



# International Symposium on Local Development and the Role of Government: New Perspectives on Development Assistance

September, 1998

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**International Symposium on  
Local Development and the Role of Government:  
New Perspectives on Development Assistance**

**Institute for International Cooperation  
Japan International Cooperation Agency**



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<Affiliated organizations and titles of the participants are based on those used for the March 1998.>



## FOREWORD

The Japan International Cooperation Agency (JICA) held the International Seminar on "Local Development and the Role of Government: New Perspectives on Development Assistance" in March 1998, with the support of the Japanese Ministry of Foreign Affairs. This report contains the keynote speech, panel discussions, and final discussions in the international symposium.

At present, some form of transfer of power from the center to local governments is taking place in many developing countries. This change in center-local relations, it appears, is exerting a great influence on the management of development in many developing countries, and, in particular, on local development. In addition, even in countries with centralized systems, it is necessary to review the situation surrounding local government, their administrative and financial capacity and their relationship with the center in pursuit of balanced regional development. That is to say, a revision is taking place of the meaning of domestic institutional frameworks for local development, and it is considered necessary to think about local development and the correction of regional disparities in relation to the issue of governance in developing countries.

In this new climate, it has become necessary to pay more attention to governance in developing countries when carrying out cooperation directed toward local development, as governance is the one of the key factors which enhance the effectiveness and efficiency of development programs. In order to facilitate effective cooperation, therefore, it is important to take into account such issues as the improvement of local administrative and fiscal capabilities and the betterment of local governance.

In recognition of these circumstances, JICA set up the Study Committee on Local Development and the Role of Government. The objective of the symposium was to review, on the basis of the results of this study committee, the current situation of decentralization in developing countries, to examine its impact on local development, and to discuss the role of international donors in supporting the efforts of developing countries toward local development and improvement of governance. As panelists, the symposium had the participation of the chairman and members of the study committee, representatives of international donors and developing countries with rich experience in these fields. These panelists engaged in discussions on the present state of decentralization in developing countries, its impact on development, and the role of international assistance.

The symposium was also attended by many general participants, including persons related to developing countries and assistance organizations. The discussions contain informative and suggestive points, and the enthusiastic questions from the audience also led to a deeper understanding of the theme, which was one of the great achievements of this symposium.

## Foreword

Finally, I would like to take this opportunity to express my sincere gratitude to the many persons and organizations that gave their support to the symposium and my deepest respect to the panelists and participants who made the symposium such a success.

September 1998

**Teizo Igarashi**  
Managing Director  
Institute for International Cooperation  
Japan International Cooperation Agency

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## OPENING ADDRESS

**Mr. Akio Ijuin**

Vice President

JICA

Ladies and gentlemen, thank you for coming to this international symposium entitled "Local Development and the Role of Government: New Perspectives on Development Assistance". It is my pleasure to say a few words on behalf of JICA at the outset. First, I would like to begin by thanking Professor Michio Muramatsu, professor at Kyoto University, for accepting to give the keynote speech. Also, my thanks go to the members of the panel who accepted to participate in the discussions. I would also like to thank the Ministry of Foreign Affairs for supporting this symposium. It's a very happy occasion for us now that we are able to hold this symposium with the support of many of you. The theme of today's symposium is "Local Development and the Role of Government: New Perspectives on Development Assistance." We shall be addressing such issues as regional development, or local development, and governance. In particular, we will be addressing such issues as central-local government relations, which is of extreme importance for the development of regions. Now, at present, more than 60 of the 75 countries, that are either developing or transitional countries with a population of more than 5 million, have embarked on some form of transfer of political power to local governments. This sort of change in central-local government relations will have a big impact on the development of developing countries, particularly on local development. Moreover, if we are to aim for local development or for narrowing regional discrepancies, we must learn about the situations the local governments are placed in, particularly their administrative and financial capacity, as well as their relationship with the center. Now, we are seeing increasing decentralization in developing countries. The facts behind this trend of decentralization seem to be growing globalization and liberalization in international economy which have brought about re-thinking of the role of government. Under these circumstances, we are seeing that with the downsizing of government and increasing deregulation. The policy options at the disposal of central government are being limited, and conversely, local government and the private sector are playing more important roles in development.

Also, the localities are now more responsible for making self-help efforts for their local development, whereas the role of central government is gradually shifting to a provider of the so-called "enabling environment" for other development actors. However, decentralization could aggravate discrepancies among regions depending on how well-fitted each region is in terms of the resources they have in their initial conditions. Therefore, now, a big development agenda is to narrow those regional gaps that can be created by the different circumstances. And here, the central government remains important in such roles as coordinating and redistributing resources among regions in order to achieve stability, equality, and economic growth of a nation as a whole.

With the advances in decentralization, the donors also must have a clearer understanding and must give more consideration to governance in developing countries. In implementing their cooperation directed to local development, governance should be considered and they have to come to have a clearer understanding about central-local relations, the capacity of local government, and the political economic structures of each locality. Unless you have a clear understanding of these in implementing projects, projects will not become efficient or effective. Moreover, the new development strategy adopted by the Development Assistance Committee (DAC) of the OECD emphasizes action in the fields of poverty reduction, primary education, primary health care, and environment protection, which require both well-tailored activities at the localities level and the service delivery capacity of local government/administration. And, for the decentralization to bring about the desired results, it might be necessary for donors to extend cooperation through policy support regarding the design of decentralized reform. With this sort of understanding, JICA set up a study committee for Development Assistance on "Local Development and the Role of Government" in 1996. This study analyzed the effect of decentralization as well as the changing central-local government relations, and their implications on local development. It also investigated how cooperation should assist the efforts of developing countries to achieve local development and to reduce regional disparities. Today, we have the chairman of the study group, Professor Muramatsu, who is giving the keynote speech, and as moderator we have Professor Yuji Suzuki from Hosei University, as well as Professor Kawamura of Ryukoku University who is acting as a member of the panel.

In this symposium, we hope that we will have a heated discussion on the impact and influences of decentralization that we are seeing in the developing countries, and what sort of approaches and initiatives the aid organizations and international organizations and JICA are taking in order to cope with this new changing situation. We hope that we will be able to have useful and worthwhile suggestions, inputs and opinions from the members of the panel as well as from those participating here who are working in the aid organizations and have rich experience in matters related with cooperation. Of course we have representatives from the developing countries also who are positively tackling regional development and decentralization. I hope that today's symposium will help Japan in further improving its technical assistance as well as policy support addressing local development, regional disparities and governance. Thank you very much.

## 1. KEYNOTE SPEECH

### Governance and Development : Decentralization Reform







## **Governance and Development : Decentralization Reform**

**Dr.Michio Muramatsu**

**Professor**

**Kyoto University**

Dear friends and distinguished guests, good afternoon. My speech is based on JICA's issue-wise study on "Local Development and Role of Government" that was organized in January 1996. This committee conducted its research on governance and capability building in developing countries for more than one year. The results of this research have been issued in the report titled "Local Development and the Role of Government." The names of the study committee participants are listed in this report. They are all well-known experts in the field of research relating to developing countries.

This committee began its research by collecting nation-by-nation information on the relations between central-local governments in developing countries. Then, while adding information about specific cases in the experiences of aid, or projects in Japan or other countries, we explored the problems of governance in these countries. In the process of research, the members of the study committee visited parts of Asia to collect latest statistics and materials in the field and to conduct interviews with government officials in these countries. As a result of these activities, we ourselves arrived at a new understanding of governance, which is explained in the report that I just mentioned. This report represents the first step in JICA's related research on governance in developing countries. From now on, I expect JICA will go ahead and conduct even deeper research on this subject of governance in developing countries.

I myself am rather an expert on central-local relations in Japan. However, I participated in the study committee and learned a lot about central-local relations and decentralization in developing countries from the discussions in the study committee which met more than 12 times. The more I attended the study committee meetings, the more I was drawn into the aid issues. When all the study committee meetings were over, I had the opportunity to conduct field research in Indonesia and the Philippines, where I was able to feel sure about the views which came out of the discussions in the study committee. Mayor Garcia of Cebu City is one of the officials I met, and I learned from him a lot about development in that area.

My talk from now on will be based, as I told you, on the results of our study committee, but mainly, I will give my own personal observations so far obtained from my few experiences, and also from reading literature on governance and decentralization in assistance to developing countries.

Needless to say, a major issue in developing countries today is political and economic development. But other serious problems that are reemerging are regional disparities and poverty. I believe that decentralization reform must be effective for the planning and implementation of development that

suits the actual conditions of a locality and, at the same time, should contribute to the solution of poverty and regional disparities.

Before explaining the reasons for my belief that decentralization reform could contribute to governance in developing countries, I would like to consider the background behind the interest of aid organizations in decentralization reform at the present time.

There are several factors behind the promotion of decentralization, but the one that should be noted is the changes in the international environment. Since the 1980s, the international currents of the time have been globalization and deepening international interdependence. Deepening international interdependence means that international economic and political trends extend across national borders and exert a major direct influence on domestic policies. At the same time, they are shaking the entities that are linked to the national unit, such as national economy or the nation-state. This same trend can be seen in both developing countries and developed countries.

In response to this trend, as well as making efforts toward government downsizing or deregulation, many central governments in developing countries are also carrying out decentralization reform. As a result, it is estimated, as referred to in the opening remarks by Mr. Ijuin, that the transfer of power in some form or other from the center to regional or local governments is taking place in more than 60 of the 75 developing or transitional countries in the world with a population of more than five million. However, these recent trends toward internationalization and deregulation are having the effect of benefiting just a few regions, such as metropolitan areas, that have advantageous conditions including resources and market accesses, and as a result, widening the gap between these few regions and the rest of the regions. This widening of regional disparities could threaten political stability and exert a negative influence, in the long run, on the economic growth of the country as a whole.

Reading the reports of scholars in regional studies and aid organizations, one sees that opinions are divided on the question of whether decentralization reform in developing countries will have favorable effects for the solution of the issue that I just mentioned. For the following reasons, I believe that decentralization reform in developing countries in principle is desirable and necessary. Reform should only be pursued, however, after careful analysis of social and economic environments and conditions on the one hand and what kind of decentralization is desired and what form it should take in a particular country and region.

First, I believe that decentralization is necessary for the efficiency of policy formation. That is to say, it is difficult to formulate policies that coincide with the needs of a region, or localities, under a centralized regime. If decentralization were carried out so that regional and local government representatives were chosen in an election, then these representatives would be more sensitive to the demands of the citizens and would reflect these demands in their policies. Of course, this is an optimistic view. The traditional power structure in a region or locality might easily hold the lid down on elected legislators and mayors and also on the voices of the citizens. Nevertheless, the conflicts and confusion that would emerge is also the first step in the management of decentralization reform.

Second, decentralization would enable the promotion of the kind of development desired by

residents on the basis of residents' participation. Then it would be possible to carry out development on the basis of the idea that development is not an order from the center but a wish or demand or objective expressed by people. Because development so far has been left to only a small number of elite, it has not properly attracted the support of local citizens, so in many cases mobilization of local resources has not gone well.

Third, decentralization is a means of capacity building. One often hears the claim that it would be not only useless but also dangerous to grant our authority or discretion and fiscal resources to regional and local governments that do not have any administrative ability. This claim is quite convincing. But it is like the question of which comes first, the chicken or the egg. We know that capacity building and management skills will never be developed unless we provide the opportunity.

I am not saying here, however, that it is all right to waste resources on capacity building. What I want to say is that it is desirable that central governments are involved in the activities of regional and local government when requested or judged to be necessary. Decentralization does not mean the rejection of all central involvement. Indeed, the kind of decentralization reforms that are called for in developing countries now are the types in which central and regional or local governments cooperate and work together.

Fourth, we must pay attention to the fact that decentralization has a political significance. For example, granting authority to a region or to a locality in a multi-ethnic state means giving authority to a specific social and economic group. Decentralization ranks alongside the separation of power of the central government into three branches of the government (legislature, judiciary, and executive). While the legislative, judicial, and administrative elite tend to share the same basic values and ideology in most countries, in the regions there might be social groups with vastly differing ideologies, ethnic roots, religions, and so on. Just think of the examples of Northern Ireland in the United Kingdom and Quebec in Canada, and I am sure that you will understand this point.

So, what I want to say is that decentralization is not a simple thing. In order to design and promote decentralization, we must appreciate that various types of decentralization exist and pay attention to numerous variables. For example, if the combination of decentralization reform and the implementation of election is poor, then the results will not be good. In one developing country, because a mayoral election was held just before the implementation of decentralization reform, the successful candidate had time to play at favoritism and appoint his cronies as local public employees. This example teaches us that many conditions, including even timing, must be skillfully combined in decentralization reform.

From here, I am going into the discussion of decentralization. But what is written in the text distributed is a little bit confusing. I would like to discuss this part not from the text itself. When we discussed decentralization reform, the most important thing is that localities, or regions, must not simply act upon orders from the central government but must formulate their public policies and projects by themselves on the basis of free people's participation. Therefore, we emphasize this aspect and our report calls the independent consciousness of the citizens "ownership". From an economist's discussion, ownership and initiative of localities are main elements of decentralization. At the same time, we do not

deny the role of the central government, as I repeatedly said, in supervising/monitoring or advising the regional and local governmental activities. Thus what is important is to discover the proper balance and combinations between the roles of the central government and the local initiative. But before jumping to conclusions, we had better analyze the types of central-local relations existing in the contemporary world and analyze their merits and demerits. Basically, I would like to group the various central-local relations into two types: one, the "integration-type", and the other, the "separation-type".

The so-called fiscal federalism is a typical case of the separation-type in which autonomous local initiative would promote local development. In this type, localities compete with each other. Competition would create a good result - some win and others lose. Integration-type has been developed in Europe and extended to East Asian countries including Japan. In this type, central government maintains a considerable involvement in the regional and local policy process while main actors are local. The integration type of decentralization includes the type that might be better called "de-concentration" in which central government maintains a high degree of intervention. In extreme cases of the integration-type, regional and local governments become mere field-agencies of the central government. In my observation, the more we approach this extreme, the less we receive the advantages of decentralization.

Going to the separation-type, there are also numerous variations of the separation-type. In the German Federal system, state governments have a lot of authority, but at the same time, relations between the federal government and the state government are smooth and mostly good. Among the types of federal systems, the autonomy of state governments is probably greatest in the United States, but even here, the federal government's involvement through subsidies is increasing.

In other words, there are actually countless variations within these two types. So what factors should a country consider when it reaches a decision to decentralize the governmental system?

