputy section chief or with intermediate professional qualifications—one from the Public Health Bureau of Ganzhou City, six from the municipal CDC, and three from the Public Health Surveillance Institute—for 4 hours in the afternoon of 6 September 2005. .

A bureau official of the Ministry of Public Health was also interviewed about his understanding of the current state of the public health response system in the PRC, its defects, and areas that need more attention.

In addition, secondary data were obtained from a research survey on the public health response system, carried out by the Ministry of Public Health in February 2005. Of the 76 respondents, 25 had bachelor's degrees, 31 had master's degrees, and 15 had doctoral degrees; five gave no details about their educational qualifications. The respondents comprised 24 administrative staff (31.6%), 51 professional personnel (67.1%), and one whose job position was unspecified.

The analysis and proposed policy recommendations in this paper were based on these primary and secondary data.

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Administrative Constraints on the Public Health Response System of the PRC

The PRC has a vast territory (9.6 million square kilometers) and a population of about 1.3 billion. Its economic and social development is still low, and public health emergencies are frequent.

The PRC has dealt with a number of such emergencies in the last 5 decades, among them, the cholera epidemic of Yang Jiang City in Guangdong Province in 1961 and the hepatitis A outbreak in Shanghai in 1988. Thus, the PRC has had some experience in preventing and treating contagious diseases. Nevertheless, the PRC tends to be tentative and to rely on compulsion in dealing with public health emergencies. This approach may be effective in the short run but is wasteful of resources. Agencies are created ad hoc and are dissolved after the crisis. Thus, the rich experience of handling the crisis is not summarized, systematized, and institutionalized, and the experience is not shared throughout the country.

The SARS epidemic in 2003 had a significant impact on the economic development, social stability, and foreign relations of the PRC. Among the main reasons for the spread of SARS in the early stage were the defects in the public health response system. The PRC lacked the capacity to cope with and manage the crisis.

Blind Faith in Economic Growth and Market Principles

The Government has often emphasized the country's focus on development. But development has been narrowly interpreted to mean economic growth. Other areas, public health among them, have had to give way to the pursuit of economic development (Ge 2005). There seems to be a consensus that development is the answer to a host of problems. The assumption is that as long as economic growth is maintained and the pie gets progressively bigger, other issues as public welfare can easily be solved. Indeed, if all social classes closed the fruits of economic growth, public welfare would improve. However, the fruits of economic growth are not equally shared. Therefore, regardless of how fast the economy grows, public welfare will not improve.

On the other hand, the country has put too much trust in the market in many areas, including public health. Behind health sector and other reforms is the unproved assumption that the market can allocate resources more efficiently. In reality, this assumption could hardly be farther from the truth. In public health as in other areas of life, human behavior has externalities, information is asymmetric, and information asymmetry leads to market failure.

In short, blind faith in economic growth has resulted in the failure of government to shoulder its responsibility, and blind belief in the market has resulted in unequal and inefficient allocation of health resources.

Inability of the Current System to Cope with the New Situation

Many countries have built emergency management systems. International organizations have also prepared crisis management plans for coping with epidemics, natural disasters, and wars that cost millions of lives (Qin 2003). In the US, the Federal Emergency Management Agency has a system of assessment, recovery, and management, and an innovative emergency response system (www.fema.gov/tabs_disaster.shtml). Believing that public health is part of national security and is as important as defense, financial stability, and information security, the US established and strengthened its public health response system. The electronic surveillance and reporting system has subsystems for different types of diseases. The objective is to detect signs of a disease outbreak early enough to prepare and respond adequately (Huang 2003). Communication is an essential part of these emergency systems.

In the PRC, the traditional way of handling an epidemic is to conceal it from the public. Without information from the Government, the public relies on rumors, and rumors feed confusion and panic.

To improve its image and earn the public trust, the Government must handle public health emergencies with greater openness and transparency. There must be open, timely, and smooth flow of information to the public. Public health, after all, is all about the public, and the public has the right to know.

Shortage of Public Health Resources

The shortage of public health resources and the policy of requiring the health sector to fend for itself have jeopardized and even paralyzed the public health defense system. Public finance is market economy finance in essence. As such, it should not intervene in areas where the market is effective but should play a role where the market cannot effectively solve the problems (Xia 2004). Public health cannot rely solely on the market economy to provide services. Thus, government intervention is necessary in arranging financing and promoting usage. Public finance should be central to public health.

Perceived Defects of the Public Health Response System in the PRC

The SARS emergency revealed the vulnerability and inefficiency of the public health response system in the PRC. At least six problems weigh down the system.

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First, the response management system is not equipped to respond. Health resources are vertically and horizontally segregated. Communication and coordination are not sound, and some local governments cannot manage on their own. Thus, it is hard to integrate resources effectively. In the face of public health emergencies, there is no mechanism for coordinating the participation of several organizations. Vertical management is unclear, as is the devolution of authority to local governments. Local governments do not feel quite responsible, in the belief that such emergencies are properly the domain of public health agencies. On the other hand, public health agencies are not sufficiently empowered to act (Li 2003).

Second, response plans are absent or ineffective. The agencies therefore have no clear duties and tasks, and management and operations are poorly coordinated. The surveillance warning system is not reliable; response equipment and facilities are far from adequate. Some places stay passive for some time. Thorough drills involving different agencies are rare. When public health emergencies as the SARS epidemic arise, public health organizations are unprepared and do not know what to do (An 2004).

Third, information reporting is not sound. Data on epidemics are not efficiently collected, analyzed, and reported. Governments and relevant agencies are slow to grasp emergencies. The PRC is not inferior to advanced countries in the number of hospitals. Beijing, for example, has 275 hospitals, including about 70 “triple AAA” hospitals. However, these 275 hospitals belong to eight different systems, including those of the Ministry of Public Health, the People’s Liberation Army, and the Medical Branch of Beijing University, and thus do not exchange information (http://industry.ccidnet.com/art/35/20040409/101608_1.html, accessed on 8 October 2005).

The vertical and horizontal segregation of hospitals and the lack of information exchange were to blame for the initially passive reaction to SARS in Beijing. Public health agencies could not get accurate information in time, and frontline medical staff could not receive relevant background materials as well as information on clinical behavior and means of prevention and cure.

Fourth, the capacity for responsive medical care is not adequate. Many medical organizations are not equipped for emergencies and the medical staff lack knowledge of emergency prevention and response techniques. The SARS episode also exposed the risk of contamination in hospitals. Internal contagion management in hospitals is the task of the contagion and defense section. But this section is usually the weakest. Moreover, brain drain has seriously depleted personnel resources in many places, especially in the old base of the revolution, minority regions, hinterlands, and poor areas. The age and specialty structure

of the current staff is unsatisfactory. With the current staff, the PRC will be hard put to meet the challenge of future public health emergencies.

Fifth, the disease prevention and control system is weak. Less than 1% of public health staff have master's degrees. In the US, about 10% to 20% of such staff have master's degrees in public health (MPH) or other relevant degrees, and 5% to 6% of those working in the public policy area have MPH degrees. At each level of disease prevention and control in the PRC, poorly qualified personnel and backward medical equipment are common. In addition, there is no clear division of labor, and efficiency suffers. The public health sector is in urgent need of an emergency response workforce armed with sound public health knowledge (Li 2003).

Sixth, the legal infrastructure for handling public health emergencies is deficient. During the SARS period, only the Contagious Disease Prevention and Remedy Law was available. Legalizing administrative authority for emergency management is a worldwide issue. While the Constitution regulates emergency status, administrative power in emergencies must be authorized by law. The public health emergency response regulations passed with urgency by the State Council in 2003 are far from complete. Detailed laws must be passed for coping with different types of emergencies (Yang 2005).

These problems, and others, have serious consequences. When public health emergencies happen, they cannot be effectively addressed and controlled in time. Thus, epidemics spread and persist. Not only do they threaten the health of the public, they also have significant impact on economic development and social stability (Gao 2004).

Policy Recommendations for Improving the Public Health Response System

In the global SARS crisis of 2003, the PRC was the hardest hit. The crisis severely tested the capacity of the Government to handle emergencies and exposed its inexperience in dealing with large-scale public health crises. It raised challenges and questions for the public health management system of the country in general. The PRC has no public health alert and treatment system. But a response mechanism for emergent public health emergencies has been initially set up (The 2003 Executive Order 376 of the State Council, Emergent Public Health Responsive Regulations).

The surveys of the Ministry of Public Health and the Public Health Bureau of Jiangxi Province indicate that the PRC has made a good start in establishing and improving its public health response system. Still, there are

problems. The crisis mind-set is not firmly ingrained in the public health agencies, which are not attuned to effectively addressing public health emergencies. Communication and education in public health emergencies are inadequate. The public does not know enough to protect itself and is therefore easily driven to panic. At the grassroots level, the CDC and medical institutions have weak capacity to prevent and deal with epidemics. Medical personnel are poorly qualified and do not have much opportunity to learn. They can hardly identify major epidemics. Funding for public health is far from enough. Because of the funding shortage, grassroots prevention is difficult or even impossible. The legal infrastructure has yet to be completed.

Coordination in emergencies is a significant problem. There is a lack of concerted effort between the public health sector and other departments. Many other areas—such as public finance, education and communication for emergency management, personnel training, public health response system in the rural areas, and the speed and sensitivity of the response—need to be strengthened.

