

**PUBLIC ADMINISTRATION AND GLOBALIZATION:
ENHANCING PUBLIC-PRIVATE COLLABORATION
IN PUBLIC SERVICE DELIVERY**

New Delhi, India 7 October 2003

In cooperation with the
Eastern Regional Organization
for Public Administration



United Nations

**Division for Public Administration and Development Management
Department of Economic and Social Affairs**

Public Administration and Globalization:

Enhancing Public-Private Collaboration in Public Service Delivery

New Delhi, India 7 October 2003

In cooperation with the
Eastern Regional Organization for Public Administration



United Nations
New York

*The opinions expressed herein are the responsibilities of the authors
and do not necessarily reflect the views of the United Nations nor the
Eastern Regional Organization for Public Administration*

All rights reserved.

Table of Contents

Foreword

Pro-Poor Policy Processes and Institutions: A Political Economic Discussion.	1
M. ADIL KHAN	
The Dilemma of Governance in Latin America	16
JOSE GPE. VARGAS HERNANDEZ	
Institutional Mechanisms for Monitoring International Commitments to Social Development: The Philippine Experience	26
MA. CONCEPCION P. ALFILER	
Globalization and Social Development: Capacity Building for Public-Private Collaboration for Public Service Delivery	55
AMARA PONGSAPICH	
Trade Liberalization and the Poor: A Framework for Poverty Reduction Policies with Special Reference to Some Asian Countries including India	76
SOMESH K. MATHUR	
Government and Basic Sector Engagement in Poverty Alleviation: Highlights of a Survey	118
VICTORIA A. BAUTISTA	
Private Sector Participation in Education Services	132
MALATHI SOMAIAH	
Enhancing Public-Private Sector Collaboration in Public Service Delivery: The Malaysian Perspective	142
VASANTHA DAISY RUTH CHARLES	
Public-Private Collaboration in Public Service Delivery: Hong Kong's Experience	149
JERMAIN T.M. LAM	

Gender Policies and Responses Towards Greater Women Empowerment in the Philippines	163
PROSERPINA DOMINGO TAPALES	
Modalities and Limiting Factors in Public-Private Collaboration In the Delivery of Social Services: A Case in Philippine Public Education	177
JOEL T. SAN LUIS	
Public Private Partnership in Policy Innovation and Implementation: Reflections on the Self-Assessment Scheme for Property Tax of The Bangalore Municipal Corporation	196
S. RAGHUNATH AND CHIRANJIB SEN	

FOREWORD

Partnership of the public sector with the private sector and civil society continue to be a critical vehicle in the attainment of growth and sustainable human development. The call for enhanced partnerships by the United Nations system and its development partners remained an essential component at all international conferences and global summits in the 1990s, including those on education, gender, the environment, children, social development and human settlements. This culminated in the adoption of the Millennium Declaration in 2000 and the promotion of the Millennium Development Goals. Since then, partnership initiatives have been reinvigorated and strengthened at all major international forums.

In an effort to improve the management of the public sector, public administration has recognized the value and virtue of partnerships among the various sectors, cooperating with different actors in the private and civil society sectors at the local, national, regional and global levels to galvanize experience, knowledge, skills and to utilize resources to effectively respond to public needs. Thus, partnerships constitute a major element in the process of giving new life to public administration.

While the role of public sector in the delivery of public service remains indispensable, it is now recognized that both the State and the private and civil sectors have their distinct and mutually respective spheres of interest and activities and that even in market economies. Each sector alone cannot be relied upon to deliver all developmental needs, especially the Millennium Development Goals, nor can it guarantee cost-effectiveness in the delivery of social services. Establishing a strategic framework and finding the right role within which the partnership is dedicated to the common goals of growth, quality, cost-effectiveness and equity are equally critical.

In this context, the United Nations Programme of Public Administration supported the Eastern Regional Organization for Public Administration (EROPA) in its 19th General Assembly and Conference on "Public Administration and Globalization: Challenges, Opportunities and Options," with a specific focus on enhancing public-private collaboration in public service delivery. This publication seeks to highlight the experiences of various states and institutions in bringing together state and market mechanisms to introduce new forms of producing and delivering public services which were traditionally delivered through purely state mechanisms.