Well, among the merits of integration-type is the fact that the country as a whole can tackle such a large task as modernization in development in a united manner. Another important merit is that this type can provide equal service to people all over the country. Later, I will explain the specific example of Japan by the case of local allocation tax - how to provide equal service to the people. Through such methods as the local allocation tax, it is possible to correct regional disparities without impeding the autonomy of the regions.

On the other hand, there is always a strong incentive for the central officials in this integration-type to increase the degree of central involvement, even back to the starting point of decentralization. This is the dangerous side. Under the separation-type system, on the other hand, local governments have a strong power within the framework set by the central legislation. In this case, regions are able to handle the individual problems so regional issues do not escalate on to the national level. One of the objectives of decentralization is to enable experiments by which other regions or the central government can decide whether or not to adopt a new project after looking at its success or failure in a certain region. The situation here, however, is that because of the trend to minimize the central government's involvement, if the region does not have a significant or strong democratic procedure, the regional government can behave without effective political control.

Another concern is the economic impact of decentralization. First of all, let us consider fiscal authority. For example, if tax collection powers are decentralized, the scope and amount of money of the central government's tax collection becomes smaller, then its macroeconomic management ability through taxation policies will become smaller. In this case, since it is usual that regional government does not care about macroeconomic stability, it is easy for the economy to become unstable. The same thing also applies to financial policies. In China, according to some literature, for example, regional governments had the hiring power over regional public employees. The result was that they borrowed from the regional branches of the central bank without thinking about repayment to the extent that they needed. This led to increased money supply and debt burden. The same problem occurred in Brazil, where regional governments over-borrowed from commercial banks under their jurisdiction. On both the fiscal and financial sides, therefore, radical decentralization could give rise to many problems for macroeconomic management. So, the authorities that are to be decentralized must be carefully scrutinized.

Next, I would like to explain the proposal on this subject in the committee report, that is, the importance of the formation of networks. In literature often advocating decentralization as a new form of governance, networks are called partnerships. The view here is that the key to development lies in cooperation between various actors in the private sector and local governmental agencies. Integrating the numerous contributions of various international organizations, donors, nongovernmental organizations, and other entities in the private sector into just one policy process must be made easier than before. As well as urging efficient governance in developing countries and cooperating in capacity building, donors will be interested in the levels and forms of development and offer advice. Accordingly, while it is only natural that the region concerned should be responsible for the formation and execution of development policies, the participants in the decentralized developmental process will continue to think about the procedure and method of cooperation for capacity building.

At present, in political and administrative reforms around the world, the separation-type model of decentralization is more popular than the integration-type. Concretely, models of New Zealand and the United Kingdom emphasizing marketization are attracting popularity. Administrative reform which is being worked on now in Japan, is incorporating the main elements of the reforms adopted in these countries, such as outsourcing or privatization. With regard also to central-local relations, reform plans in Japan are being prepared to abolish a major legal instrument of intervention from the center. At first sight, this decentralization reform appears to be approaching the separation-type. It is true to some extent, but does this mean that while Japan itself is changing, we are trying to apply our past model to other countries? Well, the answer is no.

First, I would like to say in general that there are models of administration and local government that fit different environments and stages of development. From the end of World War II to the 1970s integration -type, with more involvement from the center, functioned in Japan. Faced with a new environment from the 1980s, the Commission for the Promotion of Decentralization that was established in 1995 by the Japanese government says that it is desirable now to move the level of decentralization a step forward, but with central government keeping functions being involved in local governmental matters

when necessary.

Second, the reform that Japan is moving to implement now does not signify a move toward the separation-type of local autonomy. The aim of the reform is to expand regional independence and autonomy within the scope of integration -type, in order to adapt to the new international trends seen in deregulation and borderless economic activities. The recommendations of our Commission for Promotion of Decentralization accepts the necessity of substantial preliminary consultations between the central and local governments, when in the process of giving more powers to local government.

These are my tentative views about central-regional relations. I wish to reach a better conclusion after continuing studies on this subject.

I stop here while expressing my hope that this symposium will serve as a useful forum for the exchange of opinions that will contribute to the betterment of governance in developing countries.

## **2. SESSION 1**

### **Decentralization in Developing Countries: Current Situation and Its Impact on Development**







## **Presentation 1 : Decentralization in Developing Countries: Current Situation and Its Impact on Development**

**Dr. Yuji Suzuki**

Professor

Hosei University

**Dr. SUZUKI:** Thank you, Mr. Chairman. As is the usual tradition for Japanese to open any speech, I will start with apologies. But this is a real apology since I am the only one who failed to present a longer paper.

Let me start with a bit of background about why we are arguing decentralization as a major topic on a longer-term basis for our cooperation with developing countries. As vice-president of JICA, Mr. Ijuin already mentioned that globalization, particularly in the field of economy, pushes many nation states to come up with their own domestic reforms: economic, political, and even strategic. The reasons are very obvious. The end of the Cold War indeed brought about an end to the so-called “strategic cooperation”, which is built upon international relations, particularly state-state relations vertically. That vertical cooperation is a typical characteristic of the colonial relations which characterize the history of the modern world over the last three centuries, but that history has almost ended. Instead, we are seeing the rise of a new international system called “interdependence” with horizontal, rather than vertical, cooperative networks.

Nonetheless, we don’t know exactly what this horizontalization of world relations would mean for each life of the community. The impact of globalization is seen everywhere but we are not quite clear yet about what is its central message. But at least one thing we are quite certain of is the fact that over the last four or five years’ research from the window of Tokyo, the shift is now opening societies to the outside world. But at the same time, localization is taking place at a similar speed and magnitude. This confluence of globalization and localization urges indeed every state, both developed and developing, to develop new concepts, new policies, new methods to cope with these great historic changes.

Very soon after the end of the Cold War, donor institutions like OECD, particularly DAC, issued a very interesting conceptual framework called “Participatory Development and Good Governance.” It led JICA to initiate the first fundamental argument of this sort within its institution.

And as a development of that first-round research, the Muramatsu committee was organized to discuss more concretely on what we really can do. We agreed that participatory development, as a quest for a new era, asks us to reevaluate the success stories of what American scholars might call “state-led development.” Particularly in Asia and the Pacific region, it was a remarkable success, as indicated by the World Bank Report 1993, “East Asian Miracles.”

But by the very success of this state-led development, we began to witness the rise of new problems which never happened before, such as disparities between nations, disparities within nations, uncontrollable by the states, unending destruction of nature, environmental degradations, and even degradation of social and family lives. These structural deficiencies had to be met with new strategies, new methods, new cooperation.

These big issues look so local, so particular, but nonetheless very universal in their nature. A good example is environmental issues: locally taking place, but global in their character, to the extent that the local authorities had to be empowered to cope with these realities in front of them with more global, mutual understanding among the nations. This is really fitting to the demands of the era characterized by globalization and localization. But how are we to proceed and cope with these tasks?

Here, we came across a new concept called governance, of which no one understood the real meaning. But this, in my language, is the way to achieve peace and development at the same time. That brings us to the fact that the vast deficiencies that authoritarian regimes brought about through rapid economic development started to question the legitimacy of those regimes.

And more structural reforms began to be demanded, particularly, by those people who became the product of the rapid economic development, "the middle-class," which is rising today. Then, this rise of new social forces as a result of economic and social changes in developing countries in particular produced another demand, which is very bitter medicine for any authoritarian government to swallow. That is the quest for democratization.

Not just participation in the economic process, but also in the decision-making process. What we began to see in the last couple of years, particularly in the Asian and Pacific regions, is that until the early 90s, many states were not ready to take this bitter medicine simply because they believed that the existence of government is *sine qua non* for the existence of the state. Questioning the legitimacy of the government means a treason to the state. This sounds like a Hobbesian state concept. Because of this type of conception they could not allow decentralization, democratization or whatever else as long as they think it is a cause of crisis of the nation-state itself. But as I said, the early 90s started to see that many nations, as a result of development, began to accept the change of government not as a threat to the state. This, I call a conceptual change of state, from a Hobbesian state to a Lockian state.

These are taking place, with very concrete means and ways. One is decentralization.

Decentralization, one might define in many ways, but from my point of view, includes three major dimensions:

One is "de-authoritarianization", that is one of the aims for the Philippine government to adopt the local government code which is now the basis for the devolution process.

Secondly, this is very much related to what Prof. Muramatsu explained, "redistribution of power, resource, personnel and even planning of development itself" - redistribution of wealth, men, money, and concept itself.

Three, encouragement of local initiatives. Side by side with decentralization, we do witness also that other ways and means are adopted, or deployed by many countries in South East Asia particularly. That is the concept of equitable and sustainable development. This brings us on to another very important issue we need to talk about more seriously, namely reviewing center-local relations.

A center-local interface should be from vertical to horizontal. Otherwise, local authorities, or local governments, will not be able to perform what central authorities expect them to perform. Local authorities today can not match the people's demands. Their finance and personnel, their capacity have been very much in paucity due to the vertical structure of government over the last three centuries. The best and brightest remain in the central government. Since the capacity in the hands of local authorities is so much in paucity, we really need capacity-building as a sine qua non for the promotion of center-local interface.

Here we have a variety of local authorities starting from provincial to village level. Each authority will require the participation or cooperation from local populations, particularly those trained in professional knowledge of NGOs. That is what we call "participation of non-government sectors." Particularly, participation of local industries is important. Having said this, we do see the very interesting transformation undergoing today in Asia.

Could I ask you to open page 2, Fig.1 in my handout. Fig.1 comes from the book written by Joseph Nye and Robert Keohane of Harvard University in 1972. IO here is "International Organizations" including the World Bank, IMF, and so on. The relation ① between state one and state x had been the only diplomatic channel for over three centuries. Now, however, we do have multiplication of the relationship between one state with another, such as local governments of one country having direct/indirect relations with local governments of other countries. This is the relation ⑩. In addition, we also see the rise of interactions between NGOs of one country with other countries relation ⑪, all of them having some relation with international organizations, particularly organizations under ECOSOC. These are shown as ④, ⑤, ⑥ in Fig.1.

Then, in Fig.2 on the next page, we now see the transformation or multiplication interaction cross the border. Pattern① is the one of donor state to recipient state, which is the traditional pattern of cooperation. In pattern② recipient state promotes recipient local governments, as well as recipient NGOs, as actors of the cooperation. But more important is to multiply patterns②, ③, ④, ⑤ (in Fig.2) as a means to achieve this historic requirement.

For example, pattern② in Fig.2 shows that donor state asks recipient state to accept direct flow of money to reach recipient, local governments, with remaining function of insurance, or donor states directly provide donations to recipient NGOs. To a certain extent, the Japanese government, Ministry of Foreign Affairs, has already begun a program called "cooperation at grass-roots" by providing grants directly to NGOs in developing states.

Pattern④ means that, not the state of Japan or the United States, but the local governments of the donor state would play a much more important role. And even in donor countries, NGOs

would play a far more important role, that is pattern⑤.

To conclude, this multiplication of Asian cooperation patterns requires us to rethink what the role of the central government should be in the new era. Second, how can we enhance the capability and capacity of local governments? Finally, the function of multinational agencies like UNDP here should be strengthened at local and grass-roots levels as well. Thank you very much.

## **Presentation 2: Decentralization in China : Background, Current Situation and Its Impact on Economic Development**

**Dr.Chen Yao**  
Deputy Director,  
Western China Development Research Center  
Chinese Academy of Social Science

**Dr. CHEN YAO:** Ladies and Gentlemen,

I feel greatly honored to have this opportunity to talk to you about decentralization and regional development in China.

You may have known that in three decades prior to 1979, China was practicing a highly centralized planned economic system. During this period, power had been decentralized to localities on a number of occasions, but decentralization in the broad and profound sense of the term did not really begin until the adoption of the policy of reform and opening up to the rest of the world during the late 1970s.

Up until the early 1990s, however, reform in China had never gone further than the decentralization of power, and interests among enterprises and localities and the introduction of the contract system, the property right system had never been touched upon in enterprise reform, and there had been no norms for devolving power to the localities. It was not until 1992 that the ultimate goal for the reform was set, that is, to establish the socialist market economic system. And it was not until 1994 that a series of major reform measures were worked out in such fields as finance, monetary affairs, foreign exchange, foreign trade, investment, prices and the circulation system, and major readjustments were made in central-local relations, thereby taking a giant step forward in the direction of market economy.

Decentralization in China in the last two decades has also been inseparable from the regional progress of open policy. The open policy was first carried out in eastern coastal regions and then made gradual headway towards the inland. Close proximity to Hong Kong, Macao and Taiwan as well as Japan and southeast Asian countries, and convenient ocean-going conditions, have enabled coastal regions, those in southeast China in particular, to become the first in China to get in touch with Western industrialization. The world economy has been shifting to the Asia-Pacific region, a tendency which first occurred during the two oil crises in the 1970s and became more pronounced in the 1980s. It is only proper for China to seize upon this opportunity to accommodate this global influx of industry, capital, technology and business, and opening up the coastal region was undoubtedly a wise step. During the opening-up effort, the central government granted a good variety of special power and a series of preferential policies to the coastal areas.

In China's decentralization process, its policy and effectiveness focus on four main aspects - industrial management, finance, investment, and monetary affairs.

Detaching some of the enterprises from the direct administration of central industrial departments and leaving them to localities or core cities is one of the major devolution measures taken by China. So far, only about 5 percent of the number of state individual enterprises are run by the central authorities, although they still occupy a large portion of output value. (For details, please see Table 1.)

Expanding the fiscal power of localities is a main result, and salient feature, of devolution in China. Since the replacement of the fiscal contract system by separate taxation in 1994, governmental fiscal relations have gradually gone towards standardization. Following the principle of adapting administrative power to financial power, taxation in China falls into three categories: fixed central revenue, fixed local revenue and revenues shared by the central and local authorities. This separate taxation system has increased the central authority's portion of the total fiscal revenue. However, with the deduction of the net amount transferred from the central government to localities (such as tax returns to localities, and reduction of the portion of local revenue to be delivered to the central government), the net revenue of the central authority in 1996 accounted for 21 percent of the nation's total revenue, which was significantly lower than the 1990 figure of 30 percent.

The current division of administrative power is, generally speaking, well defined, with the central government bearing the responsibility for national defense, foreign affairs, the armed police, key construction projects, repayment of capital and interest of foreign and domestic debts, and fundings for administrative departments under the central authorities, while local governments are accountable for expenditures for local economic and social development. However, so far China has not yet made a scientific, and concrete, legal demarcation of power between the central and local governments of economic and social affairs.