From the Jiangxi survey, 89 of the 150 respondents (59.3%) considered the response system inadequate. Lack of funding is still a bottleneck, particularly for public health in the local areas. For lack of funds and attention, the necessary equipment cannot be purchased and training is inadequate. The respondents were concerned about the effectiveness of the response workforce, security of response supplies and equipment, preparedness, coordination between prevention and cure, and the legal framework.

The following principles are offered to guide improvements in the public health response system of the PRC:

- Establish a response system that is in harmony with the Chinese context and strengthen the system.
- Make prevention the priority.
- Build a strong response workforce to prevent, control, and cure diseases. Recruit and train more people, and equip them with the right techniques and materials.
- Constantly deepen awareness of crisis.
- Strengthen communication and education in public health events.
- Monitor public health activities according to the law and establish a responsibility system.

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Session 7

Special Session on the Teaching of Public Administration and Policy

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Innovations in Teaching Public Policy and Management: The Case of ANZSOG's EMPA Program

Deirdre O'Neill¹

Introduction

The Australia and New Zealand School of Government (ANZSOG) was established in late 2002 by a consortium of Australian and New Zealand governments, universities, and business schools with the intention of creating a world-class institution focused on developing the future generation of public sector leaders. Its formation reflected a shared view among those in the consortium that one of the significant challenges for all governments in the 21st century was to enhance the breadth and depth of policy and management skills in government, and accordingly invest in the further education and development of those who are destined to be leaders of the public sector.

The founding members of ANZSOG comprised five governments—the national governments of Australia and New Zealand, and the state governments of New South Wales, Queensland, and Victoria; nine universities; and one business school, the Melbourne Business School. The universities that joined the consortium were the Australian National University; Griffith University; Monash University; the Universities of Canberra, Melbourne, New South Wales, Queensland, and Sydney; and Victoria University of Wellington. The objective of these founding members was to create a first-tier school of government that was equivalent to the best international business schools and schools of government, and whose programs would be tailored to the unique needs of the Australian and New Zealand governments.

Now in its 4th year of operation, the school offers a master's-level program in public administration (the Executive Master of Public Administration, or EMPA), offered in partnership with all but one of its member universities; a non-award-based senior executive program (the Executive Fellows Program); and a growing range of other specialized non-award-based short programs for emerging leaders in the public and not-for-profit sectors.

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The EMPA Program

Objectives

The EMPA program was created to address as a priority issue the need for participating governments to develop high-potential successor pools of appropriate breadth and depth. The intention was that the EMPA provide participants in Australia and New Zealand with an educational experience of comparable quality to the postgraduate degrees in public administration and public policy offered by flagship schools of government around the world—such as the Kennedy School of Government at Harvard, the Maxwell School at Syracuse, the Goldman School of Public Policy at the University of California at Berkeley, the Ford School at University of Michigan, and the Woodrow Wilson School of Public Policy at Princeton.

The EMPA is designed to develop world-class public sector managers who:

- have a broad view of, and an excellent skill base in, management, service delivery, and policy analysis across the spectrum of public sector activities;
- demonstrate a critical understanding of the central concepts and literature from the fields of public administration, public management, and public policy;
- can undertake critical analyses of public sector issues, using multidisciplinary perspectives, and engage in informed debate on the issues;
- can understand and apply research methods and undertake independent research;
- are prepared for and committed to a long-term career path in the public service; and
- can improve service delivery and policy outcomes across all levels of the public sector of Australia and New Zealand.

In summary, the EMPA is designed to enhance the depth and breadth of management and policy skills of high-potential public sector managers, to provide these managers with the tools and frameworks needed to be clearer about the value public managers deliver to the public, and to better equip public managers to manage complex accountabilities in the face of shifting political, economic, and organizational environments.

Structure

The EMPA is a 2-year, part-time university degree program offered in partnership with all of ANZSOG's member universities except the University of Queensland. The school itself does not award the degree in its own name. Rather, EMPA candidates enroll in one of the school's partner universities and upon successful completion of the course are awarded their degree from that university.

Designed in close consultation with the funding jurisdictions, the degree has been tailored to the specific needs of future public sector leaders. Of the 10 subjects in the EMPA, seven are core subjects delivered by ANZSOG teaching faculty. The three remaining elective subjects are taken by each student at the university of his or her enrollment. One elective must be taken in the field of public sector financial management, and the other two electives are expected to be chosen from disciplines related to public policy and management. Students may choose electives to establish a bridge between their past study and experience and the core curriculum to enhance their knowledge in a specific discipline, or to enhance their knowledge of a specific policy area, such as health, education, or the environment.

Curriculum

The curriculum of the EMPA was developed after extensive consultation with public sector chief executive officers in member governments. Initially these consultations were conducted by the Boston Consulting Group (BCG), which led to the sketching out of a 10-unit program, of which 70% would be delivered by the school as core subjects. The details of the curriculum were finalized after considerable input from leading academics in the partner teaching institutions. The finalized curriculum reflects the spirit of the original BCG proposal—maintaining a strong focus on the role of the manager within the public sector, emphasizing problem solving and cross-disciplinary learning, and involving a careful blend of academics and practitioners (including current and former political leaders) as teachers.

The seven core subjects in the EMPA are:

- **Delivering Public Value**—reflects the reality that delivering value to the public is the essential management task of government today. To do this, public sector managers must deliver outcomes for government, apply available resources efficiently, and manage people and operations to deliver outcomes. They need to understand the theory and application in public sector contexts of organizational structure, purpose, and rules; political purpose and institutional arrangements;

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risk identification and management; operational planning; and interdependencies and connections between policy and service delivery, and between policies and programs.

- **Designing Public Policies and Programs**—brings evidence-based analysis to public issues in a context which takes account of the authorizing environment, ideological and political preferences and perspectives, existing policy commitments, and international best practice. Public managers need to understand frameworks for successful problem solving, policy context, institutions and processes surrounding policy advice, various frameworks for explaining the rationale and role of government in policy development, intervention logic, and public management initiatives and strategies for linking outputs to outcomes.
- **Government in a Market Economy**—is a compulsory subject because a more outward-looking public sector culture calls for a robust understanding of what is valuable individually and collectively, and how the workings of markets, governments, and other institutions affect the value. This means understanding both how markets work and how they can fail—and balancing this understanding with an appreciation of how government can add value and how governments can fail. In many areas of government activity, market-related disciplines do not apply, increasing the risk that real costs will be opaque or disguised.
- **Decision Making Under Uncertainty**—addresses the requirement that managers in government must become more critical users of information and evidence. To do so, they need to be able to use both qualitative and quantitative information, understand methods and evidence to support decision making in the public sector, and have the capacity to commission research and analysis to accurately use, interpret, and draw inferences from information gathered as evidence to support decision making.
- **Leading Public Sector Change**—focuses upon the daily challenges facing public managers to balance and adjust the often conflicting and contradictory pressures within a rapidly changing environment to deliver the government's agenda. Over the past 30 years, an array of global and domestic pressures has significantly changed the challenges confronting government. Public sector managers now operate in an environment where citizens are better informed and demand more responsive and accountable services—now commonly delivered—once, removed from direct government control.

- **Governing by the Rules**—is concerned essentially with the jurisprudence of government because knowing how the law applies, how to read it, how it works as a system, conditions for reasonable performance in operation, and knowing how to successfully navigate through the complexities of government are all vital skills for any public sector manager. Public managers need to have an applied appreciation of the role of legislation, regulations, and conventions; their importance to good government; and how the authority of the State is appropriately used to deliver government objectives in accord with the underpinnings of the system of government.
- **Work-based Project**—the final compulsory subject is a team-based research project addressing a real-life issue confronting government. Projects typically span jurisdictions, and disciplines, and the work of the teams reflects the fact that many issues in government are now frequently addressed collaboratively and interjurisdictionally rather than individually.

The core curriculum of the EMPA is thus multidisciplinary and application-oriented, and emphasizes technique, experience, judgement, and values—in short, the “trade craft” of government. The curriculum builds on an explicit recognition that a corpus of knowledge, skills, competencies, and values that is essential for effectiveness in the Australian and New Zealand governments, and draws on the students’ real-world roles as managers and policy advisors by providing opportunities to integrate theory and practice.

Connecting Themes. Several connecting themes shape the development and delivery of the core curriculum. These consistently aim to enhance students’ ability to:

- work with ambiguity and changing objectives;
- sort out real problems from symptoms and learn how to manage people to solve real problems more quickly;
- understand the roles and influences of structure, organizations, leadership, human nature, values, and bounded rationality;
- apply theories and learnings from a range of disciplines to real-life problems;
- identify and manage risk; and
- understand the distinctive and evolving characteristics of Westminster-style systems of government.

Program Delivery

EMPA core and elective subjects are taught in locations across Australia and New Zealand. Delivering Public Value, which starts the program, and Leading Public Sector Change are currently delivered in residential intensive mode over 5 days to the entire cohort of about 125 students. Governing by the Rules and Designing Public Policies and Programs are also delivered in residential mode over 5 days to cohorts of about 60 and 40, respectively. Decision Making Under Uncertainty and Government in a Market Economy are taught in each jurisdiction over 5 days in blocks of 1–2 days over a period of 3 months. The Work-Based Project, which ends the course, brings the full cohort of about 125 students together for 2 days.