It is my hope that this publication will contributed to the debate on and to the sharing of best practices in public-private collaboration for enhancing public service delivery. The United Nations system is committed to support national Governments in empowering public administration to play a vital role in strengthening and forging these partnerships to better respond to public needs and for the achievement of the Millennium Development Goals.



GUIDO BERTUCCI
Director

Division for Public Administration and Development Management
Department of Economic and Social Affairs

Pro-Poor Policy Processes and Institutions: A Political Economic Discussion

M. ADIL KHAN^{*}

Introduction

The paper argues that poverty reduction in any country is affected by the way public policies are formulated and, more importantly, by the processes that contribute to these policies, by the key actors of the process and indeed, by the world view and the vested interests these actors represent.

It is against this backdrop that the paper further argues that the public policy process concerning poverty begins with the way poverty is perceived, defined and prioritized in a society. The paper also suggests that it is the Western schools of thoughts on and approaches to “development” that mostly influence the strategies of poverty reduction. Furthermore, the geo-politics of the day also influence how “development” in general, and the strategy for poverty in particular, gets conceptualized, defined and implemented.

In addition, poverty at its conceptual level seems to get defined more by the symptoms rather than the causal relationships that contribute to the process. Viewing poverty from their causal relationships highlights issues that are often systemic in nature and are politically insightful. A radical priest in a Latin American country once made this comment in the mid-seventies: “when I give food to poor people, they say I am an angel. But when I ask why poor people do not have food, they say I am a communist.” Let us begin with the politics of defining poverty.

Poverty is defined in a variety of ways, but the traditional definition of poverty is based on income – those who live on less than \$1.00 a day are poor. Others have defined poverty in terms of non-income attributes as well. The definition of poverty and its perceived notion, especially at the policy level, is important for determining the size, the depth, the causes of, and, indeed, the solutions to poverty.

In 1988 in Philippines, the World Bank, using the income definition, estimated the incidence of poverty at 35 per cent. For the same year, the Social Weather Station, a non-government research institute that used the “self-perception evaluation

^{*} Chief, Socio-economic Governance and Management Branch, Division for Public Administration and Development Management, United Nations Department of Economic and Social Affairs (UNDESA), New York, USA (khan4@un.org). The paper represents the views of the author and not the United Nations. Further, the paper is a modified version of a presentation made by the author at the EROPA Meeting held during the 5-11 October 2003 in New Delhi, India. The author is grateful to Mr. Jay De Vera of UNDESA for his comments on the draft.

methodology" or the poor's perception of poverty that combine both income and non-income indicators, estimated the incidence at 48 per cent, even though the poverty line estimated by the poor themselves was less than that of the World Bank's in this survey. The survey revealed that while the poor regard income as important, they regarded non-income factors to be equally, if not more, important. In this survey, the poor put much higher weight on factors such as land tenure rights, access to employment, access to market, health, education, and protection from physical violence.

The differences in definition of poverty imply very different approaches to poverty reduction; most governments tend to target the symptoms and not the root causes of poverty. The latter strategy entails significant institutional reform and political empowerment of the poor. Thus, the tendency is to avoid the reform strategy of poverty reduction. It is now on record that most poverty alleviation initiatives of the eighties in Philippines that were implemented through unhelpful institutional arrangements failed badly, culminating into mass frustration, and, accompanied by other sources of resentments such as inequality, rampant corruption, etc., lead to the overthrow of the Marcos regime.

The non-income definition of poverty often relates to issues that are political economic in nature and exposes institutional arrangements that tend to expose elements of gross inequity. For example, a recent study in Bangladesh records "...that many criminal justice laws and practices are anti-poor, even though more than a third of Bangladeshis live in extreme poverty" (UNDP, Bangladesh 2005).