As things stand now, inter-governmental investment in construction projects in China is managed at two levels: central and provincial. Of all the capital construction projects invested by state units across China, the portion of those invested by local governments is growing steadily. In 1990, it was 46 percent; in 1996, it was up to 61 percent. (For details, please see Table 2.) Of the nation's 1996 investment in fixed assets, the state sector accounted for 53 percent, the collective sector 16 percent, the private sector 14 percent, foreign investment (including those from Hong Kong, Macao and Taiwan) 12 percent, and the joint-stock sector 5 percent.

The current Chinese monetary system has become a macroeconomic control and regulation system with the central bank playing the leading role, state banks as the mainstay, and multiple forms of monetary organization coexisting, and cooperating with each other. Despite the establishment of such local banks as the Merchants Bank, the Shenzhen Development, and City Cooperative Banks, the country's credit and financial management is still highly centralized, and local governments have little power over financing.

After nearly two decades of reform and opening-up, the planned economy with its high degree of centralization has basically fallen apart. Local governments are playing an increasingly important role in local economic and social development. The last decade has witnessed remarkable socioeconomic growth in both the developed coastal regions and underdeveloped hinterland. The sustained high-speed growth of the national economy is inseparable from the contributions of regional economies which had been thriving in the intervening years.

However, decentralization in the transitional period has also brought some negative impact on China's economic development. Firstly, lopsided local economic development is worsening, with the gap growing steadily between the eastern coastal regions and the middle and western regions. Taking the per-capita GDP of the western region as 1, then the ratio between west and east China was 1:1.94 in 1990, and 1:2.76 in 1996. During the same period, the difference in the per-capita GDP between areas with the highest incomes and those with the lowest incomes expanded from 9.2 times to 10.6 times.

Middle and west China are handicapped by low economic growth. The local governments are weak in their financial accumulation abilities, and after decentralization, they will be asked to invest in local basic and public-interest projects, and provide a certain portion (about 30%) of the ancillary funds for trans-regional key construction projects invested by the central government. In some localities, quite a few such projects have failed to get off the ground simply because local governments are unable to provide the ancillary funds. For this reason, underdeveloped regions in middle and western China are having great difficulties in improving their investment environment and promoting local economic growth.

Secondly, redundant construction has become a serious problem, and local industrial structures tend to be similar to one another. Local governments, whose financial ability has been increased after decentralization, have become major investors. To develop local economy, localities tend to vie with each other for the construction of projects with high profits. China today has more than 100 auto factories, for example, but because of their uneconomical scales, the national auto output in 1996 was no more than 1.5 million. It is reported that more than 900 VCD player manufacturers have been set up across the country, whose total production capacity is in serious excess.

Thirdly, regional economic friction is aggravating, and regional protectionism is running rampant. For instance, when a certain raw material is in short supply, some localities issue orders to restrict its outflow. To protect a local industry which does not have a competitive edge, a local government tends to ban or restrict the same product from entering the local market. When enterprises belonging to different localities are involved in an economic dispute, an arbitration tribunal tends to be partial to and side with the local enterprises. In a vast country like China with uneven economic growth, it is certainly impossible to establish a so-called unified market free from regional barriers. The problem, however, is that regionalism in China is more of an administrative type, which is vastly different from legal protectionism in some foreign countries

and regions.

Fourthly, contradictions between local economic policies and the state's macroeconomic policies are intensifying. "Whenever a new policy is formulated from high above, there will be countermeasures below," as the saying goes, and this has become an undeniable fact. Now that local interests arising from unbalanced development are a solid reality, due attention has to be paid to studying the "regionalization" of macroeconomic policies.

The East-West disparity in China is a major issue which has commanded the attention of the Chinese government over the last few years. In his report to the 15th Party Congress held in 1997, General Secretary Jiang Zemin pointed out that the state was to increase its support of the middle and western regions and strive in different fields to gradually narrow the gap in regional development.

It has gradually dawned on the Chinese that in redressing the regional disparities, the support of government policies is limited, and in the final analysis, the problem can be fundamentally solved only by relying on the regions' own efforts. The efforts of these regions can be gradually increased with the progress made in devolving government power. To achieve substantial progress in decentralization, it is necessary to speed up the reform of the political system. In this regard, China still has a long way to go. Thank you.



## Discussion

**Moderator : Dr. Yoshio Kawamura**

**Moderator:** Thank you very much, Mr. Yao. He really focused on the problems regarding the impact of decentralization associated with de-regulations which encourage private sector activities in foreign investment. The problems are the gaps among regions, the functions of local government powers and protectionism. He also focused on a more important role of central government for the redistribution problem.

We are a little behind schedule but I would like to encourage the floor to ask questions or give comments. I think we can maybe spend five or ten minutes for that.

If not, how about comments from the panelists?

**MR. WORK:** Yes, I was very struck by both presentations. The first, more conceptual and the second was very helpful analysis at the country-level. I was particularly taken with the counter point of globalization and localization that Dr. Suzuki identified, and therefore the importance of decentralization in bringing decision-making back to the local (back to the sub-national), whereas often in globalization it can be removed to multinational interests. I was also struck by the challenge of "What is governance?" We want to pick up that question and go further later today. Of course, this is a confusing term, but it's a necessary term, and I think we will need to spend a bit of time on the notion of what is governance. And then finally, the challenge for the reform of the multi-laterals, I was happy to hear that. I think that's indeed the case and I want to say a bit about that later. I think reform is underway. The Secretary General is doing his best and we're trying to follow his lead, but we can pick that up later. These are just a couple of comments. Thank you.

**DR. CALAVAN:** Thank you. I won't take too much time except to say that I think these papers very usefully anticipate some of the things that I want to talk about later. I can spell out some of the details that these broader papers suggest. I was particularly taken with Prof. Suzuki's discussion about globalization. Often times, when we look at this point of interface between the global and the local, we tend to think of it from the local viewpoint in kind of defensive terms, and I think there's something to that. One of the reasons why communities need to be more autonomous, to have more control over their own destiny, is because they can be more receptive to, and anticipate better, and react to global changes. But I also want to spend a little bit of time later on thinking about the positive impacts of globalization. One of the things that I'm very impressed by in the Philippines right now is the rapid growth of the use of e-mail, the internet, the world-wide -web-pages and so on. And we have a tremendous opportunity to turn this world that we live in into a massive kind of discussion group between communities and localities across national borders, and I think it's already

beginning to happen. So, there is a positive side in globalization in addition to the defensive side that I think is very exciting to think about.

**MAYOR GARCIA:** What is interesting for me is the study to directly give the grants or whatever loans from the donor agencies directly to the NGOs and even to local governments. We're talking of decentralization here yet from my experience in the Philippines, we still have to pass by the national government, the NEDA Board, the ICC. There has been an instance in my specific case where, I think it was JICA, that we had agreed on a project, but it was elevated to the national government. Then, the national government said "The city of Cebu has enough resources. So forget about the project and bring it somewhere else". So, even in this relationship, there is no decentralization, because it is still the national government who decides. This was touched on by Prof. Suzuki and I hope that probably this can be discussed further tomorrow.

### **3. SESSION 2**

## **Local Development and the Role of Government**





## **Presentation 1 : Capacity Building and the Local Government**

**Dr. Michio Muramatsu**

Professor

Kyoto University

**Dr. MURAMATSU:** I have my paper distributed. Sometimes I will follow the paper, but most of the time my explanation will be somewhat different from the paper itself.

First, I would like to begin with a historical background of Japanese local government and local autonomy. According to my understanding, when Japan began to modernize the country applying European models, Japan was really quite keen to establish local autonomy or to carry out decentralization. 1868 was the so-called Meiji Restoration, when modernization began, and twenty years after that, already the members of the prefectural or local assembly were elected. There were elections, and mayors of municipalities were elected by the members of local assemblies, but of course we did not have universal suffrage at that time. But what is important is that before the Meiji Constitution was promulgated, in 1899, even before the Constitution, we already had the local government in authority well installed.

After the Meiji Constitution, we began to have various forces, demanding more freedom and liberalization. And they were campaigning against the centralized way of government. But the government was trying, in the face of that kind of opposition movement, to win the favor, or support, of the local governments, or the powerful people in the regions.

The system of prefectures was installed after the first parliament was convened. The governors were appointed then, the governors of prefectures, and prefectural governments were considered as the outposts of the central government, or the agents of the central government. In twenty to thirty years there was progress. The system of local government and autonomy would become stronger. But then, in the 1930s, we went into the path towards the Pacific War, and in the end we were defeated. It was in the middle of the 1940s with the defeat in World War II that post-war modernization efforts began.

Then Japan was occupied for some time by the Allied Forces, but in 1952 Japan gained independence, or regained independence, and we went through reforms again. The Occupation Forces implemented some drastic reforms. But in 1952, we implemented another reform, and rather than decentralizing, the country went in the direction of centralization because then, the government felt, or the leaders at that time felt, that centralization would bring more efficient and effective results for the country.

But in 1945, the Interior Ministry was abolished and the governors, rather than appointed, were to be elected. Also in 1945, universal suffrage was introduced. Before that, only men could

vote, but women also began to have the vote after 1945. Mayors of towns and villages were directly elected by the people, not through indirect election by members of these municipal assemblies. So, we had this system well-established for local autonomy and government.

Local government had the right to pass ordinances, but the central government laws were placed ahead of the ordinances so that the law would precede the ordinances of the local government. And the central government began to control the local governments through the so-called "agency functions", the agency system, whereby they delegated power to the local government as outposts of the central government. So, while the local government has local autonomy, still there is quite a lot of intervention from the central government.

Regarding the development from 1952 to 1985, I have selected three topics: the economic growth, the pollution issues, and the local development. In the beginning, if the local government wanted to have local development, they would have to apply to the central government, and those that came up with good plans would be given subsidies from the central government. In this way, the central government assisted local government in national development.

I think this was very effective, but economic growth also brought about problems of pollution or the deterioration of environment, and people began to feel that they couldn't possibly carry on this way. Then, they decided to have the so-called "citizens' movement", or campaign against it. At that time, at the local level, many mayors, or officials, were from the communist parties or socialist parties whereas the central government was always led by the LDP (Liberal Democratic Party). So in the local government, you could see that at a very early stage, actions were being taken in order to protect the environment.

There was a request from a local government to the central government that we should have better welfare systems, or welfare policies. And there again, the views of the residents in localities were represented. The central government in the 1970s, or the beginning of the 1970s, was not really putting a lot of emphasis on welfare issues, but the local government presented such issues to the central government, so that major reforms were made regarding insurance, health insurance, the pension system and other welfare matters, therefore, one of the contributions of the local government was in the area of improved social welfare.

But still, in Japan, there was a strong view that decentralization was still not strong enough, and, as a result, the committee was established to promote local government, or decentralization, in 1995. And they are making recommendations to the government as to what sort of measures should be taken for decentralization. I am not sure to what extent some of the recommendations will actually be implemented, though I think that they certainly will make some inroads into that area.

Now, I want to tell you a little bit about the financial and fiscal system, or the local governments' revenue and expenditure systems based on an excellent analysis by Professor N.Mochida. (Please see Table 1.) Here, along this column you can see the total of the revenue, the expenditures of the central government. This is the budget of the central government. It's 75.1

trillion yen. Of this, you can see the so-called local distribution tax, the local allocation tax. This is a big portion. This is the money given to the local government, and this is untied. In this table, you can see the fiscal transfers. This is the revenue of the local governments, and the taxes are the resident tax, property tax or business taxes and so forth, that account for about one third of their revenue. Then, there are those grants from the central government. They are divided into the subsidies, the general subsidies, and the local distribution or allocation tax. The two together account for one third of the revenue of the local government. As for the local distribution tax, there are no requests or conditions attached, so this is not ear-marked for any particular project. Particularly, because there are inequalities among local governments, or local areas, so it tries to equalize that condition through this system of local allocation tax.

Now I would like to tell you the formula for calculating that local allocation tax. (Please see OHP.) The estimation formula is what you have to see. Each local government has its own basic needs and that is calculated first by looking at the size of the population and other things. So these are the basic needs of the local government, but those standards at times are very complicated and we feel they should be more simplified. Anyway, these are the basic needs or the basic demands of the local government. And then we also calculate to what extent this local government can raise its own revenue through tax, and whatever gaps there are between those basic needs and the ability to raise its own revenue. That gap will be met by the central government as fiscal transfers, the so-called local allocation tax. Now this is Table I. If you look at it, you see there are A groups; these are Aichi, Osaka, and Kanagawa. These are rich prefectures in Japan. Tokyo is (group) F at the bottom. Tokyo is in a different category in terms of the resources that it can command. But for the A group prefectures, you can see their revenue there. It's on the left-hand side. When you look at the revenue, you'll see that their revenue is much bigger in comparison with B, C, D, E groups. But when you look at it by per capita, you will see a different picture. The estimations, or calculations are on a per capita basis and the government decides how much allocation they give to each prefecture by calculating per capita tax and so forth. In that case, you see that, not these rich countries, but other countries in D and E are the ones that are receiving a great deal of per capita allocation of taxes. You can see that agricultural rural prefectures are receiving much more in terms of local allocation taxes. Moreover, as I said, these are fiscal transfers that are untied. Therefore, theoretically they can use that money for any purpose they want. However, central government has ways to exploit this money for the purpose of central programs.

Thank you very much.

**Dr. SUZUKI:** Thank you, Prof. Muramatsu. His presentation has given us a new impression. Many European, American, or even Asian countries got the impression that Japanese economic development was state-led. But in reality, already for a long time, Japanese economic development took place not just through central government leadership, but also by cooperation

### 3. SESSION 2 Local Development and the Role of Government

with local authorities. So it was a very interesting presentation in that sense. Thank you.

I'm very happy to invite a participant from Indonesia, Dr. Panggabean from the University of Indonesia, please.



## **Presentation 2 : Institutional and Technical Constraints in Narrowing Regional Disparities in Indonesia**

**Dr. Adrian Panggabean**

Lecturer

University of Indonesia

**Dr. PANGGABEAN:** Thank you, Mr. Chairman. I would like to bring to you the economic aspects of intergovernmental relations. The topic that I bring is entitled "Institutional and Technical Constraints in Narrowing Regional Disparities in Indonesia". To illuminate the issue, I use the case of intergovernmental grant policy in Indonesia.

The objective of my 15 minute presentation is threefold. First is to summarize the salient features of the broad patterns of regional development in Indonesia. Second, to outline briefly the nature of decentralization format and the nature of the grant system which is designed to deal with the unbalanced regional development. Third, to summarize findings regarding how technical and institutional constraints reduce the potential effectiveness of the grant system. Based on these, I would like then to spell out some lessons that can be learned from Indonesia.