Students

The EMPA is targeted at public servants in the governments of Australia, New Zealand, Queensland, New South Wales, and Victoria who:

- are part of the successor pool for public sector executives (in current terms, roughly Executive Levels 1 and 2 in the Australian public service; grades 11 and 12 in the New South Wales public service; levels 5 and 6 in the Victoria public service; L6 and SO2 in the Queensland public service; and third- and fourth-tier managers in the New Zealand public service);
- have clearly and consistently demonstrated above-average performance;
- have the potential to move to senior executive positions in the short to medium term (currently defined as 3–4 years);
- have the intellectual capacity to complete a high-level master's degree;
- have the ability to contribute to class learning and to learn from others; and
- have a strong personal commitment and motivation to pursue their own career development, including a career in the public service.

Currently, ANZSOG's participating governments have committed to sending an agreed number of students each year. Within governments, departments are usually advised of the number of nominations they are expected to put forward to the central personnel agency within their jurisdiction. Accordingly, agencies set in train annual selection processes to determine who will be given the opportunity of studying in the EMPA. Selection to the program usually involves four steps. The first involves selection

by individual departments and agencies, which then forward their recommendations to a central coordinating agency. The second step occurs when the central coordinating agency in each jurisdiction finalizes the nominations and forwards them to ANZSOG. The third step involves consideration of the applications against the entry requirements of the degree program by a selection committee comprising the academic director of the EMPA and another member of the ANZSOG faculty. The final step in the selection process is taken by the universities when they enroll the EMPA students. The composition of the third student intake into the EMPA is set out in the table below.

Executive Master of Public Administration Intake, 2005

Government	No. of Students	Average Public Service Work Experience (Years)	No Undergrad. Degree (%)	Bachelor's Degree (%)	Higher Degree (%)	Male (%)	Female (%)
New Zealand	18	16	15	30	55	60	40
Commonwealth	29	15.5	24	42	34	48	52
NSW	31	17.5	10	60	30	50	50
Queensland	9	17.6	0	70	30	50	50
Victoria	36	11	5	60	35	40	60

NSW = New South Wales

Source: *Review of EMPA Program* (2000).

Teaching in the EMPA Program

The EMPA program endeavors to attract and engage the very best available teaching resources from Australian and New Zealand universities. In the main, ANZSOG faculty are drawn from the partner universities and business schools.

Teaching Philosophy

The teaching philosophy in the EMPA program has a number of distinctive features. These include:

- a primary focus on the public sector and specifically the management-policy intersection;
- an emphasis on interactive learning and in particular the use of case studies, most of which have been developed by ANZSOG's own Case Study Program;

- the inter-jurisdictional nature of much of the learning process, and especially the use of teams or groups to undertake learning and assessment tasks;
- the use of expert guest presenters from government and elsewhere; and
- continuous improvement through the completion of subject evaluations by students and regular feedback from key stakeholders.

Role of Case Teaching

With the creation of ANZSOG came a conscious decision to avoid the traditional didactic (or “chalk and talk”) approach to postgraduate teaching. Instead, a far more interactive approach, in which students assume greater responsibility for their learning, was adopted. At the forefront of this approach is the use of case studies, potentially involving all participants in class discussion, challenging students to reflect on judgments and opinions, and enabling them to experience the dilemmas that a real manager is likely to face.

The educational rationale of the case method is firmly located within the problem-based learning paradigm. Case studies, which involve real-life situations that have confronted public sector managers, are considered a powerful means of exploring how key theories and concepts imparted by the course may inform problem solving and decision making. Learning with cases enables students “to take on the roles and responsibilities of specific people in specific organisations...to become deeply involved in decisions actually faced by real people in real organisations; to take ownership, to feel pressure, to recognize the risks, and to expose your ideas to others” (Mauffette-Leenders et al. 2001, p. 3). Through case studies, students can place concepts in context and gain an appreciation of their significance and relevance to differing circumstances. As Mauffette-Leenders et al. observe, cases give students “a chance to practice the art as well as the science of management in a laboratory setting, with little corporate and personal risk involved” (2001, p. 4).

Case studies are extensively used in the EMPA program. Preparation for a class involving case discussion will typically require that students read and reread the case circulated in advance of the class and consider a small number of key questions in groups of four to six students before the class meets. This preparation enables each student to contribute to discussion in class and to maximize their learning from the case study.

The ANZSOG Case Study Program

The ANZSOG Case Study Program developed nearly every case study used in the EMPA program. This program, which has been developed in

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ANZSOG to enhance and extend the teaching options for ANZSOG courses, offers high-quality, topical case studies for public sector management development, with a focus on current events and issues in Australia, New Zealand, Commonwealth countries, and Pacific and Southeast Asian countries.

With dedicated case writers in both Australia and New Zealand, the ANZSOG Case Study Program has in a very short time built a collection of some over 70 cases covering real-life episodes in Australia, New Zealand, and elsewhere. While this in-house development of teaching material is not unique—the Harvard Business School has a similar program—it is a highly distinctive aspect of the EMPA program that sets it apart from other master's programs in public management and public policy in Australia and New Zealand.

Group-based Learning and Assessment

Another distinctive feature of the EMPA teaching philosophy is group-based learning and assessment. Each core subject in the program usually has at least one piece, and often two pieces, of assessment prepared by cross-jurisdictional teams of four to six students. The justification for this arrangement is that it places students in a fairly accurate approximation of the real world—where the achievement of goals frequently depends on the successful navigation of complex working relationships with others. Research consistently indicates that the ability to collaborate creatively, write, and manage tasks and projects is becoming increasingly important in the business environment (Pfaff and Huddleston 2003). The academic literature also reports that collaborative learning has the potential to increase individual achievement more than individual or competitive learning. This is so, it is argued, because collaborative learning requires persistence when facing adversity, willingness to perform difficult tasks, ability to translate knowledge from one task to another, greater social skills, and intrinsic motivation (Johnson, Johnson, and Smith 1998).

Subject Evaluations

At the end of each core EMPA subject, students complete a comprehensive evaluation covering all aspects of the curriculum, teaching (including teaching materials), workload, teaching facilities, meals, accommodation (if appropriate), and other support services. The purpose of these evaluations is twofold. The first is to gain an overall assessment of the subject, in terms of both its academic content and its management—in other words, to gain an impression of how a subject is “traveling.” The other purpose of the evaluations is to gain a more specific understanding of how the student cohort perceives each element of the subject. To this end, every session and every presenter the students evaluate.

Subject evaluations, once collated and “crunched,” are made available to the dean, the academic director of the EMPA, and the subject leader. The key findings from these evaluations play a critical role in the debriefing process that follows each subject’s delivery. The feedback from the evaluations also plays an essential part in the final shape and delivery of a subject in its next iteration. Summaries of subject evaluations are made available to the school’s EMPA committee and the ANZSOG board.

Problem-based Learning

The teaching philosophy that the EMPA program has adopted—characterized by the use of case studies, a high level of interaction, and student-based learning in groups—has much in common with the concept of problem-based learning (PBL) popularized in US medical schools some 30–40 years ago. According to Vernon and Blake (1993, p. 600), PBL is more than a simple teaching method. It is “a complex mixture of a general teaching philosophy, learning objectives and goals, and faculty attitudes and values.”

The Process of Problem-based Learning

Reflecting on the process of PBL within the paradigm of medical pedagogy, Schmidt (1983) reports that it might typically start with a description of a clinical situation where a patient sees a doctor with an undiagnosed complaint. The PBL process might then proceed as follows:

- Step 1: Clarify terms and concepts not readily comprehensible.
 - Step 2: Define the problem.
 - Step 3: Analyze the problem.
 - Step 4: Draw a systematic inventory of the explanation inferred from step 3.
 - Step 5: Formulate learning objectives.
 - Step 6: Collect additional information outside the group.
 - Step 7: Synthesize and test the newly acquired information.
- (1983, p. 13)

Writing about the application of PBL to nonmedical teaching, Hadgraft (2000, p. 3) argues that problem-based learning has the following key elements:

- a *problem* as the focus of learning;
- *integration* of many concepts and skills required in the resolution of the problem;

- *teamwork* (which can make the process easier or sometimes harder);
- a *problem-solving process*; and
- a commitment to *self-learning*.

PBL, thus contrasts starkly with the conventional didactic approach, in which students are instructed by teachers whose primary role is to impart knowledge, and in which assessment tasks are completed individually.

The Benefits of Problem-based Learning

Schmidt (1993, p. 428) reports that PBL has the following cognitive effects on student learning:

- Activation of prior knowledge. The initial analysis of a problem stimulates the retrieval of knowledge acquired earlier.
- Elaboration of prior knowledge through small-group discussion, both before or after new knowledge has been acquired; active processing of new information.
- Restructuring of knowledge to fit the problem presented; construction of an appropriate semantic network.
- Learning in context. The problem serves as a scaffold for storing cues that may support the retrieval of relevant knowledge when needed for similar problems.
- Emergence of epistemic curiosity, since students see the problems presented as relevant and engage in open-ended discussion.

Norman and Schmidt (1992) report that students in PBL curricula are likely to be more highly motivated, better problem-solvers, and self-directed learners, better able to learn and recall information, and better able to integrate basic science knowledge into the solutions of clinical problems. Vernon and Blake (1993) confirm these claims, reporting that:

- Student attitudes, class attendance, and student moods were generally more positive for PBL than for traditional courses or curricula.
- Faculty who participated in both PBL and more traditional teaching were relatively positive about PBL.
- There was more self-directed learning in PBL programs.
- PBL students placed greater emphasis on understanding and correspondingly less emphasis on memorizing.

Vernon and Blake thus conclude that “students in PBL programs place more emphasis on “meaning” (understanding) than on “reproducing” (rote learning and memorization)” (1993, p. 556). This is generally consistent with Hadgraft’s view that by placing students in a situation similar to that in which graduates would find themselves on entering the workforce, PBL trains students “to be problem solvers and lifelong learners” (2000, p. 3).