Public institutions, and the public sector entities that work as intermediaries between the government and the people and are responsible for the formulation and implementation of public policies and programs, are often not immune from the political economic environment of a country within which they function, and are rather part of it. Their form, shape and method of delivery of services, the nature and extent of their engagement with the poor (if any) and the policy-making processes, all of these originate from the existing political and governance configuration of a country. The poor's participation and representation of their interests in the policy process very much depends, on the one hand, on the quality and depth of democracy in a country and, on the other, the space given ordinary citizens to enter those decision-making processes. Further, exogenous factors such as donor preferences and their schools of thoughts on poverty and development also play important roles in shaping public policies and policy processes.

In addition, since the mid-eighties, globalization and liberalization have been creating new equations, and challenging and altering the existing institutional relationships in every country, not always to the benefit of the poor. A recently held seminar at the Columbia University of New York (CUNY) that summed up the discussions of a two-year long seminar series on human security concluded that globalization and liberalization, spearheaded by the coalition of Western industrial nations, the International Monetary Fund, the World Bank and World Trade Organization, are eroding the state's economic power. What is at risk, according to this seminar, is that a market-based value system is overtaking the value system based on social, economic and political rights of citizens – rich and poor, male and female.

Lately, the rise of civil society organizations and their movements, both nationally and internationally, has also created another kind of dynamic in the public policy

process. As a result of these developments, completely new standards, norms and actors are now appearing in the public policy domain. A great deal of uncertainty caused by contradictory demands has emerged, warranting a new look and a new approach to the public policy process.

In summary, donors and the Western academia and, more recently, globalization, liberalization, and the rise of civil society movements are altering the institutional structures of development and the public policy process. As is evident, most of these are externally driven. These impulses continue to shape the operational arrangements and the public policy process in a developing country in a significant way.

The following section presents a brief anthology of the most dominant development theories to indicate how these thoughts, mostly of Western origin, shaped development thinking, the institutional arrangements concerning development, and the processes and procedures that underpin public policy strategies. It is argued that the current thoughts on development and the policy processes that contribute to the formulation of these policies are in many ways a legacy of the past, especially the colonial past or, as some would argue, the neo-colonial present. However, what is also true is that an emerging non-governmental organization (NGO) movement and an assertive developing country intellectual dynamism are attempting to demystify these legacies and to make development more people-centered and pro-poor.

An Anthology of “Development”

The global experience of “development” over the last few decades has been mixed. It contains both good news as well as bad news, though according to some, more of the latter than the former especially after globalization (Stiglitz, 2002).

The good news is that, after nearly fifty years of development, child death rates have fallen by half—a child born today can expect to live longer; school enrolment in developing countries has doubled; adult literacy has increased from 48 per cent to 72 per cent; and, average per capita income tripled in the last fifty years. However, these positive results seem to have also been accompanied by some bad news.

The bad news is that there are 1.3 billion poor people, and that the number is increasing; there are 840 million malnourished children; more than 1 billion people do not have access to clean water; one in seven eligible primary school children is out of school; the number of least developed countries has risen over the last 30 years; and, alarmingly, inequality is on the rise both internationally as well as internally within many countries. In addition, in terms of human rights, there are now more ethnic and religious conflicts and exclusionary tendencies than ever before. It is this grim picture of stagnating and at times deepening poverty and inequity that has spurred a re-thinking about what should constitute the most suitable strategy, methodology, as well as institutional arrangements for the reduction of poverty. This effort has become a matter of great importance.

To determine exactly how and where this re-thinking has to take place, it is useful to chronologically review and discuss the various development theories and approaches and their relative impacts. It is expected that such a review will help in highlighting the links between these approaches, and the processes that were co-opted to implement

these approaches, and the actual results that accrued thereof.¹ It is argued here that, as far as poverty is concerned, the world view of the foreign experts and policy makers left an indelible mark both on the thinking as well as on the operational arrangements of the public institutions of most developing countries. In this regard, Meier (1984) argued, "...in seeking to formulate their analysis of the process of development and to draw policy inferences, the pioneers were subject to a number of background influences: experience with Soviet planning, national economic management during the Great Depression, war time mobilization of resources and the post-war Marshall Plan for the recovery of Western Europe." The Marxist school, however, argues that "...underdevelopment of the 'third world' is rooted in the fact that they were kept backward as colonial and semi-colonial appendages of the present advanced capitalist imperialist countries" (Desai, 1972).