Due to the limited time available to me, some details of this presentation may be read in the notes that I prepared. This brief presentation will just try to bridge the gaps that may (which I am aware) be existent in the notes that I prepared,

As a start, and to give the audience some context about the object of discussion, I will first outline some basic facts about Indonesia. First, Indonesia has some 17,000 islands. Indonesia covers a land area of around 2 million square kilometers, or 5 million square kilometers if we include waters.

The distance from most eastern to most western Indonesia is around 5 thousand kilometers. The population is huge - about two hundred million. There are more than 200 different ethnic groups, each with its corresponding languages. Indonesia is a unitary state in the form of a republic. Indonesia has 27 provinces, about 303 local governments, and some 3,840 sub-districts called Kecamatan. (The number of Kecamatan might have changed by now.) There are some 5,000 urban kampungs (urban villages) and some 64,000 rural villages. To serve a country of this size, the government employs around 4 million civil servants, one million of which are local government's employees and the rest are central government's. The way the government is being arranged is so centralized. Not only the structure is centralized, but also its civil service structure.

Since more than a quarter of this civil service is paid through the grant mechanism, and because the grant system operates in this centralized system, the inter-governmental grant system becomes very important, in terms of both the economic and decentralization policy.

Let me summarize briefly what has been learned about the extent of regional disparities in Indonesia. This summary is based on my own surveys on voluminous academic studies which were conducted by quite a number of people (from the 1970's to 1997). There are four things that need to be mentioned in relation to the patterns of regional development in Indonesia.

First, is regarding the interregional disparities in economic activities, two thirds of the total "economic activity" is in Java which represents only about 6% of the total land mass. Two thirds of the Indonesian population resides in Java too. This pattern has not changed for the last 25 years.

Second, there are also disparities in income. By using non-oil regional account data, all studies came to a similar conclusion that interregional income distribution is uneven: Jakarta is very rich; East and West Nusa Tenggara provinces are poor in fact, very poor. A small number of regions is just marginally above national average. If we use household expenditure data, we even find that income is less uneven.

Third, there are disparities in interregional production indicators. Here, we get the same story. The extent of the disparity is the same as 10 years ago.

Finally, there are disparities in interregional production structures. Interregional differences in production base have not changed over the last 10 years or so.

What do we see? By looking at the extent of the disparity over time, I can see the interregional disparities in Indonesia have actually not been diverging nor converging. In order to confirm such an assertion, I also surveyed some more literature. I also worked out some statistical estimates. I found that indeed there has been a non-convergence tendency in Indonesia. My own estimate based on a conditional-neoclassical-growth model, for example, suggests that the speed of convergence is low. In other words, there is a weak tendency towards interregional convergence.

The government has been aware of this problem and tendency. This was one of the reasons they installed the INPRES policy (since 1970) to deal with such a disparity. Contextual to the centralized approach taken by the government, intergovernmental grant transfers can be seen as the logical policy option for the government to deal with such a problem. The scale of this policy is big. Every year, it takes about 8% to 9% of our GDP; the grant system is targeted to all levels of government; and grant transfers have been the most reliable source of revenue for local governments - even during bad times. Hence, I could not think of another policy that is more important and larger than this grant policy.

But as you have seen, despite the government's continuous effort to balance the development using the grant system, the "situation" has not changed over the last 10, 15 or 25 years. Certainly we ask the question why? I would like to illuminate two problems in this policy area: technical problems and institutional problems.

I am aware that I need to explain to you first, in relatively more detail, the decentralization format in Indonesia, in order to show where this grant system fits into the context. But, due to

time constraints, maybe I just need to mention that the little handout that I prepared would help the audience understand the decentralization format that we adopt. Let me just jump and explain the results of this grants policy.

To give you some idea about just when such kind of research started, I could say that the first attempt to measure the effectiveness of this grant system in reducing interregional disparities was done in the mid 1980s. Since then, numerous academic exercises were conducted to measure the same thing. Findings suggest the following: First, the grant system - as an economic instrument-apparently only affects regions' production structure marginally. In other words, it doesn't significantly change the regions' production structure. Second, investments made through grants appear to play little or no role in regional per capita income growth. Thus, in other words, productivity of grants-funded investments is actually marginal. Third, the effect of grants on interregional income equalization appears to be marginal, too.

The ability of this fiscal instrument to achieve the objective is constrained by two main factors (by the way, this is only my own classification): technical and institutional constraints. By saying "technical", I actually mean "the design" of this fiscal instrument. What I mean by the word "institutional", is the underlying institutional framework within which this grant policy operates.

Within the technical aspect, it is the inability in the part of the government to put in place a rational design in the fiscal system. As a result, the grant system fails to optimally repress the tendency of non-convergence. To be precise, the government has failed in estimating precisely the relative spending needs, the relative variation in cost, and the interregional differences in fiscal capacity. In a country as diverse as Indonesia, it is important to arrive to a good estimate of the extent of cost variation before allocating fiscal revenues. Allocating fiscal revenues on the basis of differences in spending needs has not been made possible because the amount of spending required to carry out devolved functions is not known. Inability to calculate spending needs occur because the definition of decentralization in Indonesia is obscure. As you can read in my handout, Indonesia adopts three principles of governance: decentralization, where some functions being devolved to local authorities; deconcentration-whereby field offices of central government agencies operate in regions; and co-administration principle-which actually is a combination or hybrid between the deconcentration and the decentralization principles (and this co-administration principle was designed to enhance central control over lower levels of government). With such a complex web of definition, it becomes difficult for anyone to estimate the amount of spending needed to carry out the function.

As a result of the inability to calculate differences in cost, spending needs, fiscal capacity, the grant system has scored "low" with respect to equalization in fiscal capacity; and has scored "moderate" in relation to equalization in both spending needs and cost of service provision. Not only that, the grants are being prescribed in too much detail, and hence, introduce distortions into the system. In Indonesia, the specificity of a grant component goes further beyond a simple earmarking of the revenues to specific functions. The extent of specificity goes down to, for

instance, the number of books one should buy; and sometimes even goes to “where you should buy the books”.

Further, the grant system does not provide adequate incentives for efficiency and equalization. For example, the design fails to include the element of fiscal capacity equalization; the element of fiscal effort is only marginally represented within the formula; since the system is actually an amalgamation of so many individual elements or sub-grants-each with its own incentive structure, an unsystematic approach to equalization has resulted; in a number of grants, objective allocation criteria are missing. It is not surprising, therefore, to find research that concludes that the grants' contribution to inter-regional equalization has been actually limited.

What about the institutional constraints? Here, it is important to note that the division of functional responsibilities in the Indonesian bureaucracy is very unclear. Such an overlap in functional boundaries has made the design of the grants-funded investments sub-optimal. Hence, programme/projects' effectiveness is affected. Another problem is related to administrative arrangements. In various elements of the grants, the administrative arrangements are cumbersome. This creates inefficiency within the program/project planning system. Also, the link between grants-funded investments and other sources of investments is actually weak within the planning cycle. What's more, policy fragmentation, weak administrative capacity and delays in disbursement contribute to inflation in cost of investment, and reduction of potential efficiency. Lack of accountability inhibits the promotion of an optimal choice of spending of the grant funds.

Up to here, we have outlined briefly how technical and institutional aspects contribute to the nonimproving disparity between regions. But then, what can be learned from this lesson?

To me, the most important lessons are twofold. First, from institutional side, I learn that a proper definition, as well as a proper arrangement of decentralization format are important ingredients. Improvement in technical design of the fiscal program is also critical as sound design can contribute significantly to economic efficiency.

In Indonesia, reform in this technical area is actually on the way although it is proving to be very difficult. Ideally, sensitive institutional issues should be touched, too. I am aware, as much as you are, that it is very difficult to touch this sensitive policy area. However, recent developments suggest that some of the earlier steps toward bigger reform are already in place. The government has enacted a law that will change significantly the local fiscal base (i.e, through enactment of Law No. 18/1997). The government has also embarked on some pilot projects (called Daerah Percontohan) with the objective of simulating what effect the devolution of function has on local authorities. Up to now, this is roughly what the government has done. I personally hope it will continue.

Let me close by hoping we all can benefit from the Indonesian experience.

Thank you.

## **Presentation 3 : Local Governance : Cebu Experience**

**Hon. Alvin B. Garcia**

**Mayor**

**Cebu City, Philippines**

**Hon. GARCIA:** Thank you, Mr. Moderator.

Ladies and Gentlemen, a pleasant good afternoon! I will talk about governance in the context of my city, Cebu City. First, allow me to give a little background and history of the city where I sit as Mayor. Cebu City is the biggest city outside Metro Manila. It has a population of about 800,000 people occupying approximately 33,000 hectares of land, 15 percent of which is a densely populated coastal plain.

Cebu City was discovered by a Spanish explorer, named Ferdinand Magellan in 1521. At that time, it was already a thriving port city. He planted a cross therein, which today still exists. In 1565, another Spanish explorer, Miguel Lopez de Legaspi landed in Cebu. He introduced the first rudiments of a formal government when he organized the numerous settlements he visited and subdued, into a colony of Spain.

The early form of colonial government was highly autonomous. Local tribal chieftains had full control of the areas, exacted tributes and taxes from them and defended them from external threats. In turn, these chieftains shared part of the tributes to Spain through paying the Colonial government in Manila. As the local communities grew and governing them from afar became more complex, the central government established administrative bodies in local communities and this was the beginning of local government as we understand it today.

When the Americans took over the Philippines at the turn of the century, local governments as previously described, were already in existence. They were highly autonomous and decentralized. However, in order to fulfill America's self-proclaimed mission to educate the Filipinos and develop the Philippines prior to granting independence, they moved to centralize power in the national government headed by an American governor-general (a title similar to General MacArthur in Japan after the Pacific War).

By the time the Philippines was granted independence in 1946, it had inherited a highly centralized national government based in Manila. When the first Congress of the newly independent Republic convened, it realized the importance of decentralization to spur local government. They passed laws on decentralization and local autonomy only to again in 1972 when President Marcos declared Martial Law. He arrogated vast powers onto himself so that local governments had to literally beg on their knees to get favors from him. This was how he controlled the whole country for so long during the Martial Law years.

I shall discuss the Local Government Code of 1991. It took another 5 years after the overthrow of President Marcos in 1986 for a responsive Local Government Code to be enacted. Although acknowledged locally and internationally as a very progressive piece of legislation for local development, it has attained some successes and suffered some drawbacks .

There are actually three important powers in the code that in my view enhances local development, local governance. First, it has given revenue-generating powers to the lower levels of government. Second, it has mandated people's participation. And third, it has allowed the local government units to access directly credit finance, grants from abroad.

With regards to the revenue-generating power, the LGUs now have a really broader tax base than before. Tax rates have been raised and more business activities are now taxed by the LGUs under the code. The same code, however, prohibits the local government units from assessing taxes on internal revenue, such as income taxes, excise taxes, turnover taxes, and sales taxes. These taxes are still exclusively collected by the national government unit. Under our code, these taxes are lumped together into a pie and part of the total amount is redistributed to the local governments based on the formula wherein the pie is divided into 50% for population, 25% for land area and 25% shared equally across the board by all LGUs. (This is called Internal Revenue Allotment).

This formula has drawbacks because it does not take into consideration the amount of contribution the local government has given the pie. The more progressive local governments contribute much of the taxes, yet this fact is not taken into consideration upon distribution of the taxes (IRA). What is taken into consideration are land area, and population and across the board equal sharing. Usually, big income-generating governments need big infrastructure support in order to sustain our growth and progress.

The formula has advantages because it acts as an equalizer to poorer regions who do not generate much income, because income is not a factor. They will still get their share regardless of income, based on the formula. This is a good cure for the so-called regional disparities. The big and progressive LGUs whose business and property values are more and higher, take advantage of the code. While smaller LGUs whose business is small and dispersed and whose property values are low, will find the code of little use.

Then, let's go to the other attribute of this local government code. The local government code mandates private sector participation in many of the government functions. For instance, we are mandated to have a Local Development Council which is in charge of the development planning of the community. Planning is a very important function of government and it has been devolved to the local governments and the local private sector. Recently, our local development council met and decided to have the existing master-plan updated and to bid it out to interested consulting firms. We also have other bodies like a Local School Board and a People's Law Enforcement Board.

The Local School Board is a body composed of a local chief executive and officials,

education officials, and the PTA. One-third of the LGU's real estate taxes is the so-called Special Education Fund (SEF) which becomes the local budget for education. These funds are administered and expanded by the Local School Board. In Cebu city, we are using these funds for a massive school-building program side by side with the same program of our national government. We are also using SEF to purchase computers, so that our highschool children, and even gradeschool children, can become computer-literate. Intra-net and internet connectivity is also being taught.

The People's Law Enforcement Board is composed of private sector and LGU representatives created by the code. It is mandated to receive complaints, investigate and punish any abusive policemen in the conduct of their duties. These bodies created by the code mandates people empowerment and are just 3 of the many more created by the code.

The third attribute is that LGUs are given access to innovative credit financing for their own development. The Code enumerates many finance options. Some local government units have taken advantage of them while others have not. Mandaluyong City built a market through the BOT scheme (Build Operate Transfer). The province of Cebu issued bonds with Ayala Corporation, backed by real estate. Legaspi City and San Carlos City floated bonds for socialized housing. Cebu City has a pending socialized-housing bond flotation, a BOT for a low-cost housing condominium, new market and a new City Annex. Given the demand for capital development projects in local government, it seems surprising that these forms of development financing are still an exception, rather than the rule. Only less than 10 local government units of the over 1,600 local government units in the Philippines are using this innovative scheme. Why? It seems that only a few LGUs have the know-how to take advantage of the opportunity. The others use traditional means of financing (bank loans).

Six years have passed since the Code took effect. Many LGUs have indeed benefited from its provisions, but progress has been hindered because it has often been defined in the context of the Code, when progress should be defined in its own terms. For example, a highly respected award for local government programs is given partly on the basis of how the program is taking advantage of the Code. It's almost like saying that other programs are not successful if they do not take advantage of the Code. The tragedy of the Code is that many people have come to think of it as the be-all and end-all of decentralization. Many of us labor under the illusion that we have decentralization because of the Code. We have forgotten that the Code is there because of decentralization and to foster the inherent autonomy that has been the birthright of local communities since time immemorial. The Code provides opportunities, but there are other opportunities outside the Code. Where it provides limitations, alternative means may be provided through legislation. In other words, our attitude towards the Code should be that we should take advantage of its opportunities but not to be hampered by its limitations. Otherwise, from being a window of empowerment of local government, the Code becomes the wall that hems them in.