The claims made in relation to PBL are very similar to those made for the case-learning process. Mauffette et al. refer to “an inventory of skills” being developed by the case method of learning. These include analytical skills, decision-making skills, application skills, oral communication skills, time management skills, interpersonal or social skills, creative skills, and written communication skills (2001, pp. 5–6). This “inventory of skills” resonates with Hadgraft’s conclusions that PBL draws on students’ ability to undertake group work, meeting skills, time management skills, information retrieval skills, and communication skills (2000).

Review of EMPA Program

When the first cohort of students completed their studies in 2005, ANZSOG initiated the first review of the EMPA program. The school determined that the review should focus on the curriculum, teaching methods, and structure of the program within the framework of the course adopted when the school was established. The purpose of the review was to evaluate the overall effectiveness of the program for agencies and individual participants. The review thus sought feedback from students, line managers, chief executives, and other senior staff within sponsoring agencies; partner universities; teaching faculty; and presenters.

Student Feedback

Data collected as part of the review process strongly endorsed the teaching philosophy underpinning the EMPA program. Specifically, student feedback (compiled from completed questionnaires) confirmed that the program had:

- increased students’ knowledge of public management and public policy;
- increased students’ skills and competencies;
- assisted in shaping strategic thinking;
- increased students’ ability to communicate with influence;
- helped students in developing productive relationships;
- been relevant to the workplace; and
- had a positive impact on sponsoring agencies.

Data collected from the students' questionnaires also confirmed that EMPA learning had been both applied and shared in the workplace. Students reported that behavioral changes as a result of participation in the EMPA had had a noticeable impact on individual and team performance in the workplace. Indeed, 44% of students participating in the review had received a promotion since starting the program, and an overwhelming proportion of respondents thought that the program would enhance their career progression. All students responding to the review believed that the program had provided many opportunities for cross-jurisdiction and cross-agency networking, and that they would continue to use and develop the networks established through the course.

Student feedback was especially illuminating in relation to the use of case studies and group work. Case studies were strongly supported as an effective teaching strategy and syndicate groups were also strongly endorsed for both learning and networking. Written comments indicated that students saw case studies as providing valuable insights into real issues faced by organizations, and enabling students to see how the principles and concepts underpinning their studies were applied in the "real world."

Manager Feedback

As part of the review of the EMPA program, detailed questionnaires were also sent to managers of students, asking for feedback on their experience in the program. The feedback was extremely positive. An overwhelming proportion of responses to the review reported that:

- Participants had a highly favorable opinion of the program.
- Managers were aware of students sharing what they had learned from the program (e.g., through discussion in seminars and meetings) with other staff in their agency.
- The program had a positive impact on the participants' capability and performance in the areas of strategic thinking, communicating with influence, development of productive working relationships, achievement of results, and personal drive and integrity.
- The program was of value to the agency in delivering government priorities.
- Participants had extended their networks through the program.
- The program had enhanced participants' leadership capabilities and potential.
- Managers would recommend the EMPA program to others.

Written comments from managers confirmed that they saw the program as one that broadens the experiences, skills, and knowledge base of students, who gain a much wider appreciation of the broader environment as a result of their participation in the program. Managers reported that students became more highly skilled and confident with better networks, as well as demonstrated enhanced breadth and depth of policy and management skills.

As the EMPA program only commenced in 2003, it is not possible at this early stage to reach any definitive conclusions in relation to the program and its teaching philosophy. Such conclusions would need to wait until a more thorough and authoritative assessment of the program is possible. So while any conclusions drawn from data generated by the EMPA review must necessarily be regarded as being preliminary, it is nonetheless gratifying to observe how much of the data appeared to affirm the school's basic philosophy and approach.

Conclusion

The ANZSOG EMPA program was developed with the objective of building capability to meet the emerging challenges confronting governments in Australia and New Zealand. In its design and delivery, the EMPA program sought to provide a learning experience that would be comparable in quality with that provided at the foremost schools of public policy and public administration around the world.

At the core of the EMPA program is a strong and uncompromising emphasis on teaching quality. The key features of this approach can be seen in the cross-disciplinary curriculum and learning activities, multiple delivery modes, the extensive use of group or team-based learning and assessment, in-house development of teaching material, rigorous evaluations conducted at the end of each subject, and, perhaps most particularly, the highly interactive (as opposed to passive) teaching style linked to the use of case studies throughout the program. Individually, each of these factors might set the ANZSOG EMPA program apart from most, if not all, comparable courses in public administration in both Australia and New Zealand. Collectively, they make the EMPA program unique. However, it is the innovation of implementing the principles of problem-based learning through the use of case studies and group-based learning and assessment activities that has arguably had the greatest impact to date and points to the emergence of a new paradigm for teaching public administration.

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The Problem-based Learning Approach: Issues and Concerns

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Introduction

How can we get students to think is a question that many teachers of instruction repeatedly ask. Teaching public administration and public policy, which involves a myriad of issues and concerns, necessitates a very effective instructional method that challenges students “to learn how to learn.” Many teachers, as is common in the academe, favor the content-coverage paradigm—instructing primarily through lecture-discussion. Such a teaching tradition has limitations in typical classrooms with their conventional study chairs, often with fixed seating arrangements, where small-group study areas are rare. This simply indicates that, too often in the academe, there is a preference for reflecting on theory rather than doing small experiments. Thus, the incremental body of knowledge about how students learn must be reengineered to create a shift from the traditional lecture-discussion method to a more sensitive and responsive method that will enable students achieve higher levels of comprehension. There is a need to move from traditional course-based discipline, with a passive recipient of knowledge, to active learning. Teaching ought not to be seen as a set of learned skills but rather as the application of particular knowledge, skills, and dispositions through a problem-solving approach. This makes learning more relevant to the real world, promotes critical thinking, and encourages self-directed learning. This paper, therefore, aims to put across a far-reaching teaching approach anchored on problem-based learning as practiced in the Graduate School of Capitol University, Cagayan de Oro City, Philippines.

The Main Issue

This paper demonstrates one very specific issue that faces both professors and students in public administration and policy. It derives from the fact that what is provided in the law regarding public administration and public policy in many cases does not match actual practice. The process often contradicts the policy. And the students are understandably confused. While students are exposed to a working knowledge of political theories, their learning experience

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would be enriched if it were three-dimensional: personal, pedagogical, and interactional. This trilogy explains how the learner gets into a kind of confusion as he approaches the issue/problem. The tri-dimensional approach will show how the personal point of view of the learner as well as his previous learning experiences and his interaction with the group will affect the new learning. This approach, which is discussed in the rest of this paper, encompasses the problem-based learning (PBL) method.

Moving toward the Concept

Finkle and Torp (1995) define PBL as a curriculum development and instructional system that simultaneously develops both problem-solving strategies and disciplinary knowledge bases and skills by confronting students with ill-structured problems that mirror those in the real world and to which they must find meaningful solutions. As discussed by Woods (1996), PBL is any learning environment in which the problem drives the learning. That is, before students learn some knowledge they are given a problem. The problem is posed so that the students discover that they need to learn some new knowledge before they can solve the problem. The Public Service Management Program of Capitol University has moved toward this concept through its philosophy, which maintains that learners must become active problem-solvers and problem-posers if they are to function adequately in authentic, real-world settings. The goal is to learn to integrate theory and practice thoughtfully and reflectively. An emphasis on the importance of small-group settings encourages an inquisitive and detailed look at all issues, concepts, and principles surrounding the problem, incorporating the three dimensions of the learning experience, which operate simultaneously and interrelatedly.

The functions of each dimension must be understood for a better appreciation of this approach. The personal stance is anchored on how the individual learner sees himself or herself in relation to the new learning context. According to Savin-Baden (1996), the personal stance encompasses the means by which the learner discovers, defines, and expresses the interplay between what he or she brings to, and takes from, the learning experience. The ways in which people speak about themselves and view their profession, their peers, the facilitator, and the institution are within the conceptual framework of the personal stance. If the learner is a civil service employee, then he or she places himself or herself within the PBL environment in examining how being a public servant interplays with the new learning experience. The way the learner sees himself or herself in relation to the work environment, including peers and the entire system, plays a vital role in dissecting the problem. In most

cases, this stance has to deal with the biggest share of the problem because in most cases the student's experience is in conflict with the policy itself.

The pedagogical stance, as discussed by Barnett (1994), exposes a particular constraint because it is influenced by the students' prior learning experience and learning history. The concept of pedagogical stance acknowledges the relationship between the self and what is being learned. Therefore, the pedagogical stance, for some, encompasses the notion of "reflective knowing," whereby the student not only embraces knowing but also queries it. Since public service management students come from various offices and have varied learning experiences, this is one issue that must be tackled.

The interactional stance, on the other hand, as presented by Barnett (1994), captures the way in which a learner interacts with others in a learning situation. It refers to the relationships between students within the group and between groups of students. Thus, the interactional stance encompasses the way in which students interpret the way they as individuals, and others with whom they learn, construct meaning in relation to one another. This needs to be dealt with carefully in the PBL approach because the students' interpretation of the new learning depends on how they relate to the group.