Depending on the overall governance arrangements of a country, institutional arrangements for "development" and, for that matter, the overall governance of a country, can either be very participatory and pro-poor or can be quite predatory. The outcome depends on the political and economic conditions upon which these processes are organized, developed and operated. However, as stated earlier, the political economy of a developing society is not an isolated phenomenon. Rather, it is influenced by the colonial legacies, the dominant geo-political and market interests of the major economic and political entities of the world, and the internal power sharing arrangements that define the ruled and ruler equation of a developing country. Further, what is also significant is that more often than not the development theories and approaches that drive the so-called poverty reduction initiatives are hardly immune from the inter-twining nexus that exists between neo-imperialist designs of the metropolis and the geo-politics and market interests of the global capitalist entities.

In addition, the recent rise of civil society organizations and the global citizens' movements in various forms and shapes are also creating new dynamics in the development thinking of policy makers and are attempting to shape both the development agenda as well as the processes involved in the implementation of such an agenda. A framework of "engaged governance" seems to be on the rise in many countries.² Some also call it "participatory publics" (Wampler and Avritzer, 2004).³ Wampler and Avritzer demonstrated how in Brazil the aggressive participation of civil society in the body politic of the country "led to the creation of participatory, deliberative policy-making institutions."

¹ It is important to note that "poverty" as a serious subject of inquiry did not even enter the vocabulary of social science until about the mid-seventies. It was believed then that economic development would automatically lead to poverty reduction.

² The concept of "engaged governance" is being promoted by the United Nations Department of Economic and Social Affairs as a tool for good governance. "Engaged governance" is seen as a governance or a policy-making framework that allows citizen-government dialoguing for public policy. For more details, see Guthrie (2003).

³ By drawing on the recent Brazilian experience of civil society and public policy, Wampler and Arvitzer defined "participatory publics" as a form of "organized citizens seeking to overcome political exclusion through public deliberations, the promotion of accountability, and the implementation of their policy preferences."

Development Theories and Models: The Chronology of Models and Implications

As stated earlier, the early models of poverty reduction were not primarily the theories and models of poverty but of “development.” In these theories, poverty reduction was seen as an annexure of development – the so-called “trickle down” theory. It was only much later, and only after several experiences of failures with the dominant development theories and practices, that “poverty” started to emerge as a distinctly separate subject, demanding special intellectual discourse.

In a chronological order, these models and theories may be grouped into three categories or perspectives, as follows: (1) The Diffusionist Model (1950s to mid 70s); (2) The Basic-Needs Model (mid 70s to late 80s); and, (3) The Political-Economic or “Entitlement” Model (since the mid-eighties).

The “Diffusionist” Model

This was the dominant development model during the 1950s until the mid-1970s. What this theory basically propounded was that developing countries were poor because they were technologically, resource-wise, and culturally poor and backward. The solution was to export the technology, the capital, and even the norms and values of the developed countries to the developing countries. The theory was that these transfers would then automatically generate a process of upward transformation, lifting the developing countries from a state of underdevelopment to a state of development. In pursuance of this theory, most developing countries witnessed an inflow of second grade technologies, advisory services and some capital to promote “development.” Nyilas (1977) explained how the scheme worked. The diffusionist model perceived “development” and “underdevelopment” by means of a summary of certain typical features or factors that hindered development. These typical factors were then compared with the static features of the developed countries, together with a number of socio-economic indices. As a result of this comparison, features that appeared as pluses and minuses constituted the aggregate positives and negatives that defined “developed” and “underdeveloped,” respectively. Following Nyilas’ analysis, many referred to the diffusionist model as the “plus/minus” theory as it argued that the pluses of the developed countries (such as technology, resource, values and attitudes, etc.) were to be shared with and (some) transferred to the developing countries to compensate for their minuses. That transition would then automatically bring about development.