Now, I will go on to the accessing of official donor assistance. Donors look for places that

are most likely to produce results for their investment. For its Governance and Local Democracy (GOLD) Program, for example, USAID chose LGUs where the local chief executives are noted for their leadership, accomplishment, and innovativeness. Donors also want to put in their money where the local government has demonstrated the capability to implement previous projects. I would like to think this is part of the reason why OECF and JICA have much assistance for the Metro Cebu area.

Why are some LGUs more capable than others in implementing ODA assisted projects, and therefore more capable of exploiting codal provisions for direct ODA interaction? The principle applicable on revenue generation is also applicable to accessing donor assistance. Provisions in the Code that allow LGUs to benefit from direct contact with donor agencies are only good for those LGUs which are ready for such contact. These are LGUs which are ready with their own development and infrastructure plans because they have appropriate technology, they have state-of-the-art communications and networks. In short, they have strong project development capabilities. LGUs which are not ready are caught napping on the side of the road, and have little chance of getting on the ODA gravy train.

Now, let's think about regional disparities. These dynamics of growth leading to further growth have created disparities in regional development. People from outside Metro Manila call Manila "Imperial Manila" for the disproportionate amount of public and foreign funds expended in the capital. Today, they are calling Metro Cebu, "Imperial Cebu" for the same reason. It is clear that the level of development is different between the regions. When this difference increases because of the disparity between the region's capability to attract more investments or to access ODA, it is time to attempt some kind of leveling of the playing field.

I would just like to say that one of the things that can probably be done in order to level the playing field is to reorient the development assistance before seeking project proposals initially to capacitate the LGUs by funding a project development office in each region. This can be done not only by the funding agencies alone, but also by the national government. Hence, fund a project development office and capacitate LGUs to develop and present a plan properly, so that it can be funded by donor agencies. In particular, I am therefore proposing to help LGUs or regions set up their own project development offices. Donor agencies can provide training, capital outlay, and/or equipment and software.

I have also proposed a periodic LGU-ODA Fair. It is like a market. The first part is an introductory meeting between the local government units, development planning officers, finance officers, and development agencies. During this meeting, donor agencies explain what kind of projects they can support, and present guidelines for the proposals. The LGUs, then, go home and consider their needs and opportunities. Then, using their new project development office, they start working on the proposal. At this point, they may contact the specific donor agencies for clarification. When they have already developed the project, the second part is where, after a month or two, the LGUs take their proposals to the various ODA tables and ODA representatives,



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who receive and browse over the proposals in booths set up by the LGUs for this yearly event. The arrangement is supposed to work like fair or a market - give the sellers an opportunity to meet the buyers.

As a conclusion, looking beyond the elections. After the coming elections in May, there will be a new Congress which will review the Local Government Code. I am confident that we can improve and fine-tune the Code further based on our experiences with it in the past 6 years. In the end, after all the amendments shall have been proposed, discarded or accepted, we will still end up with a document that will not be perfect. It will still contain opportunities, as well as limitations. Allow me then to say, let us take advantage of the opportunities, but let us not be hemmed in by its limitations. After all, our quest is not for a perfect document, but for the promotion of local autonomy for effective local governance.

Thank you.

## Discussion

**Moderator : Dr.Yuji Suzuki**

**Dr. SUZUKI:** Thank you, Mayor Garcia. I really appreciate his knowledgeable explanation of what Cebu City has gone through. Now, we have heard three consecutive presentations on the role of local government - from Japan, Indonesia and the Philippines. I would like to have about 10 to 15 minutes for questions due to the fact that we have already heard very detailed explanations.

**Participant:** Thank you for the presentations. My name is Kevin Newman and I work for the Council of Local Authorities for International Relations in Japan. My question is to Dr. Pangabbean from Indonesia. You were talking about the distribution of funds - the grant system. How much of the actual money is for the local governments? What percentage of their budgets would this grant money actually take up?

**Participant:** Thank you. My name is Gitio and I'm from the Embassy of Uganda. My question goes to you, Prof. Suzuki. In your presentation, you are suggesting that local governments, NGOs and other such institutions should be given an opportunity to directly link up with other similar organizations across the borders. I would like you to again raise the question of coordination, so that duplication and other things are avoided in these kinds of linkages. Thank you.

**Dr. SUZUKI:** Thank you, sir. Any further questions? No questions. Then I will be happy to ask Adrian to respond, briefly please.

**Dr. PANGGABEAN:** Thank you for the question. About two-thirds of the sub-national governments' budgets are derived from the grants. To be more precise, at local level (second level of government), the figure is higher than that. It's about 80 percent of the local governments' revenues that is actually coming from the grants. For provincial governments, it's about one-thirds. With such a dependence, you can see how important actually the grant monies are for the sub-national government. Thank you.

**Dr. SUZUKI:** Good question from the ambassador from Uganda. I think this could be a serious issue for many of us, particularly from donor countries' agencies to argue how we reduce duplication. If we have duplication, that means that we are not listening to the needs of locality to the extent that efficiency of the financial investment, usually ODA, would not create any good environment for the localities to develop upon their own capacity later on. That means the more we invest aid money, the more they need to continue to ask. We call this "dependencia." I think your question touched on a serious issue Dr. Adrian Panggabean indicated in his case in Indonesia, too. But, on

the other hand, there is a lot of room for us to improve. For example, through my own experience in NGO activities, NGOs are not perfect and never have been perfect. The coordination among NGOs is as difficult as any coordination among nation states. And among nation states, you have a number of Codes of Actions, thanks to the function of multilateral agencies or multilateral institutions, but among NGOs we don't have these instruments. We don't have that *modus operandi*, Code of Ethics, understood and shared by a number of players between state sectors and private sectors, especially among non-governmental sectors. I will remind you how important it is in Indonesia. 77 percent of capital formation is already by the private sector. The public sector occupies only 23 percent of whole national capital formation. To that extent, development will bring a very new phase where state, however powerful it may be, has little share, less and less in overall economic management. We have to make the private sector participate and take responsibility. That means, like John F. Kennedy said: ask not what the state can do for you, but what you can do. In that sense, I would be very happy to see a sort of coordination or system coordination that can be established soon among non-state sectors in a more structured manner. That's quite an important question and I really thank you.

**Participant:** Thank you very much Prof. Suzuki. I am the Burkina Faso ambassador. I'd like to move on this way and look for, if not some advice, some friendly comment from Mr. Suzuki. In a country like Burkina Faso, the problem is not that we are looking for NGOs. We have too many NGOs in Burkina Faso. We have more than 200 NGOs operating in this country. The problem we are facing now is how to restructure those NGOs moving in this country, and choosing at the beginning in which area, in which region, in which village they want to operate. And it is a subjective matter we are dealing with. They are moving and saying "I guess we wanted to do this and in that particular region." So we don't know exactly what to do. It's quite difficult to refuse cooperation from those NGOs. But as far as Burkina Faso is concerned, it is, I may say, a well-organized country. It is very difficult to refuse, and at the same time, it is very difficult to accept this kind of anarchy in the country, even if you want to receive cooperation from some NGOs. Thank you very much.

**Dr. SUZUKI:** Thank you, Ambassador. I think that question really obliges us to move on to the next group of presentations, for we are going to touch more deeply on these issues. I very much appreciate it. My brief view is that perhaps governmental organizations have tended to look at non-governmental organizations as anti-government organizations for a long time, due to various elements: history, background, cultural differences, and so on. But the change of international systems requires you to look at NGOs as not just anti-government organizations, but also as partners of policy implementation. There would be some NGOs which are very much anti-government, but there would be other NGOs who would be, in a sense, partners. You cannot deny these multiplicities. So, I think government should have its own way to set up partnership. It

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would take time, and it would ask government to maintain a firm and pro-active policy stance vis-a-vis NGOs. Of course there's a risk, too. Likewise, NGOs also tend to see government as Enemy No.1. With some government efforts, mutual cooperation could be meaningful. Some examples of this will, perhaps, be presented by Dr. Calavan in the case of the Philippines. So, I will be very happy now to invite the next group of speakers.

## **4. SESSION 3**

### **Role of International Assistance**





## **Presentation 1 : The Role of ODA in Advancing Regional Development and the Capacity Building of Local Government**

**Mr. Mitsuaki Kojima**

Managing Director

Planning Department

Japan International Cooperation Agency

**Mr. KOJIMA:** Thank you very much. Prof. Suzuki. And I listened to previous presenters with great interest. I will certainly take stock of the presentations in my work,...to carry out JICA's activities.

I would like to discuss with you the role of ODA, Official Development Aid, in advancing regional development, local development, and capacity-building of local governments. I recognize the importance of local development and capacity-building of local governments. As the economies in developing countries grow, there are many problems, such as Mega city problems and widening gaps between big cities and rural areas, touched upon by many presenters. I also share the view that there is increasing importance of the role of local governments in the process of decentralization and increasing autonomy. Here, I would like to say, however, that the political and administrative system in each country should be decided by themselves, including the relations between the central government and local governments. And the speed and degree of decentralization and local autonomy are subject to the development stage of each country.

Now, before I go to touch on the role of ODA in this field, I would like to explain very briefly what JICA is doing. JICA is one of the implementing arms of the government in carrying out Japanese ODA. There are five components in our activities. The first is technical cooperation. In this, we have five or so sub-components. The first is receiving trainees and specialists from abroad, from developing countries. In fiscal year 1996, JICA received as many as 9,353 persons from abroad, and some of them are received by Japanese prefectural governments, which I would like to touch on later. The second sub-component under technical cooperation is sending experts to developing countries. In the same fiscal year, we sent as many as 3,060 experts abroad. The third sub-component is providing necessary equipment. We provided equipment in 102 cases in fiscal year 1996. The fourth component is project-type technical cooperation, which is the combination of all three technical cooperation sub-components: receiving trainees, sending experts, providing necessary equipment, and ranging from two to three years to four to five years. We engaged in 227 project-type technical cooperation projects in the same fiscal year. The last sub-component under technical cooperation is development studies, making feasibility studies,

master plans, and so on and so forth. We engaged in 306 studies in fiscal year 1996. That's the technical cooperation component.

The second component in our activities is JOCV, that is Japan Overseas Cooperation Volunteers, sometimes called Young Volunteers. We sent, in that similar fiscal year, 2200 young volunteers to developing countries all over the world.

The third component of our cooperation is emergency disaster relief. We dealt with 24 disaster relief cases in the same fiscal year.

The last component of JICA activity is implementation of the grant aid program. We implemented 214 grant aid projects in that same fiscal year. That's what we are doing.

Now I would like to touch on the role of ODA in local development and capacity-building of local governments from JICA's perspectives. There are two aspects in our role. The first is the economic and social aspect. That is, cooperation in local development, development of local communities and local cities, and so on and so forth. This aspect also serves for the capacity-building of local governments, together with narrowing gaps between central cities and local cities.

The second aspect of our role is the political and administrative aspect. That is, the cooperation designed for local administration, local autonomy and the decentralization process. We receive many trainees from abroad, from developing countries, in a couple of training courses specializing in local governments, local administrations, local autonomies, and so on and so forth. In this, I would like to emphasize one of our activities. That is the project-type technical cooperation I touched on. It is the combination of receiving trainees, sending experts and providing equipment. In our project-type technical cooperation with many developing countries, there are two types. One is the "center-type" cooperation. That means we provide cooperation to central organizations of central government. Through those central organizations, we expect that that particular central organization will disseminate technology, know-how, expertise and so on and so forth to local governments by themselves. That is the typical "center-type" cooperation. We have been doing many projects of this type. But now, we are launching a new type of technical cooperation. That is "local development type" cooperation. We reach out to the local cities and we reach out to local governments. And we invite participation of local people in our cooperation. That is the "local development type" cooperation.

There are some examples in Indonesia, Philippines, Nepal and so on. In this local development type cooperation, we observe the increasing importance of close coordination between the central government and the local governments, and the clear identification of budget allocation and the responsibilities. Otherwise, there may be some confusion, duplication of works, and some constraints when we reach out to local government and local people.

Now, in our activities, I would like to emphasize the coordination between JICA and the Japanese local governments and the active utilization of local governments' expertise in carrying out JICA's activities. 32 prefectural governments received 573 persons in training courses in



fiscal year 1996. We appreciate the hospitality of the local prefectural governments in receiving trainees from abroad. As many as 31 prefectural governments have sent prefectural experts, totaling 153 local officials. This is, I think, direct contribution of the Japanese local governments. Also, I would like to touch briefly on the sister city relations between the Japanese local governments and overseas local governments. There are many, and through them they promote international exchanges, and we like to promote that too. I did not touch on the aspect of NGOs in my resume, but we have the coordination with the Japanese NGOs and also with overseas NGOs. There are five courses Japanese NGOs are undergoing, and the NGOs are receiving 61 trainees from abroad, and one expert is sent by one of the NGOs in Japan. We have very close dialogue and cooperation with many Japanese NGOs. We like to promote that too. Now, lastly, I would like to touch very briefly on the process of decentralization and increasing local autonomy in the world, and on some aspects in carrying out ODA. One is the fact that there is a shift in authorities and budget allocation from a central government to a local government, more or less, subject to the development stage of each developing country. And from there, we observe the increasing importance of the role of local governments, in particular in carrying out cooperation in rural development and their capacity -building.

The second aspect in this is the role of the central government in Government to Government base cooperation. We do implement G-G base cooperation, not directly to local governments. In this, when we embark on local or rural development, or the capacity building of local government, we like to have confirmation and priorities of the central government. Also, I'd like to emphasize the importance of respecting initiatives and ownership of the local governance being the ones carrying out the cooperation. Those two aspects are very important in our cooperation and the many types and modes I have touched on. I'd like to stop there. Thank you very much for your attention.

**Dr. SUZUKI:** Thank you, Mr. Kojima - very sharply ended. Thank you very much indeed. By the way, he mentioned "prefectural" government in Japan, totaling 47. We have 47 prefectural governments and he mentioned over two-thirds of them have already participated in the implementation of JICA programs abroad.

## **Presentation 2 : The Role of Development Assistance in Local Governance Programs - What We Think We've Learned in the Philippines**

**Dr. Michael Calavan**

Chief, Governance and Participation Office  
USAID Philippines

**Dr. CALAVAN:** The subject of my talk is what we think we've learned in the Philippines - what we THINK we've learned. I'm trying to be a little bit modest in making that point. I want to thank my JICA colleagues for inviting me. It's a unique honor, I think, because I know you've talked to many people in many countries and, for some reason you thought that I was one of the appropriate guests to come and speak. I appreciate that very much. I look forward to this chance to exchange information with all of you, and to get insights from development colleagues.