The Process

PBL entails a process in which the problem drives the learning. The approach applied in Capitol University follows this process:

- The learning content is introduced in the context of complex real-world problems, in contrast with traditional teaching strategies, where the concepts are usually presented in a lecture format. In other words, the problem comes first.
- Students are randomly assigned to small groups.
- Students in the small groups organize their ideas and previous knowledge related to the problems, and attempt to define the broad nature of the problem.
- Throughout the group discussion, students raise questions, called "learning issues," on aspects of the problem that they do not understand.
- The group records these learning issues.
- Students are continually encouraged to define what they know and what they do not know.
- Students rank the learning issues according to order of importance.

- Students discuss what resources will be needed to find out more about the learning issues, and where to find the information.
- Students share research findings with their peers.
- When the groups meet again, the students explore the previous learning issues, integrating their knowledge and connecting new concepts to old ones.
- New issues continue to be defined as students progress through the problem.

It should be noted that before students can gain some knowledge they must first identify the problem. They are expected to ask themselves these questions:

- What do I know about this?
- What is the problem?
- What solutions are possible?
- What criteria will I use to assess the solutions?
- What do we need to know?
- Who will collect which information?
- Where will we find such information?
- How can we gain access to such information?
- What other resources are needed to support the learning process?
- How can I teach my group members about this?
- How do I apply my new knowledge to solve the problem?
- What documentation is needed?
- What similar problems could I solve this way?
- How do I relate this to my work setting?
- How does this problem relate to others in my experience?
- What have I learned that could help me solve other related problems?

The Student's Responsibility

Unlike other public administration or public service management classes that follow the traditional learning style, students in a problem-based setting must assume responsibility for their own learning. They should be able to identify what information they need and what resources they will use to gain that knowledge. The resources include books, journals, online resources, and other experts. Through this process students can design their learning to meet individual needs, because they differ in knowledge, experience, and career aspirations. Allowing students to assume this responsibility, under faculty

guidance, prepares them to become effective and efficient lifelong learners—an absolute essential in a profession where more and more new types of problems and new information continuously surface. Capitol University encourages students to organize symposiums, forums, and congresses, with the students themselves facilitating the programs, inviting experts, and also acting as paper discussants on issues related to an identified problem. Sometimes they go out of the campus to visit organizations and industries to observe real-world complexities firsthand. They also conduct in-depth interviews with government officials and employees, as well as their constituencies. After the students share and evaluate the information they have gathered from the various learning sources, they decide if they need further information. If so, the research continues. If not, the students form a recommendation. PBL sessions also involve students critiquing the performance of other group members and commenting on their own efforts. At the end of each activity, the professor gives feedback to each group before the class can proceed to the next activity. What the students have learned must be applied to the problem, which is analyzed again and then resolved. A closing analysis of the learning and a discussion of the concepts and principles learned are essential. This means that before completing their work on a problem the students should reflect on what they have learned and determine if anything is missing in their overall understanding of the problem. Assessing themselves and their peers at the end of the process allows them to reflect on how their new learning relates to prior problems and prepares them for future problems, besides providing colleagues with feedback. Such an assessment is an important skill in life and in their careers.

As PBL revolves on a problem in focus, students learn to become proficient in problem analysis, hypothesis generation, and the generation of learning issues that warrant further exploration.

The Teacher's Responsibility

The faculty is the central variable in the effective implementation of PBL. Instead of lecturing and transferring information to students, he or she becomes both learning manager and coach.

The teacher selects appropriate problem situations. The selection is critical. The teacher must also ensure that appropriate physical resources, including library or electronic sources, are available. Because PBL represents a paradigm shift in learning new skills, the teacher must move from being the “sage on the stage” to serving as a “guide by the side.” As a learning coach, the teacher observes the students, strengthens poor performance, and encourages appropriate performance.

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Generally the role of the professor comprises the following:

- Facilitating groups
- Preparing the structure of the course
- Preparing the problem
- Giving guidance
- Giving assessments
- Challenging students
- Preparing for the process (including the time and space requirements)
- Supervising the classroom
- Acting as resource person
- Identifying dysfunctional groups
- Promoting good group dynamics
- Evaluating students
- Giving feedback
- Redirecting the work
- Initiating discussions

Expertise in facilitating learning is vital. The teacher must assist collaborative learning, and assess and encourage students through their problem-solving difficulties. In some instances, as is done in Capitol University, the teacher can invite outside experts to provide supplementary knowledge. In no case should the teacher dominate the learning process.

Finally, the teacher helps the students generalize their learning. As students talk about what they have learned while dealing with the problem situation, the teacher helps them understand how that same knowledge and skill has broader applications.

Conclusion

Applying PBL in the public service management or public administration program is like entering into a new learning community. PBL generates a deeper understanding of the issues, and whatever learning is gained can be applied to the problem with reanalysis and resolution. More importantly, the process teaches new problem-solving skills that can be applied more generally in the students' lives and work setting.

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Teaching Problem-based Data Analysis to Public Administration Students: A Reinforcement of Statistics and Research Methods in the MPA Program

Ester L. Raagas¹

Introduction

Unless the students in our Master of Public Administration (MPA) program are empowered, their potential for research in policy development, public management, governance, citizens' participation, delivery of basic services, program evaluation, and the like will remain undeveloped. Our MPA curriculum provides instruction in the use of quantitative techniques of analysis in policy and program formulation, implementation, and evaluation, in decision making, and in problem solving. Most of these areas require the collection and analysis of quantitative data. These requirements are being addressed by such MPA offerings as the courses in statistics and research methods for public administration. However, even after these two foundation courses and the major public administration offerings, MPA students still lack preparedness to undertake research.

For decades our tools and methods for teaching statistics and research in the MPA program were coherent and potent, but they could be hard for beginners to grasp, and difficult for nonexperts to use effectively. In my own university, for example, the statistics course is taught as a first course in graduate-level statistics, usually more than a few years removed from any statistics course taken, if at all, at the undergraduate level.

Courses in statistics and research methods for public administration are generally more of the lecture type, focusing on the important practical implications and interesting applications of these two courses, and ensuring that students are exposed to the tools essential for research in public administration. However, fear of research due to inadequacies in statistics persists among MPA students, especially those working on their thesis requirement. These are all evident to me from my years of work as a statistics consultant and now coordinator of our public administration program. Most

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MPA students have forgotten all but a few catchphrases from their research and statistics courses within a year or two of course completion.

What needs to be done? In my meetings with other research and statistics professors, we all agreed on the merits of the lecture method in familiarizing MPA students with the basic concepts of statistics and research. These are not enough, though. We need to offer a course that would reinforce the current statistics and research offerings of the MPA program and that would allow students to “put it all together,” as Hill (2003) pointed out.

This paper therefore describes a problem-based data analysis course for the MPA program that would reinforce students’ understanding of research and statistics in public administration. This course gives students practical experience by focusing on actual public administration studies and data analysis.

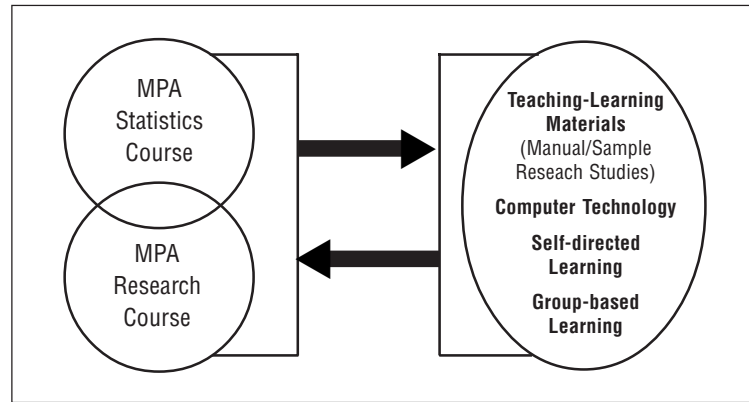
A Problem-based Data Analysis Course

Overview of the Course

This course is primarily anchored in problem-based learning (PBL). A PBL course starts with research studies in public administration rather than with the exposition of knowledge related to the discipline. These studies move students toward the acquisition of knowledge and skills through a staged sequence of problems in context, together with the associated learning materials and support from the faculty (Boud and Feletti 1991). These studies drive the process of learning; hence, the starting point of teaching problem-based data analysis is a real research study in an area of public administration that students wish to learn more about. The PBL approach is expected to develop among students a set of competencies such as adapting to and participating in change, dealing with problems, making reasoned decisions in unfamiliar situations, and reasoning critically and creatively. MPA students can also develop more their critical thinking, teamwork, time management, information gathering, and even communication skills over and above their computing skills (Hollingshed 2004). All these are vital in undertaking research in public administration, not only for one country but also considering global perspectives. These aspects of the PBL approach as applied to the problem-based data analysis course in the MPA program are summarized in Figure 1.

In many ways, PBL can be considered as an implementation of the constructivist model of learning. PBL marks a change in the understanding of the learning process, from a transfer of information from teachers to students to social interaction and individual construction of knowledge. According to

Figure 1: The Problem-based Data Analysis Course as Reinforcement of Statistics and Research Methods in the MPA Program



this model, people construct knowledge by making sense in terms of what they already know. Constructivism, on the other hand, holds that people can understand only what they have constructed themselves (Leidner and Jarvenpaa 1995). Learning is an active process where learners develop their own mental models. In fact, in PBL, the students' own questions, experience, formulations, and conceptions of problems serve as the basis for learning. Furthermore, PBL makes the group another important resource for the learning process, extending constructivism to include social interaction and collaboration among the students in a group.

The success of the problem-based data analysis course depends greatly on the accompanying teaching materials, computer technology, and the educator's capability. We created in-house materials to fit the course design in tandem with the studies conducted on policy implementation. Teaching materials, such as the *Operation Manual for Data Analysis*, were prepared by the professors who teach the course. The manual combines in one place exposure to a research problem on public administration, the research instruments, instructions for encoding responses, computer commands, approaches to analyzing the data sets according to the research problem, and interpretation of results. Thus, in the problem-based data analysis course, most of the time and efforts of the faculty are spent before the course, developing the teaching materials such as the sample research studies and the major reference material that will guide both the MPA students and the faculty in achieving the objectives of the course.

Development of Cases and Course Materials

In preparing this course, I opted to use public administration research studies that I had supervised as MPA program coordinator. So I had easy access to the original data and insights into the investigators' reasons for doing the studies and the problems they had while preparing and doing the studies. Another consideration in the choice of the studies was their timeliness and relevance to public administration in the Philippine setting. These research studies were also rated above average in overall quality by the panel of examiners in our MPA program, adding credibility and importance to these studies in the eyes of the public administration students.

The major reference material, in the form of a manual, blends a sample study in public administration and the use of spreadsheets for common statistical computations. A problem-based data analysis course when based on spreadsheets becomes more accessible to different types of students and deepens students' understanding of the statistical tools needed for research in public administration.

The manual introduces the sample study (its framework, the problems to be answered, the instruments used in the gathering of data, and the like) and gives in great detail the steps involved in data analysis and statistical computation, the requisite mouse clicks, and computer keystrokes.

Spreadsheets and Statistics in Data Analysis

This course also relies heavily on computer technology, including the use of the online databases of the university and spreadsheet manipulation. The spreadsheet itself is a laboratory, one that presents the stages of a calculation, showing much detail. If the calculation is incorrect, the spreadsheet gives clues as to what is wrong. This feature makes a spreadsheet a vehicle for interactive learning.

One benefit of a spreadsheet is that it automates calculation. A spreadsheet provides easy access to descriptive statistics and common statistical tests. For example, after just a few clicks of the mouse and the use of the Excel "add in" feature, the statistics are all ready. Instead of spending much time on statistical computations, the students can now focus on the research itself and grapple with the implications of the statistics for public administration and governance.

Students would then also be eager to sharpen their spreadsheet skills for their theses and other courses, as well as in their research activities in their respective offices. Using spreadsheets for statistical computations speeds them up considerably and thus removes a major barrier to research. And with success in spreadsheet use come positive reinforcement, self-confidence, enthusiasm, and the ability to apply the new skills and knowledge in novel ways.

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Organization of the Course

The practical implementation of PBL does, of course, vary. The model adopted for the data analysis course is a combination of “self-directed learning” and “base group” sessions, where the students work in groups of five to seven to complete the course. As students pursue solutions to their assigned research studies, each one tends to assume more responsibility for his or her own learning.

Before each student or group of students starts to work on the required tasks, the faculty gives a lecture or its equivalent to set the borders of the session and to make sure the students do not lose their way in the research study. The lecture, plus a demonstration of spreadsheet manipulation and unobtrusive facilitation, is to guarantee that the students cover the relevant material for the course.

The problem-based data analysis course follows the prescribed 48 class hours in a semester. It is divided into 16 3-hour sessions. More than half of the time, the students are left to themselves; however, the faculty and students do meet for seven sessions, distributed as follows:

- Orientation on the course and introduction to public administration research studies to familiarize the students with the objectives and background of the research study and other pertinent information (1 session).
- Demonstration of data encoding on spreadsheets and generation of descriptive statistics and test statistics (2 sessions).
- Evaluation of students (1 session midway through the term and another at the end of the semester).
- Demonstration of presentation of research outputs using PowerPoint, hyperlinks, and online databases to bring out research insights and implications (1 session).
- Student presentation of research outputs and critique of presentations (1 session).

The first discussion is aimed at understanding the research study. Students are led to recognize how the research questions, the kind of data gathered, and the research design influence the selection of statistical methods. The assumptions underlying various statistical methods and ways of testing these assumptions are reviewed and considered. The faculty also demonstrates spreadsheet manipulation for statistical computations, complete with the requisite mouse clicks and keystrokes on the computer.

The students use the remaining nine sessions to analyze the research study assigned to them. They have the option to do the task initially by themselves and then in groups so that they can meet the deadlines. If they have short questions, they can send these by e-mail or text messages to the faculty.

Experience with the Course

Evaluation

This course has been presented for six semesters in our MPA program, with class size varying from 10 to 14 students. All the students had taken the required courses in statistics and research methods before this course. Almost all had very minimal knowledge of how to navigate spreadsheets, and average familiarity with the internet and word processing.

The MPA students enrolled in our university work full time in government agencies and local government units, and, like other professionals working toward a graduate degree, have considerable personal and professional constraints on their time spent in school. With the problem-based approach to teaching data analysis, students have time options for their learning experience. They can even work at home, since the computer technology requirement is very minimal.

The results of a brief evaluation of the course are shown in the table. There is a general trend in the students' appreciation of the course, particularly in the integration of statistics, research, and computer technology. However, the results indicate difficulty in achieving better time management. This is very evident among the students who found it difficult to use the online databases of the university. This activity needs time to sift through the materials. The statistical computations, however, posed no problem because most of the students have personal computers at home or laptop computers.

After the course, most of the students consulted me concerning the analysis of data for their theses. They displayed less statistics-anxiety than other students who had not taken the course. When consulting me, these other students would begin with "Ma'am, I am very poor in statistics; do you think I can finish the thesis requirement?" or, worse, "Is there anybody you can recommend who will analyze my data for a fee?"

Those who had taken the course in problem-based data analysis, on the other hand, tended to focus more on the research itself and to seek confirmation that the statistical tools they were using were the most appropriate. This is a big improvement on the very extensive and time-consuming research and

Results of Evaluation of the Problem-based Data Analysis Course

(No. of Respondents = 34)

Scope of Evaluation	Comments
1. Objectives of the course	97% of the respondents indicated that the objectives of the course were achieved.
2. Manual	<ul style="list-style-type: none"> • “very useful; empowers us to analyze our data” • “provides basic steps in a way that even neophytes can quickly learn computer applications, especially spreadsheet operations” • “simple and direct instructions; user-friendly” • “very useful but not perfect; statistical interpretations of test results should be included” • “tailored to ‘computer illiterates’ (thanks to the authors!)”
3. Research study assigned	<ul style="list-style-type: none"> • “the research study was a learning experience—the research process, content, statistical results, and insights were very interesting and revealing; the study enabled us to be open-minded about the results and, hence, minimized biases” • “gave us insights into the government’s policies for merit promotion” • “I learned a lot, especially how to organize the data” • “I learned a lot from the research study; it gave me a feel for how to go about thesis writing, especially how to analyze data” • “I had difficulty looking for a theoretical framework and insights, and using the online databases”
4. Statistics and research	<ul style="list-style-type: none"> • “we are now trained to handle and interpret the data gathered” • “statistical computations and data analyses are no longer intimidating” • “complemented and integrated concepts in statistics and research” • “I can now relate my learning in statistics to research” • “I learned more about the basic concepts of research and the use of statistics in research” • “I learned how to do research reinforced by online databases” • “for ‘non-math’ minds, statistics became doable; I learned how to conduct research that leads to sound and valid findings” • “I learned a lot, but I had limited time to establish the theoretical framework” • “strengthened my statistical capability; results could be checked easily” • “my first time to access research journals online”

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statistics consultations I used to have before the offering of the data analysis course. I guess this is where the course has helped us most in the MPA program. Besides promoting MPA students' capability for self-directed learning, the course greatly improves students' preparedness to undertake research in public policy and governance. There is also better appreciation of the usefulness of computer technology in research activities.

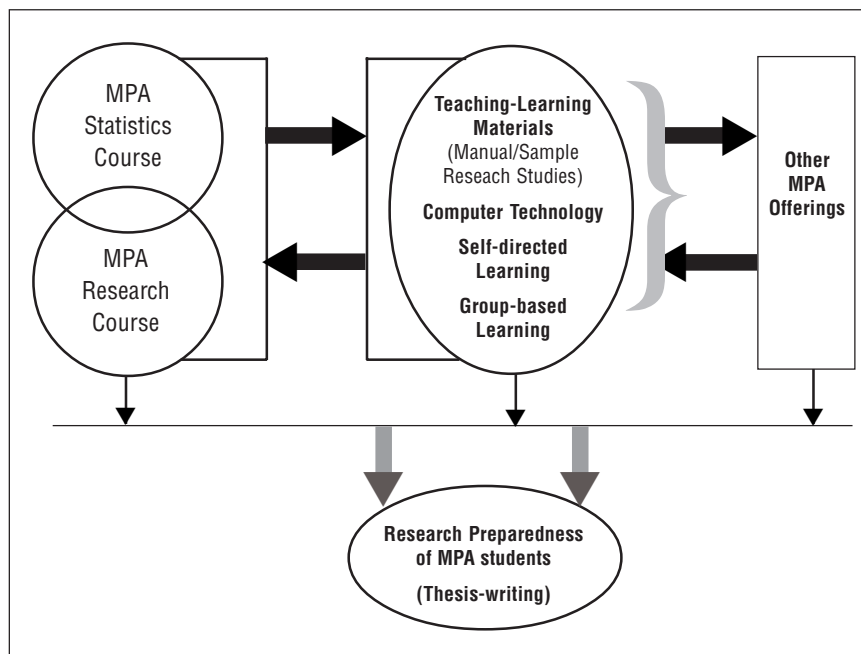
Challenges

The problem-based data analysis course was not without its challenges. Most of the students needed more than the prescribed time to take complete responsibility for investigating all the learning issues related to their research studies—particularly public administration theories; computer manipulation for the required statistics, graphs, and tables; and use of the university's online databases.