However, as I sat down and started to think about what I would say in my office overlooking Manila Bay, I was wondering "What can my addition to this group be?" My best guess about why I had been invited was because USAID is doing some cutting-edge programming with cutting-edge local governments in the Philippines. I would like to note that today there are at least three representatives of those cutting-edge local governments that we work with in the back of this conference room - planning officers from three of the provinces in the Philippines where we work. Also, I would point out that cutting-edge work started well before I arrived in the Philippines 18 months ago. I don't take credit for putting it in place.

I also suspect that I might have been invited because I said some fairly provocative things in recent meetings with JICA teams in our offices in the Philippines, in previous meetings with Prof. Muramatsu, Prof. Kawamura, and Prof. Suzuki. I know Prof. Suzuki likes to be a little provocative, and so he wants me to be a little provocative. I'm not here to convey official US government policy, but to talk about what we have learned so far about supporting democratic local governance in the Philippines. Supporting it - we're not doing it. People like Mayor Garcia and a dozen colleagues in the back of the room who are provincial planning officers, are centrally doing it, but we're trying to be supportive. I hope I can do this - talk about what we think we're learning in a way that provokes discussion without suggesting we have all the answers because clearly, we don't, nor does anyone.

First, a little background. I don't need to say so much here, because Mayor Garcia has talked quite a bit about the Local Government Code. He's talked about both its strengths and its shortcomings, and in our office, we talk about the strengths and the shortcomings of the Code everyday. However, we also recognize that it's one of the most far-reaching local government

laws any place of where we work on local governance issues. Perhaps Bolivia is more or less in the same place, but we think the Philippines has jumped very far out ahead in building autonomous local governance. So there are problems, but there are also enormous opportunities there. In USAID/Philippines, work in this area is managed under a team, under a strategic objective. We call ourselves the "democracy team". This is about governance, about efficient and effective governance. It's also about building strong, participatory, enduring democracy in the Philippines. We do that because we believe in democracy for the Philippines and because the Filipinos believe in democracy in the Philippines. Our main project effort at this point in time you've heard it mentioned already - is the GOLD Project, and GOLD stands for "Governance and Local Democracy". If you want to know a little bit more about it, I believe there's a handout outside, if you haven't picked it up already.

I am going to go through some things that we think we've learned - some simple generalizations I would like to make. First, optimism, not pessimism is called for. When we talk about local governance in the Philippines, we talk about it in an optimistic and excited fashion most of the time. When we look at the challenges of local governance, we tend to dwell on the positive opportunities and not the problems. Many donors, many opinion-makers in Manila emphasize the problems and the shortcomings of local governance at this point in time. We find, however, that surveys overemphasize problems. Those surveys bring predictable, traditional, not very useful answers about how to support local governance. We find it's much more useful to talk about broad, positive trends - things that are happening. In the Philippines, things have been happening under a very broad, very forward-looking Code for 6 years, and what we are impressed by is the remarkable things that are happening in Cebu City, Lanao Del Norte and Palawan and Sarangani and all the provinces and cities of the Philippines. Our field observations as representatives of the US Government and the Rapid Field Appraisals that we commission support this view every year. So looking at what's happening in local governance gives reasons for optimism. If you're interested in what a Rapid Field Appraisal looks like, there's a summary of the most recent one done last July-August, No.7 in a series. That should be available as a handout outside. It stresses positive trends and accomplishments. It looks at problems and shortcomings, but it stresses positive trends and accomplishments. We say unashamedly that we set out to work with the best. We don't say we're working with all of the best. We're not, for instance, working with Mayor Garcia. But we set out to find some of the most progressive provinces and cities to work with, not necessarily the richest, but where the leadership was strong, creative, aggressive, where there was clear evidence of NGO activism and citizen participation already in place, because as we thought about it we said we want to show the world that local governance, a strong autonomous local governance can work in the Philippines and we think it can work in other places. We want to help make a revolutionary change and the way to do that is to work in the first instance with the best. Working with those that have the farthest to go isn't the way to bring fundamental change at the outset.

A second point is that it's okay to "carefully" embrace open politics. For most of us donors, for most of the last 30 or 40 years, most of our interaction has been with the central government and with the civil service, and only a little bit with politicians. Our embrace is not an over-enthusiastic young lovers' embrace - it's more that of mature adults, but it is an embrace. We work directly with Governors of provinces, with Mayors of cities and municipalities, with local legislators at all levels, even with village level, or barangay officials. We are placing less emphasis on working through national level civil servants than we did in the past. We don't support candidates or parties and elections - that would be foolhardy and inappropriate. But we hope activities that are supported under our project, the GOLD Project, will be discussed and debated during the upcoming local political campaigns. We think that important governance activities - whether they are working or not - is what the stuff of political campaigns should be, and we hope that they are debated, that they are discussed seriously.

We support the national-level local government leagues, in particular, the League of Cities, League of Provinces, and then League of Municipalities. We are pleased that because of our work in support of those leagues, they are becoming potent political actors in policy discussions at the national level. They are able to weigh in, to be part of the discussions about what are the best policies for local governments. We look forward to a very productive dialogue between people like the Mayor and the League of Cities he belongs to about how the Code should be changed when it's reviewed by the Congress of the Philippines in 1998. We note that GOLD local activities are pushed, are driven, are directed by local technical working groups that are headed variously by elected leaders, by local government employees, by NGO leaders, or private business leaders depending on what the community thinks is the best arrangement. We don't dictate what that arrangement should be.

The next point - it sounds very simple, but in some ways, it is provocative. The obvious way to strengthen local governance is to work with local governments. We do not attempt at this point in history to strengthen local governments by working through national agencies. Past efforts to help strengthen national government agencies, so that they would help to assist local governments, have not paid off at a level that we find satisfactory. I am a professional bureaucrat, I am a civil servant, I work for the national government. I hope it is a little provocative and a little controversial to say, "We find it more useful to strengthen local governments by working directly with local governments". So, we do work directly with nine provinces, two autonomous cities, their component municipalities and barangays. We also work closely with the Leagues of Provinces, Cities, Municipalities, and the new League of Leagues, helping them to give better services to their constituencies and to become stronger political actors on the national scene. I point out that most of the project expertise that we put to work with local governments on what they want to work on, well over 90 percent of them, are our Filipino experts or consultants, who in many cases we hope after the project is finished, will find future work as direct employees or consultants of local governments.

The next point is that demand-driven programming can really work. What do we mean by “demand-driven” programming? First of all, we advertised for partner local governments. We asked through the League of Cities and the League of Provinces, for them to come in with letters of interest, and then through a long period of information-exchange, we went from a list of more than thirty provinces and down to the nine we’re working with, and in a couple of cities. We don’t say that they’re the best local governments in the Philippines, but they’re certainly up there among the strongest. In working with these local governments, the staff of the project really don’t enter situations with ready-made programs hidden in their briefcases. They really don’t. The process begins by a large participatory meeting in a province, typically consisting of 70 to 150 people - a cross section of politicians, local government employees, NGO representatives, business people - who have a chance over two days to say what are the main challenges facing this particular local government and what they would like people from the GOLD project to work with us on at the outset.

Usually that process identifies 10 or 12 major challenges and 3 or 4 to get started on. They are different in different places. On the other hand, demand-driven programs have predictable similarities. Most of the local governments that we consulted on told us that one of the big issues for local governments in the Philippines is local resource and environmental management. So we’re working on environmental management practically in every place. In other cases, people said, “our concern is with health planning”, so we’re working on healthplanning where they wanted that, and we are working on something else where something else was desired. As I said before, the activities are directed and pushed by technical working groups and under protocols. “Protocol” is a very hard thing to explain, but it’s constantly shaped and reshaped by a local committee which says “this is what we want to do next”. They tell us, we don’t tell them. Inputs are limited to facilitation and coordination, helping to organize large participatory planning sessions and short-term technical assistance. There’s almost no grant money, there’s a little bit of cost-sharing for workshops, for what we call cross-visits as local governments go to find out how local governments elsewhere in the Philippines do things. But there is no assistance on infrastructure, there are no large cash-grants, so much of this activity is locally funded.

Next point, the last one. It’s time to move this concept of participation from rhetoric to reality. We donors talk about participation, we’ve been talking about it for 10 years, 15 years. How do you make it really happen? GOLD brought a facilitation package to the Philippines called “Technologies of Participation”. I believe that it was developed by the organization that Rob Work used to work with for many years, developed in the States and in a number of countries. Let me say that the Filipinos, and a lot of other people, love it. They believe it’s a valid process for having a dialogue among a lot of people, not only identifying problems, but then deciding what are we going to do about them. The point one of our colleagues makes is “it’s not useful unless we know what we’re going to do Monday morning”. So, GOLD brought a facilitation package. It’s not the only one, but it’s a good one. It’s simple, it’s teachable, but

highly adaptable. Under the project, it has been used in dozens of different applications and probably at a thousand events or so.

Over 900 people have been trained in this facilitation methodology and use is spreading beyond the project. In one province, the police are using it - to sit down with citizen groups and talk about law and order problems. Other people are using it in classroom-teaching, etc. Particularly impressive uses include a massive 5-year planning exercise in Bohol Province, where the Governor and the Provincial Planning Officer said "We know we have to do this exercise, the law says we have to, but let's make it useful. Instead of having three people sit down at their desks in the Provincial Planning Office, let's get lots of people involved". So, they organized a broad participatory approach over 6 or 8 months, they got hundreds of people in the province involved in the formulation of the 5-year plan. They now own that plan in the province of Bohol. Everybody knows what the first, and the second, and the third priorities of that province are. And they're not frivolous priorities - the first priority is "eco-cultural tourism", the second is "agri-business". Everybody in the province knows what the priorities are, and what the plan is. And they have bought it, they believe in it, and they are pursuing it.

Another use is in "Barangay Planning and Budgeting Exercises", which are two-day exercises. There is lot of talk about what are the main problems, challenges, opportunities in the last three quarters of the second day. They discuss, for instance, "next year in our budget, we have 700,000 pesos. What can we do against those problems and opportunities with 700,000 pesos?" It's been done in 36 barangays in Lanao del Norte, 250 times in other provinces. 30 to 50 citizens sitting together and saying "This is where we need to go. This is what we should do with the resources we have at hand".

20,000 people have participated in workshops, dialogues and planning sessions across these 9 provinces and 2 cities. That means that a lot of citizens who were not there can learn about what happened in those sessions, from their neighbor, from their nephew, from their sister, whatever.

Last point, separate point, about participation. There's a lot of cost-sharing under the project. We asked the local governments to put in half of the money for visits to other provinces to see what's going on. That's also a very powerful mechanism of participation. If they don't want to do something, they're not going to put their money on the line to do those sorts of things. Thank you very much for listening. I look forward to further discussion. If you get a copy of my paper, you'll find my e-mail address. If you want to continue the dialogue electronically, I'd be happy to do so.

## **Presentation 3 : The Role of Development Assistance in the Area of Decentralization**

**Mr. Robertson Work**  
Principal Technical Adviser  
Management Development and  
Governance Division,  
Bureau for Development Policy, UNDP

**Mr. WORK:** I congratulate you on your discipline for being part of this discussion through the afternoon. I think that it has been very rich and informative, I have learned a great deal and I thank my colleagues on the panel. I first want to thank officially the Japan International Cooperation Agency and the Institute for International Cooperation for inviting UNDP to this event and for deciding to hold such an important event on such a critical topic as Local Development. My remarks this afternoon will be first conceptual and then programmatic. I want to give you official UN policy, if I may do so.

I first want to talk about what is governance, what is good governance, what is decentralized governance, and what is good decentralized governance. Then I will give a couple of programmatic examples from the United Nations for that. This will be a voice of a multilateral (formerly an NGO voice but now a multilateral voice) sharing with you this afternoon. I must first say how impressed I was with what I heard from China, Indonesia, and the Philippines - both encouraged and impressed with the steps that have been taken with the trends that have been identified, with the analysis of constraints, and the proposals that are being put forward. I am genuinely excited with what I've heard, and I think we're all speaking with one voice. This is what I find quite interesting, coming upon new colleagues, I find it's as though we've been having this conversation for years, and yet we're just meeting. There is an emerging consensus in the world and this is what I want to touch upon.

First of all, the times in which we live are both times of "break-through" and "break-down". The "break-throughs" are obvious - in science and technology, culture, communication. The "breakdowns" likewise are obvious to all of us with widespread frustration, despondency and unrest, particularly with the increasing gap between the rich and the poor. I want to highlight one statistic. The income of the poorest 20% of the world's people over the last 30 years has declined from 2.3% to 1.4%. This is 20% of the human beings on our planet, the poorest 20%. Whereas the income of the richest 20% has risen over the last 30 years from 70% of the GDP of the planet, of human society, to 85%. Do you see this yawning gulf which is affecting all of us, whether we find ourselves among the poor or the rich? It affects all of us in terms of our sense of justice, in terms of our sense of what is right, or our sense of what it means to be a human being. So it is

therefore increasingly recognized that the success of countries in achieving democratic and equitable societies depends more than ever on the effectiveness of governance - practices in solving development problems. The challenge is for every society to create its own unique style and mode of governance.

This is becoming more and more important to UNDP. In fact, we've just identified that over 30% of all of our resources are going to support good governance activities. Good governance is governance which achieves sustainable and human development, development that eradicates poverty, promotes gender equality, regenerates the environment, and creates sustainable livelihoods. This is what we mean by the goal of good governance. This development of sustainable human development does not occur in a political vacuum. The fundamental principles of good governance are universal. They include respect for human rights, particularly the rights of women and children, respect for the rule of law, political openness, participation, and tolerance, accountability, transparency, administrative and bureaucratic capacity and efficiency. These are mutually reinforcing - they cannot stand alone-and we see this consensus emerging around our planet.

UNDP has defined governance as : (and this is with the approval of our Executive Board which includes both developing countries and developed countries) The exercise of economic, political and administrative authority in managing a country's affairs at all levels, and the means by which states promote social cohesion, integration, and ensure the well-being of their population. It embraces all methods used to distribute power and manage public resources and the organizations and institutions that shape the parameters of government and the execution of policies and strategies.

Governance then encompasses the mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and resolve their differences. Now, more and more, both the governments and international community as a whole, are recognizing that governance begins in communities, villages and towns, that local governance provides the foundation for the structure and concept of governance. Evidence is increasingly demonstrating that decentralizing governance, from the center to regions, districts, local authorities, local communities, can be an effective means of achieving critical objectives of human development, such as access to services, credit, participation in economic, social and political activities; assisting in developing people's capacities; and enhancing government responsiveness. Local governance is about enabling people to participate more directly in decision-making and about empowering those people previously excluded from such processes.

While decentralizing governance is not an end in itself, it is often a means for creating more open, responsive, and effective local government and enhancing representational systems for community-level decision-making. By allowing local communities and regional entities to manage their own affairs, and through facilitating closer contact between central and local



authorities, effective systems of local governance enable responses to people's needs and priorities to be heard, thereby ensuring that government interventions meet a variety of social needs. The implementation of sustainable human development strategies is therefore increasingly seen to require decentralized, local, participatory processes to identify and address priority objectives for poverty eradication, sustainable livelihood, gender equality, and the regeneration of the environment.

For this reason, decentralizing governance is one of the priorities identified in UNDP's Policy on Governance, which was arrived at through a series of global workshops and the advice of academics and representatives from around the world, as well as NGOs and central and local government officials. We use the term "decentralizing governance" rather than "decentralization" because decentralization often means "decentralization of the public sector" only, but we are looking at all of the actors such as the state, civil society and the private sector and the inter-relationships of all of these actors. This is what we mean by "decentralized governance". The systemic and harmonious inter-relationship which balances powers and responsibilities between all the actors. We have just analyzed our programs in our 136 country offices working in 185 countries, and over 60% have support for decentralized governance activities at the request of member states, such as Uganda.

Decentralized governance can lead to a closer contact between government officials, local communities and NGOs, and community groups. It is increasingly recognized that improved local governance will require not only strengthened governments but also the involvement of the other actors of civil society and of the private sector. And that this is one of the main statements in our policy on governance, that these are the three domains of governance. It's not enough for government to govern, but how do we all govern? We all must be governors, we all must govern our societies in whatever capacity or role. Therefore, in recent years, pressures for governments to reduce, reorient, and reconfigure are coming from many sources. The nature and role of today's state is becoming increasingly focused on responsibility for the delivery of public services and the establishment and management of an enabling environment for development at the international, national, and local levels.

The private sector is demanding more from the state, a more conducive market environment, a more effective balance between the state and the market. Governments are beginning to see the private sector as a partner, not as an enemy of the state, but as a partner to achieve better service delivery, to provide jobs, to create wealth, to increase productivity and economic growth. And finally, civil society wants increased accountability and responsiveness from both central and local governments, and therefore, has a critical role to play in generating cultural, economic and social participation. We are finding in our analysis that robust civil society is a critical ingredient of a healthy and equitable nation. Civil society organizations are increasingly being seen by governments not as anti-government, but as non-government and as a complimenting force, just as governments are seeing the private sector as a complimenting force.

So the clear message is that governments cannot act alone. They can be more effective in partnership. And the theme of partnership came through all of the UN conferences in the 1990s from the Children's Summit, the Earth Summit, the Women's Summit, and then finally in Istanbul with the Habitat II. Partnership is the theme of the 21st century which we have heard from our colleagues again and again this afternoon. So this is being acknowledged by the international community, by academics, by central government, by the private sector.

Finally, I want to share with you a couple of global programs. Most of the UNDP's programs are at the country-level. 85% of our staff are at the country-level. We are a very decentralized organization. Our resident representatives have authority up to \$2M to approve any program. Most of our programs are at that level, but we have a few at the regional level and global level. I want to share with you a couple of the programs at the global level. The first is the Local Initiative Facility for the Urban Environment. The Local Initiative Facility for the Urban Environment - the acronym is LIFE. The LIFE Program is a pioneering program for UNDP. You mentioned the need for reform of multilateral organizations, Dr. Suzuki. This program is an example of the kind of reform we are envisioning. This program is decentralized to the pilot country. There are three pilot countries in Asia, three in Africa, three in Latin America, two in Arab States and one in the CIS. In these pilot countries, each country has a national coordinator, a national Selection Committee, and is kicked off by a National Consultation of all the actors coming together - central government, local government, private sector, NGOs and grass-root organizations. In this program, we begin with the macro-level, and move to the micro-level, and then return to the macro-level. We begin with the national strategy, we then test this in micro-policy experiments in the slums and squatter settlements in improving water sanitation, solid and liquid waste management, environmental health, and environmental education in the low income settlements, and then take the lessons from the micro-level and bring them back up to the macro-level, to the city level, to the provincial, to the national and even international. We are learning from the bottom up. We are learning from what works at the local level, bringing that up to change policy at the macro-level. This program is a program that we're rather excited about. I've had the privilege of coordinating this program in its first 5 years. It now has a new coordinator. But this program is something we're watching very closely and which is influencing our other programming.

The other program I want to touch on is the Decentralized Governance Program. This is a new program we've launched with some of our bilateral partners. This is a program of global advocacy of decentralized governance. It's a program of learning about decentralized governance. It is managed by our Management Development and Governance Division in New York, which serves as a global laboratory to test innovative approaches and methodologies, to articulate new policies, to cross-fertilize best practices, and to provide learning based on country experiences and to disseminate that learning widely at the global level. The program's core development objective is to contribute to the knowledge and learning process of UNDP governments and other

donors on how the capacities for good governance of the various actors - public, private and civil - at the appropriate levels - national, provincial, district, municipal, or community - can be strengthened in the areas of policy formulation, resource management, and service delivery in order to achieve poverty eradication and other goals of sustainable human development.

The Program has initiated a number of activities. The first aims to directly contribute to the process of knowledge generation. In this area, a comprehensive two-year research program has been launched in collaboration with the Massachusetts Institute of Technology, and ten national research institutes in Asia, Africa, Latin America, Arab States and Eastern Europe, and a number of experts in the field of decentralization. This research program addresses the issue that, as more and more governments in the developing world look to decentralization as a mechanism for improving their efficiency and effectiveness, it is becoming increasingly necessary to address the serious gap that exists in our understanding of these various dimensions and complexities. We're dealing with an extremely complex phenomenon, from the macro-level of constitutional reform to village development, and we call it all decentralization. We're dealing with a phenomenon that we must take apart in order to put back together, to learn what are the approaches, the methodologies, the techniques that are applicable in different conditions. What are the variables that are intervening, and what can enhance the effectiveness of decentralization? Each of the ten countries is doing a case study to analyze the primary variables of decentralized service delivery to improve the lives of the poor; intervening variables of participation and partnership; and tertiary variables of the macro-environment of decentralization in good governance. These are the three sets of variables that we're studying.

A second activity (and this is my conclusion) is a series of in depth country assessments. Here, we will be documenting, analyzing, synthesizing and disseminating experience in decentralization of a small set of countries - one in Africa, one in Asia, one in Latin America including the role that donors have played, as in the experience of USAID in the Philippines. How donors can be more effective, more helpful, more of a servant force in this delicate area of decentralized governance. So we want to study not only UNDP's interventions but bilateral interventions. In this regard, we are holding a meeting in Stockholm in May, and we want to invite our colleagues from JICA to participate in that to begin to look at what we can learn and share together.

In conclusion, the work of the international community in supporting the strengthening of decentralized governance processes has only begun and we have a lot to learn. Decentralization is not a panacea for all ills; it is not a quick-fix. It is a very delicate instrument that we must use carefully. Much has still to be learned with regard to the impact, particularly on the poor and on women. I was in a consultation in Rome last year, in FAO, and one of the speakers said "Decentralization does not necessarily help the poor, does not necessarily help gender equality". Then that is the wrong kind of decentralization. How do we design decentralized governance that does improve the lives of the poor, that does improve the role of women in development? We do

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know that only through decentralization opportunities will arise for people to participate more fully, more directly, and take responsibility for the decisions that affect their lives. And this challenge is worth tackling. Thank you very much.

## 5. DISCUSSION





## 5. Discussion

**Moderator : Dr. Yuji Suzuki**

**Dr. Yoshio Kawamura**

**Moderator(Dr. SUZUKI):** We will be very happy to open the floor now. Could you raise your hands, please?

**Participant:** My name is Etoh and I am working for JICA. Mr. Kojima's presentation was very interesting for me because I just joined JICA only one month ago. And I'm not very aware of JICA's contribution and activities. I have been working 30 years in the field. I have just come back to Japan, so this is really my first chance to participate in this sort of seminar or symposium. I think it has been very valuable and very interesting. Particularly the role of ODA in Mr. Kojima's presentation, you said that JICA was involved in the political aspect in rural development. This was a big dilemma for the people working in the field. Always we understand we have to do something, but always we are confronted with political issues. Always it is a taboo for us to intervene or get involved in political issues. I wonder if JICA has ever been involved in this sort of political issue or aspect. If so, can you highlight a bit more with precedents, or actual cases that JICA has conducted. Thanks very much.

**Participant:** Thank you. My name is Sowadi and I'm the Charge-d'Affaires of Kenya. I think I just want to make a comment, a follow-up comment on the question which was raised by the Ambassador of Burkina Faso, regarding the role of NGOs. I think I appreciated the answer which was given to him, particularly by Prof. Suzuki, which I agree with, that there has been a big tendency particularly in the developing countries to view NGOs not in a very positive way. But at the same time, I think that consensus is developing, not just in government but at least the international community, that NGOs and civil organization groups have a vital role to play as partners in development with the government. In my previous capacity as legal advisor of the Foreign Minister of Kenya, I played a role in formulating legislation that was to govern NGOs, and when we first had that legislation, which is called "non-governmental organizations coordination", there was an uproar among both local and particularly international NGOs that came, that thought that the purpose of that legislation was to control them. But what we wanted was to address precisely the question that the Ambassador of Burkina Faso raised. To coordinate the activities and to ensure that their systems to local organizations or regional groups are equitably distributed. The question I want to ask is this. Of course, we are seeing increasingly a diminishing role of government in development. And the private sectors, the NGOs, the civil society, and the people themselves are expected to play a much more enhanced role than government. There's a consensus, and there's a lot of sense in that. But at the same time don't you

see a problem particularly in regions or in countries where governments or democracy or national systems are not so well developed as yet to be in a position to accommodate some of these pressures? Maybe as a result of that, you see, not necessarily conflict, but some competition between the government and the NGOs, particularly in their roles. Because there's a tendency now to think that even all ODA, all assistance, should be directed not to government but to NGOs. What's your comment on that? This is being directed more to the UNDP person but any of you can respond to this. Particularly, in a situation where foreign direct investment and so on is not forthcoming in Africa, what is the role of government vis-a-vis the NGOs? This is the question I'm asking. Thank you.

**Participant:** My name is Minoru Ouchi from the Yachiyo International University. I really appreciate all the presentators and clearly those issues are of importance today. However, one thing is not clear in my mind yet. That is, what are the new perspectives on development assistance? What is the new role of the government in local development or poverty alleviation or whatever? Well, in my mind, except for Mr. Work's and Mr. Calavan's Presentations, some reference in terms of participation was not so stressed. My way of looking at this is that some paradigm should be shifted. Not only the delivery side of the services. But also, the logics of the receiving end should be much stressed. Of course you have stressed by saying "participation", but what makes a participation really effective or sustainable in terms of implementing policies and having good results and so on? My way of looking at the role of government is rather limited. Neither the government intervention nor the market intervention method is sufficient. The society's or communities' participation should be stressed. A three triangle paradigm must be discussed. There are five dimensions I think. First, we have discussed logics of the policies or logic of the programs - how consistent it is in order to achieve certain goals. Second, there must be a very strong political commitment to implement the policy. Third, the capability of implementing agencies, which include organizational issues, personnel issues, budget allocations and rapport with the clients. And fourthly, there comes a sustainable participation by the potential beneficiaries, the people. And finally, the policy environment. Today, some conceptual framework was mentioned. But what is not so clear in my mind is about what makes a people's participation really sustainable. What factors are important vis-a-vis the role of the government. Thank you.

**Participant:** Thank you. My name is Tokobando, I just may be able to shed a little light on the question that just preceded, if you would give me a chance to make two points. The first is on the role of multilateral institutions in development, and I think Malawi has one example which may be useful. We've heard from Indonesia, China, and the Philippines. Malawi has one example which is the World Bank project called "Malawi Social Action Fund", MASAF. In this project, the World Bank provides the initial planning and the overall funding. They've put in a funding pool, but the in-country implementation is all handled by Malawians, all staff are Malawians. And the



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rural project implementation is all handled by grass-roots people within those villages, almost entirely. In fact, absolutely entirely. The government's role is restricted to providing the financing and collecting receipts and accountability, and providing technical oversight. If it is for a bridge-project, the government provide technicians just to review. And this is the most successful, or rather, one of the most successful projects in the country. In the two years that it has been in place, there have been tangible results all over the country, and the demonstration effect is working and people are getting to own the projects. More and more people are signing up to participate, and that makes it more sustainable. But the position of the government on this project is the same as its position on civil society's involvement in development, which is that the government wants to do everything it can do to encourage participation of civil society. It provides funding from government public resources for independent NGOs to take place. It invites them for consultation and planning on the understanding that if they are involved in the planning stage, then they will also share the responsibility or the blame for the success or failure of any subsequent projects. Whereas if they are isolated from the planning stage, then that encourages a more adversarial role. I thought that I'd just throw that in just to get some reaction. Thanks.

**Participant:** Thank you very much for giving me a chance. My name is Addis from the Ethiopian Embassy. I listened to various presentations this afternoon with great interest. But I was struck by the very idea advanced by Dr. Calavan with the idea of working with the best. It may be a very important idea, but how do we visualize or what will be the clear yardstick? At the end of the day we may decide "this region is the best and that is the poorer one". If we have to continue working with the best we may even exasperate the disparities existing between several regions which is a fact in many developing countries. If a certain region is the best from various reasons, they may be in a position to articulate their cases and even convince donors, and other actors to give emphasis on their area. So at the end of the day, other local regions may be marginalized. You know, the existence of inequitable distribution of resources will bring definitely unbalanced development, which will inevitably bring social resentments. So, this idea of "working with the best" should be given very serious attention. I'd like to further hear what Dr. Calavan would say on this. Thank you.