The faculty also spent time answering short queries sent by the students through e-mail or text messages. Otherwise, the faculty met the students a group at a time to provide essential supplementary information without encouraging passive student behavior.

Summary and Conclusion

Our experience suggests that the use of well-prepared teaching materials and actual studies in public administration in conjunction with common statistical software helps overcome the traditional barriers to the teaching and learning of statistics and research methods in public administration. Problem-based data analysis appears to permit a more thoughtful and detailed examination of the concepts taught in the courses in statistics and research methods, making MPA students better prepared to do research in public administration (see Figure 2) and management in general, and in their respective agencies in particular.

Figure 2: Major Objective of Problem-based Data Analysis Course

MPA = Master in Public Administration

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Assessment Center Simulation as Problem-based Learning Tool for the MPA Program: A Field Study in Taipei, China

Irving Yi-Feng Huang¹

Introduction

Public personnel administration involves topics and issues that public managers, employees, and personnel managers should be familiar with. The main academic subjects in this field usually give the basic historical and institutional context of personnel administration, recruitment, human resources selection, compensation, training and development, and appraisal. Classes in this field not only present learners with concepts related to human resources management in public agencies but also encourage learners to prepare for the required competencies.

Problem-based learning (PBL) is literally *the problem comes first* (Boud 1985, Boud and Feletti 1991, and Woods 1985, as cited in White 1996). PBL involves several areas of concern. Unlike the traditional lecture method, in which only the instructor presents and discusses information (Savin-Badin 2000, as cited in Samford University n.d.), PBL makes the instructor a facilitator of group process and learning.

Introducing the context of complex real-world problems is the most essential component of PBL. The instructor provides the students written information to study before class. With this information and the lecture given in class, students must come to grips with a problem and decide what to do about it. To solve problems, students must identify what they know and what they do not know, and must learn by working either individually or in small groups. PBL does not look for students to give simple answers to those problems. Students should try to go in depth and may pursue knowledge from other resources instead of the textbook and discuss the problem in group meetings (Savin-Badin 2000, as cited in Samford University n.d.).

PBL gives students opportunities to focus on identifying learning issues applicable to the resolution of problems during the learning process. Laying emphasis on critical thinking skills, understanding, and the ability to learn how to learn and work cooperatively with others, the PBL approach, if applied

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successfully, can energize learners and catalyze institutional reform in education (Samford University n.d.).

The distinction between PBL and other forms of learning is often unclear because they share common features (White 1996). The difference between case-based and problem-based learning is particularly difficult to ascertain. For the case-based format, the students are provided with written case histories before the lecture and an in-class discussion about content and concepts follows. PBL focuses more on problems than cases, and more on what students do, rather than what the faculty does (MacDonald and Issacs 2001, as cited in Samford University n.d.).

The Assessment Center has been adopted in human resources selection and development in both public and private organizations. Assessment Center simulation is broadly applied because of its reliability and validity. In its earlier stage, the Assessment Center focused on the purpose of selection. Recently, the Developmental Assessment Center (DAC), which provides assistance in individual career development, was established as the contemporary trend of the Assessment Center. After job analysis, the establishment of a competency model, and the collection of critical incidents related to the target position, simulated exercises are designed and these serve as the assessment tools. During some exercises, assessors observe trainees' behavior and performance, and prepare the reports on the results after a meeting among the assessors. Multiple exercises give opportunities for trainees to demonstrate the range of their abilities by experiencing a variety of simulated exercises, which represent various managerial issues that managers may face in the workplace. Thus, the exercise gives trainees opportunities for PBL.

This research is on the application of the in-basket exercise, Leaderless Group Discussion (LGD), and written-analysis exercise—the simulation exercises commonly used in the Assessment Center—as instructional instruments in the Public Personnel Management course. The field study was conducted among students currently enrolled in Master in Public Administration (MPA) programs in Taipei, China to probe into the effects of applying these simulation exercises in the MPA programs. This article provides recommendations based on the results of the field study, to introduce Assessment Center simulation as a part of integrated instructional methods to make learning more effective and to improve the problem-solving abilities of public managers.

Literature Review

Popularly applied in Western countries, the Assessment Center is a set of measurement instruments. The idea of the Assessment Center is to apply several

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measurement tools to assess candidates' knowledge, skills, and abilities. The dimension for the assessment is set according to the goal of the human resources selection. During the assessment, candidates have opportunities to display their knowledge, skills, and abilities by making decisions in the simulated situations. Trained assessors observe the assessment process. They observe candidates' behaviors and determine candidates' grades during the meeting of assessors. They then decide the suitability of the candidates for the target positions (Huang 2004).

The Assessment Center is designed according to the job analysis, which determines the core competencies needed for certain jobs. The assessment assumes that only candidates with certain capacities can accomplish organizational goals and missions effectively. Thus, these core competencies are adopted in the assessment design and dimension. This kind of human resources method has the following advantages: (i) the content of the assessment is compatible with the real task of the target position, ensuring a valid assessment; and (ii) the core competencies are the dimension for the recruitment, ensuring that the recruited staff bring their knowledge and skills into full play effectively in their work. The most frequent assessment tools are the in-basket exercise, written-analysis exercise, LGD, interview, and oral presentation (More and Unsinger 1987).

The in-basket exercise is the most popular assessment tool in the Assessment Center. It measures the candidates' ability to solve problems, make decisions, and develop ideas. A complete in-basket exercise has three parts: scenario introduction, the exercise proper, and relevant resources and documents. The scenario usually includes a plot, an organizational chart, an employee task list, and mail, e-mail, and other messages and memos such as financial reports, project schedules, and task reports from subordinates. During the exercise, candidates play a member of the organization and deal with problems in a given situation. The exercise procedure and scoring dimension are introduced to candidates before the exercise. They must read the provided information during the exercise and decide which cases should have priority and which ones can wait. Then they are required to write down the handling procedure such as setting priorities, authorizing others to deal with a certain case, creating message reply and forward lists, and summarizing solutions to each problem, including the decision made, responsibilities delegated, plans, and procedure for evaluating progress.

A traditional in-basket exercise usually has the candidates working independently, after which they are interviewed about their actions by the assessors and then graded. Recently, the practice-and-assess method of in-basket exercise has changed because of the effects of the internet and the popular

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Situational Judgment Test (SJT). For instance, some in-basket exercises now tend to be multiple-choice and require candidates to answer questions on a computer. Most cases have been modified into e-mail format. A computer program automatically calculates the scores of each candidate for the different abilities. Thus, the role of assessor in the in-basket exercise is gradually becoming more minor (Huang and Cheng 2004).

The written-analysis exercise tests the candidates' practical ability. Candidates are given a paragraph describing problems faced by an organization. They must then figure out solutions and sketch out operational plans and methods.

LGD divides candidates into groups, each one with five to six members. Without an appointed leader for the group, each group member gets the same opportunities for participation and presentation. There are two types of group discussion. In the first one there are no appointed roles for the group members. This type of exercise emphasizes candidates' team dynamics. The other type of group exercise appoints roles for all the group members and tests each individual's ability.

The oral presentation includes presentation in formal meetings, informal presentation to managers, and focus groups. Candidates are given a job-related subject and are given time to prepare before presentation. The assessors are the audience. After the presentation, the candidate must answer questions from the assessors.

In the interview exercise, the interviewer usually plays the candidate's manager and questions the candidates about one or several job-related issues. The interviewer can be someone familiar with the position, not necessarily the assessor. The assessors can observe the whole interview process from the other room or by camera.

Other assessment tools are also used in the Assessment Center depending on the needs of the position. For instance, to measure managerial ability the management exercise often simulates departmental meetings where the candidate plays the top manager and has to deal with difficult issues. The progress of the meeting is usually videotaped and reviewed by assessors to see if the candidate is capable of being a leader and displays his or her communication ability, influence on others, flexibility, planning ability, creativity, and judgment under pressure and limited time (More and Unsinger 1987).

In recent years, time and cost considerations have led to the scaling down of these work sample tests into simplified tests like the SJT, in written-exam format. The SJT, which used mostly multiple-choice questions, made the assessment less complex (Huang and Cheng 2004).

Exercise Design and Arrangements

According to the process and method of the Assessment Center, the author edited teaching materials from public administration activities, including the most common tasks for public personnel administrators such as handling official documents, interviewing candidates for promotion, and holding meetings. This study therefore chose the following three types of simulated exercises that are commonly used in the Assessment Center: in-basket exercise, interview exercise, and LGD exercise. (For the competencies covered by each exercise, see the appendix.)

Exercise Planning

This study looked into the feasibility of applying each type of exercise in class instruction. The instructor played the role of assessor. MPA students taking the Seminar on Public Personnel Administration class at Tamkang University played the candidates. Instead of grading candidates according to their actions right after the exercise, the teacher recorded the exercise and watched the videotape after class, evaluated the students' performance, and gave the students suggestions for their future learning.

The interview exercise allowed the students to experience the interview process firsthand and practice their interview skills. Also, by playing the role of applicant, the students were able to practice how they might answer the questions asked. The first LGD exercise was a performance evaluation exercise. Students decided as "committee members" how to select outstanding employees. Compensation grading is a significant component of public personnel administration. The second LGD exercise therefore required the students to evaluate six job positions using the point system, and to decide the points for each position after discussion.