**Participant:** My name is Kanda from JICA. Maybe my question is not directly related to this issue, but Mr. Kojima explained some of the activities undertaken by JICA, and from my own experience, I can say that regarding the local development, there is a program which JICA is really undertaking for the local development and I would like to introduce that program to you. This was started about ten years ago, and this is a program to invite young people from developing countries, particularly young men and women in their 20s. We invite them for a stay of about one month in Japan. Each time, about 25 people are invited. All in all, it's about 1,200 people per year. And

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during their one month stay, they spend half of the time studying about the mechanisms of the central government, or the national level industries, but the remaining 15 days, they will select a prefecture to go to and they will stay in one municipality or village. They will be the host. And there, in that locality, they will have opportunities to meet with the Japanese young people, and while doing that they begin to learn what sort of mechanisms the Japanese localities have: their political system, economic system and so forth. Prof. Muramatsu said in his presentation that ever since the Meiji Restoration, there has been emphasis in developing the local system here in Japan. And they will be studying that - not from theoretical perspectives or from textbooks, but they will actually go to those localities and they will familiarize themselves through direct contact about those local mechanisms. Now, I have a question, and this question is directed to Mayor Garcia from Cebu. Each region, or locality, has its own traditional governance, and Mayor Garcia mentioned in his presentation that in Cebu, even before that new Local Government Code in the Philippines, you already had a local governance to an extent. Cebu has had those experiences in the past with local governance. Now when you have this new Local Government Code, what happens to the old local governance that you had in the past. Is it being utilized within the new legal framework or new systems?

**Participant:** My name is Ota. Mr.Kojima from JICA mentioned in his presentation about the role of ODA or about some of the projects being undertaken by JICA. His report cited some of those cases and I have a question about that. Now, when using ODA, what sort of long-term vision does JICA have? Each country is unique in its circumstances, their culture and history are also different. To these individual countries, well, in what mode do you try to cooperate with these countries with different cultural backgrounds? Well, JICA is a national-level organization and I believe therefore that there is a strategic vision concerning what Japan, for example, wants to do in this field. The purpose of the symposium this time is the development of the locality, or the local development, and the role of government and the new perspectives on development assistance. So, perhaps you have a long-term vision or long-term project in mind - projects that will go, for example, for 5 years or even more. So what is JICA's vision? That is what I want to learn from you. Since JICA is involved in so many activities, dispatching so many experts overseas, receiving so many trainees and visitors. Well, this is all for what purpose? How would you like to use those experiences for your future activities?

**Participant:** My name is Kiminami from Ryukoku University. When we talk about such local relations, I would like to know what is the definition of "local" we're considering, because there are different levels of "local". For example, in China we have the province, county and the villages, so when we talk about decentralization, I think that the situations will be quite different depending on the different levels and it's quite different from country to country. I don't know which person would like to answer my question, but I hope that the presentation from UNDP can

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answer my question.

**Participant:** I'd like to post a question to Mr. Alvin Garcia. Seeing that Mr. Garcia is the only City Mayor, or the head of the local government to be invited to give a presentation in this conference, we could see that JICA considers that the experience in Cebu is very important. I would like to have further information on what happened in Cebu and what are the characteristics of Cebu's success. What are the remarkable parts? And the second question is: to what extent can we consider the government's role as an important factor? Mr. Garcia mentioned that the local government's ability to take advantage of the new Code was what he factored to Cebu's success. I'd like to ask, could there be other factors? Mr. Robertson Work from UNDP mentioned the inter-relation between three factors. I think there's a little gap between the two presentations, so if I could have a few more words on that topic, I'd be very grateful.

**Participant:** My name is Alfred Nakatsuma, I'm a Mansfield fellow. I'd like to direct my question to Dr. Pangabbean from Indonesia. If I do understand correctly, the allocation of resources to the regions can/may, perhaps is being used as a tool, actually, to strengthen central government control over the provinces. I would like to ask if that is in fact reality, and if it is true then what can regional governments do to counteract that? Thank you.

**Participant:** Thank you Mr. Chairman. My name is Antonio Fernandez. I work for the United Nations' Center for Regional Development. I would like to raise one issue concerning local development. I believe that in many countries, particularly in Asia, which are considered "tiger economies", or quite fast-developing countries like China, a lot of the industrial development has been rather keen from the top, meaning from the central government. Whether this is a weakness or not, is something I think we have to answer, because at the present time, I believe that there has been a rise in the involvement of local authorities in industrial planning, for example - say the citing of industrial zones, or special economic zones. I would like to particularly ask the participant from China how he feels about this - the participation of local government in the Planning for Industries.

**Moderator (Dr. SUZUKI):** We have around thirty minutes and I would like to give equal opportunity for every panelist to respond, either directly to the question raised or those questions indirectly raised. I will invite Mr. Kojima first to sum up and answer questions in four minutes, please, Mr.Kojima.

**Mr. KOJIMA:** Thank you very much for the very interesting questions. And I understand the gist of the questions and I think those questions are all relevant. If I am to find one answer to all these questions, if I am to give a panacea for all the issues, well, you will never find a panacea. You

will have to approach the issues from various perspectives, and whatever you do, will have to suit the circumstances of the recipient, or the host countries. Your cooperation has to suit the local environment. As many people have pointed out, depending on the country, the government has different systems, and the degree of local autonomy is also different. And, we have to take those differences into consideration, and whatever cooperation we render will have to take into account those differences. I have been asked two or three questions and I will start with answers for easier questions. Now, I have raised the point that there is the political and administrative point in local development and the role of government, but I tend to place emphasis on the administrative aspect. If I had the time, I'd love to tell you something about the courses we offer, but there is a training course specializing on local administration. As for the political dimension, it's not really directly politics, but we have given a course to people from El Salvador about democracy when they came here. Also, if we have received such requests, we will be also formulating courses and study groups for specific topics like democracy and so forth.

As for JICA's long-term vision - I have already spent three minutes so I only have one minute to answer this question - but if I am to speak about JICA's long-term vision in one minute, that would be practically impossible. Though JICA in the future will take into consideration each country's historical, cultural, political and economic background, and we will be sort of using approaches country-by-country, or the region-by-region approach. And this is not something that you can do overnight, but we would like to sort of shift our approach so that our approach will be really tailored to the needs and circumstances of each locality or region.

**Mr. WORK:** This question of a paradigm shift - I think this is critical. I think we must look at the convergence of three concepts: empowerment, participation, and partnership. "Empowerment" has to do with concern with the self-reliance, the self-confidence, the vibrancy of the individual, the local community, the local organization, in a sustainable manner. "Participation" is the appropriate level of, and degree of, involvement of the local actor. And "Partnership" is coming together in collaboration with other actors. So, there's a paradigm shift that includes empowerment, participation and partnership. Concerning the issue of actors, I think that if we look at a governance model with government, civil society and private sector, for example, as the actors, then we must see each has strengths and each has weaknesses. We must identify the strength of each and the weakness of each, and then look at the complementarity and how the different actors can work together to achieve common ends, societal ends. We know there is a lot of mistrust amongst the actors, therefore the challenge is to go beyond mistrust to cooperation, and finally beyond cooperation to alliance. This is a long conversation we will have to have later.

And then the issue of what is "local". It depends on where you're standing, doesn't it? If you're looking from the perspective of the solar system, planet earth is local. If you're looking from the perspective of the United Nations, a nation is local. If you're looking from the perspective of a capital of a country, any sub-national entity is "local". My bias is to look at the

ground-level of local community - villages, slums, neighborhoods - this is where people live their lives, where families live, where people go to school and have jobs. So I think we must finally pull it down to that most fundamental issue of locality.

**Dr. CALAVAN:** I'm impressed by the possibility of going on for about two days on the basis of these questions. On the issue of the role of central government vis-a-vis NGOs, I would assert that it may be necessary, may be appropriate to accept a certain amount of inefficiency, duplication, anarchy (if we so want to label it) in order to gain on such things as entrepreneurship, pluralism, healthy competition of ideas, in effect establishing a well-spring of sustained growth and change. But there are also some other answers. In the Philippines, the central government has said "We're going to assign some of that coordinating responsibility to the local governments", and recently, even as we speak, they're looking at an experiment of saying "Let's let the NGOs accept a lot of the responsibility for that kind of coordination and collaboration and even spreading of resources".

On the subject of "working with the best". Yes, there is a possibility that working with the best will exacerbate disparities. And it seems to me implicitly that looking at Japan's long-term strategy, we need to look at a kind of genuine local autonomy plus off-setting resources from the center to deal with inequity to some degree. But we also have to be careful to not reward communities and local governments for long-term ineptitude, for not using those central resources very well. We have to think about that - that's a challenge to which we don't yet have an answer. But there's another aspect to this that I didn't bring out very well. This "working with the best" and having some communities, some local governments, forge ahead may bring resentment, but we hope it will also bring emulation. It's very important to move away from the assumption that the answers for a municipality in the Philippines are going to be delivered by some expert from Paris or New York. Probably most of the answers for effective local governance in the Philippines can be learned from other local governments in the Philippines, and that's very much the model we are working with now.

On the subject of "tigerdom" I heard a very interesting comment from a Governor, that we work with very closely. She was commenting on the current economic upsets and El Nino, saying, "Thank goodness we have a decentralized Philippines. We don't have all the answers to these problems, but at least we can listen to people - we can come up with partial solutions and we can have a sense of doing something about these problems at a level that makes a difference." And probably that's been a very positive thing in the Philippines.

Where do we stand on politics? We have to embrace politics while being very careful not to get involved in partisan politics, by supporting particular parties, particular candidates etc. It's a fine line we have to walk everyday. I'll underline what Rob Work said. At the bottom of the local system, the lowest level of "local", citizens should be able to get their hands on the systems some way. If they're not sitting in all the councils and all the discussions, there ought to be somebody

that they can approach face-to-face and have some input into that dialogue, whether it's an elected barangay representative or whatever. That means a lot of levels in very big countries. It's something that we're looking at in many ways, in many places in the United States. Some of our big cities are just too big. That personal part has been lost, and there's a lot of experimentation with neighborhood councils and so on to make our system "real" again.

**Hon. MAYOR GARCIA:** I'd like to respond to the two questions. They are really very difficult questions. First of all, "What happens to the old when the new system is in place?" Under our laws, the new system totally supplants the old, but there are two things that I would like to discuss. First, when the new law, or new system, is crafted it always takes into consideration what the old was, and so that structure actually remains. Secondly, because we were used to a tradition of decentralization, we adapted very quickly to the new decentralization law. We were able to enact the ordinances that taxed our people with the powers given by the new Local Government Code.

On the success of Cebu, is it due to the role of government, or what are other factors? It's really very difficult to say. There are extraneous factors - there is luck and a lot of hard work. Concerning extraneous factors, Cebu is centrally located in the Philippines and has a good port. In effect, even before the new Local Government Code, we were a progressive city. Cebu is also far away from the capital in Manila and we cannot always depend on them, so that we had a very big "can-do" spirit, that we can do things even without waiting for grants from Manila. The last part is partly because the last opponent of President Marcos who ruled the Philippines for 20 years came from our city, so President Marcos never gave anything to us, so we just had to do it ourselves. Whatever we can do, we do it. And so when Cory Aquino was finally elected, we were in a position to take advantage of whatever there was. We also thank the international donors because they saw that there was something in our city, and that their programs can work there. And we never disappointed anybody from OECF or JICA.

Very little on the question from the gentleman here with regards to the participation and how it is sustainable. From my own experience, I think there are two things that make it sustainable. One is that when they participate, they know that they are not a sounding board. They know that they participate in policy. They know that they can make a difference. If you put up a Board that does not have any powers, you are not going to get a sustainable participation. Second, maybe everybody has a sense of loyalty to your city, a sense of patriotism to your country, and you help it because you know that you can make a difference to improve it.

**Dr. PANGABBEAN:** Thank you for this difficult question. In order to answer as to whether the current financial system does strengthen the central domination over sub-national governments, I have to answer that from an academic standpoint. Let me refer back to the very principle of central-local relationship. Intergovernmental relations especially deal with the issue of balance between

resource and power. The more resources accrue to central government, the more power the central government has over lower governments. Based on that, I can say, yes. In this kind of system we have in Indonesia, central domination over the local authorities is being strengthened. Because of that, in order to move towards decentralization, one has to put enough evidence in favor of decentralization, and against centralization. That's actually what I tried to do.

At this stage, I think, there is nothing that local governments can do because most of their resources are derived from central government. But for the central governments to give fiscal resources to the local authorities would be quite dangerous, simply because of the no-accountable character of local governments. So, if we just provide some more fiscal resources to local authorities without installing a corresponding mechanism to ensure that public money is being handled correctly, then it would be wrong. So, once we discuss this issue of providing some fiscal resources, we need to strengthen the existing level of accountability, and so on and so forth. I think I can only answer to that extent. Thank you.

**Dr. YAO:** As to the question on how localities support industrialization in China. If you got a draft of my presentation for the symposium, you could find part of the answer. In China, local government has a responsibility of developing the local industries because these are the main source of the local revenues, so localities are very interested in constructing their own enterprises. State enterprises in China consist of two parts. One is run by central governments, the other is run by different local governments, such as cities, counties and village-levels. In general, most of the large and medium-sized enterprises are constructed and owned by the central governments. Medium and small-sized enterprises are run by local governments. So, I think local governments in China have played an increasing role in industrialization in China. If you are interested in this issue, we can talk later in more detail. Thank you.

**Dr. MURAMATSU:** What I would like to take up is the question raised by Ms. Kiminami of Ryukoku University. Her question concerns how we define the unit of locality and the levels of governments. I would like to give my views on this Decentralization, as I said in my presentation, is often discussed as a constitutional issue - the rights delegated from the central government to the local government. But even within the central government, the division of power is a difficult matter. But when you try to delegate this power to local government, it's going to be even more difficult. When we talk about locality, what is the level? What is "local"? I think depending on the country, what is meant by "local" is perhaps quite different. And when we talk about decentralization, are we talking about the economic issues or political issues? There again, the definition of "locality" becomes very important, particularly when we try to approach it from the political perspectives. And unlike countries with a western tradition, I think when we talk about locality, it's more like municipalities. Also the concept of "ownership" - that ownership as a concept that can take roots only at the level of municipalities, not in larger entities. But when you

## 5. Discussion

think about economic development, well, you need water, power, electricity, labor, technology and so forth for economic development. And when it comes to that, you have to think about it in a larger scope. Political development and economic development are very closely related, but when you think about the minimum unit for that, I think the unit, or levels, may be quite different. From Japan's own experience of the post-war period, during the period of economic development, I said the local regions developed very much because it was part of the government policy to develop localities at the time of high economic growth. The Mayor from Cebu mentioned the Project Development Office. Well, the Japanese national government actually undertook that work of installing those project development offices. But at that time, the 47 prefectures were the unit that they had in mind, and about 35 or 40 prefectures at that time applied that program offered by the government. But what is supporting those prefectural efforts are really the political activities at the municipal levels. So when you try to define "localities" or "local", it's a difficult thing to do. And defining the relationship between economic and political developments is also difficult. I'm sorry - perhaps I'm not answering your question directly, but these are my comments.