Conduct of the Exercise

In-basket Exercise. The students were given a description of the exercise, an organization chart, a work calendar, and other documents. They were asked to play a new personnel manager of a local government. The "new manager" had to deal with all the documents on the desk on the very first day on the job, using personnel administration skills related to selection, training, employment, promotion, compensation, and insurance. In view of the limited time, there were only 12 documents in the in-basket of the "personnel manager." The procedure was as follows:

- The instructor presented the scenario for the exercise.
- The students wrote notes regarding actions to be taken on the

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documents and affixed the notes onto the 12 exercise materials—all within 60 minutes.

- The instructor guided the students in discussing the process of handling each document.

Interview Exercise. The interview exercise simulated the selection of a human resources planning commissioner for a local government. The instructor played the applicant, and the students played the personnel manager and other recruitment staff. The procedure was as follows:

- The students read the job description for the position of human resources planning commissioner and the personal data and résumé of the applicant. Then they discussed the questions they wanted to ask during the interview.
- The students were divided into groups and alternately took charge of the interview.
- The instructor guided the students in reviewing the interview process and provided pointers about the selection interview.

LGD I: Promotion Review Committee. The promotion review exercise simulated the annual selection by a local government of its top performer. The exercise materials included descriptions and data information about each candidate from each sector. The students played members of the Promotion Review Committee and discussed how promotions were to be distributed. The procedure was as follows:

- The instructor guided the students through the reading of the materials and gave them sample arguments and defense strategies for the simulated committee meeting.
- The discussion was divided into two stages. First, the students played unspecified roles as members of the committee. All of them gave fair and objective reasons for choosing a certain candidate. Second, the students were assigned different roles. Each one played the sector manager of one of the candidates and fought for the candidate's promotion, for the honor of the sector.
- The instructor guided the students in reviewing the process of discussion and gave them more information on the procedure of the meeting and the role of the personnel manager.

LGD II: Human Resources Development Committee. Students played members of the Human Resources Development Committee of a local government. They had to prepare job evaluations for six clerks according to the main tasks of the clerks and other basic information. The grading format was modified from Kelly and Whatley (1977). It included 11 evaluation factors, each divided into six grades. The procedure was as follows:

- The students read the exercise materials and evaluated the employees according to the designed evaluation format.
- The students elected a “chairman” among themselves before the discussion.
- The “chairman” listed the grading results of each “committee member” on the board. Then the “committee” eliminated those with unanimous results and discussed only those about whom the “committee members” disagreed.
- The instructor guided the students in reviewing the evaluation process and showed them how job evaluation is related to position ranking and compensation.

Discussions and Recommendations

Review of the Process

Generally, the students had positive impressions of the exercises applied in class. They thought these lifelike activities made the curriculum interesting, helped them understand “real life” personnel administration, and made them aware of the managerial skills they needed to improve. However, some parts of each exercise must be improved. For instance, given the limited time, the students only had individual exercises and no group discussion in the in-basket exercise. They thus missed out on opportunities to share opinions and experiences.

In the interview exercise, although the students prepared and listed interview questions before the exercise, asking questions along the list deprived the interview process of easy and smooth progression and created an uncomfortable atmosphere. Also, the instructor who played the applicant was usually interview-savvy enough to switch roles with the interviewer and lead the interview.

In the Promotion Review Committee exercise, student attention first centered on selection, instead of the appraisal standards. Then when the students played the part of sector managers of the candidates, conflicts or

arguments in behalf of the candidates were rare because the students lacked empathy with them. In other words, these “sector managers” seldom fought for their subordinates.

In the Human Resources Development Committee exercise, for lack of understanding of the purpose and methods of job evaluation, the students could only grade the candidate according to the designed evaluation format. In the discussion after the exercise, the students found two major problems with the job evaluation exercise: it provided unclear grading dimensions, and the “committee members” had different grading standards.

Exercise: Bridge between Theory and Practice

There are always differences and gaps between theory and practice. The academic circle complains that the pragmatists give too much weight to insignificant details. The pragmatists, for their part, claim that the academic circle talks only about theories and does not teach useful ideas for practical tasks. J. W. McGuire believes that managerial theories and ideas lack surprising breakthroughs and rarely make further progress—the so-called failure of theory (Glueck 1985). To solve real-life problems, the pragmatist continually pursues more meaningful theories to explain and predict what takes place in organizations.

When analyzing managerial behavior, Mintzberg (cited in Glueck 1985), pointed out that terms as organization, coordination, and control do not describe real management. These are just abstract words that scholars use to describe the management that they do not know.

Thus, from the teaching standpoint, instructional theories and concepts give students basic knowledge, while the exercise materials help them check their knowledge against real-world situations. Exercise materials give newly employed personnel administrators an overall view of personnel administration and help them become familiar with their tasks in a short time. And personnel management knowledge provides them with concepts that they can use to make changes in the system. Therefore, these two teaching methods, when combined, help cultivate institutional innovators, instead of routine followers.

Exercise Method of Teaching

Group exercises have been applied in management classes for years. Taiwanese psychologists as Jing-Ji Wu and Mu-Lan Shu have made significant contributions to this field. Using case studies also achieves good results in business management teaching. The exercises in this study focused on public personnel administrators and strove to use real-world situations, to mold students into personnel managers with the requisite knowledge, skills, and abilities.

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During the role-playing exercise, the students found it difficult to completely get into the part. They knew each other so well that they had problems pretending to be other people. The instructions were also unspecific. And the students often needed to make assumptions during the discussion. The exercises should contain more relevant information and encourage the participants to plunge more readily into the role playing.

The purpose of the LGD exercise, on the other hand, is to have the participants interact with each other in more unstructured situations than in other exercises. Through the interaction, students express their knowledge and skills in different aspects. A student with leadership skills might lead the group during the discussion.

Most students, however, rarely shared their opinions especially at the start of the discussion. During the discussion, most gave their opinions but seldom questioned the opinions of others. This reserve may have to do with the traditional emphasis on harmonious relationships in Chinese culture. Thus, when arranging roles for an exercise, teachers must increase the potential conflicts between roles to stimulate discussion.

The exercises nonetheless made the students realize that they did not know enough about organizations or personnel administration laws and regulations. During the Promotion Review Committee exercise, for example, students found themselves unfamiliar with the meeting procedure. The Human Resources Development Committee exercise, on the other hand, required students to improve their understanding of compensation theory. The exercise method of teaching can therefore be a useful tool for evaluating learning.

Relationship between Instructors and Students

Experience-based learning emphasizes that learning is every participant's responsibility. The instructor only guides and assists. This study found that students still rely too much on the instructors during the learning process. Students pointed out that during the discussion, without the instructor's explanation, some of them could not agree or decide which opinion was right or wrong. Most students obviously thought that only the information that came from the instructor was right.

Some students believed that the exercises during the class helped them think about the subject. Instead of receiving the answers from the instructors, the students spent time and effort on the learning process before they obtained the final outcomes. The students also believed that the situations they dealt with in the exercises mirrored real-life situations in their future tasks.

To the instructor, discussion was just a way to get students interested. It has to be used in coordination with references and assigned reading from the textbooks so that this teaching method can really benefit the students.

Limitations of the Study

Constrained by limited time and resources, this study arranged only four exercises, which did not touch on all personnel administration activities. In the future, teaching materials in other significant topics in personnel administration, such as human resources planning, training and development, performance appraisal, and labor-management disputes, should be included. And the purpose of each exercise—for instance, the abilities and skills for a given job that students can expect to learn—must be clearly defined according to the job analysis.

The lectures should be supplemented with exercises. The lecture and the exercises should be coordinated to improve learning. Also, the lecture should contain both basic theories and relevant laws and regulations, and their explanations and examples, so that the students can understand how the organization relates to its environment.

Furthermore, this study did not discuss instructional evaluation. Future studies on this teaching method should deal with both the quality and quantity of learning. The success of the method cannot be determined by numbers or grades on questionnaires or tests but through sustained, long-term observation and interaction between the instructor and students. Case studies may be prepared to help determine the success of the teaching method.

Conclusion

PBL allows the students to find the answers to problems themselves instead of receiving the answers from the instructor. The Assessment Center method attempts to create problems by designing exercises, and requires students to find the answers through interaction. In the process, the students may find the underlying problems.

Students benefit from this kind of exercise by discussing and sharing their experiences. Exchanging experiences promotes originality in students and encourages them to think as a group. However, students often focus on individual experiences during the discussion and ignore the fundamental problems. The composition of the group should be made more varied so that students not only benefit by sharing their experiences but also accomplish the objective of the exercise.

Another problem encountered during these exercises is that some students harangue and strut their own experiences instead of spending time reading research publications. They neglect research results on the excuse that “theories cannot resolve practical issues.” To lessen grandstanding, MPA instruction should comprise four stages: reading, practice exercise, experience sharing, and discussion.

Whether recording the whole exercise and keeping the videotape for review after class is time well spent and effective will be discussed in a future study.

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Appendix: Assessment Center Exercises and Competencies Covered

Exercise	Type	Competencies Organization and Planning	Leadership	Communication	Analysis	Flexibility
HR Manager Exercise	In-tray exercise	✓		✓	✓	✓
Selection Interview	Role playing	✓		✓		✓
Promotion Review Committee	LGD		✓	✓	✓	✓
HR Development Committee	LGD		✓	✓	✓	✓

HR = Human Resources, LGD = Leaderless Group Discussion