Records suggest that such a strategy did not work. Based on the centralist, or dirigisme, doctrine of state intervention, the diffusionist model of development relied heavily on three principles: production first and distribution next; change of cultures and values; and, the state to act as the main intervener in the transformation process. In this scenario, it was assumed that rapid industrialization was the answer to development and that, with the help of the West, industrialization would create a spiraling effect in the economies of the developing countries, spreading the benefits of development right across the board.

Most developing countries accepted this theory and jumped into the bandwagon of industrialization without much consideration to the market, the issues of complementarities (i.e., the agriculture-industry linkage), human capital, and local

institutions and traditions. The result was that many unsustainable industries, often with second grade technologies, were built and unsustainable products were produced at a very high cost. Many governments had to pay heavy subsidies to maintain these industries. Furthermore, these initiatives, undertaken within the framework of market restrictions, licensing and control, often contributed to patronage distribution, corruption, and other anomalies. These actions, for obvious reasons, also contributed to inefficient allocation of scarce resources, growth of rent-seeking behavior, and rising inequality in and stagnation of the economy. In the process, state exchequers were emptied without accruing much benefit to the people, though the agents of so-called "development" – the politicians, the military and the bureaucrats (the group that was directly involved in the awarding of the contracts) and the local and foreign contractors — seemed to have benefited quite handsomely from this arrangement. Bankrolled by the Western donors, the process also induced the rise of the state as an all-powerful entity with a self-serving bourgeoisie, a parasitic group of middlemen, and a so-called "comprador" group. In the patron-based exchange relationships, the state not only became all-powerful, but also in many instances resorted to unsavory methods to suppress the discontentment of its deprived citizens.

A concurrent global political phenomenon, the Cold War that prevailed at the time, although not developmentally oriented, nevertheless found the patron-client nexus of the diffusionist model a convenient vehicle for pursuing the respective political agenda of the two competing super powers, rendering the public policy environment and the policy-making processes of the developing countries highly elitist, if not alien. It was evident during this time that the two super powers competed with each other to secure the allegiance of the developing countries, especially of their ruling elites, irrespective of their governance characteristics. In this setting, the more authoritarian a developing country was, the better it was for the super powers. The super powers realized that it was much easier to manipulate and influence an authoritarian government than a popularly elected one (the accommodating Shah of Iran was better than the popularly elected Mussadeqh who wanted to nationalize the oil industry; similarly, the rightist and an authoritarian Pinochet a better alternative to the elected socialist Allende in Chile). It was obvious that, in this scenario, the poor had very little say in the public policy processes with the result that most public programs and policies of this time failed to address the issues of the poor, who became increasingly powerless and marginalized. Further, many argue that the present day endemic corruption and the culture of non-accountability that afflict many public institutions are nothing but a direct legacy of this unhelpful patron-client nexus in governance, entrenched by alliance building between the super powers and their authoritarian and unaccountable client states (Hutchcroft, 1991).

In summary, during this time many countries witnessed two emerging trends: firstly, rising inequality as the poor became poorer and the rich, richer; and secondly, an increasingly arrogant and insensitive public policy institution with little or no accountability. As a result, most public institutions and the public policy processes became reclusive, elitist and highly authoritarian, serving mostly the interests of the rich and the elite.

The Basic Needs Model

This perspective came into prominence during the mid-seventies. Pioneered by Robert McNamara of the World Bank and Mahbubul Haq, the Pakistani economist, this

perspective for the first time focused on human resources development as a key component of economic development. It argued that human capital was as important as financial capital for sustained economic growth and poverty reduction (Haq, 1970; Haq and Burki, 1980). It was also during this time that the issue of poverty started to find a place and legitimacy in the development literature.

This particular approach did bring about some benefits to the poor, but the overarching situation with the protective market and the “top-down” nature of public administration continued to stifle economic growth and restrict equitable access to public goods and services. Undermined by unequal power relationships and unhelpful institutional arrangements, the welfare agenda of the basic-needs approach remained largely unmet. During this time, a great deal of attention was also paid to the rural sector, which was followed with the modernization of agriculture through a package of technological and extension interventions. Packaged as the seed-fertilizer-credit technology, the famous “green revolution,” when implemented without land and democratic reforms, produced mixed results. In many cases, the initiative witnessed a deepening of poverty and a rise of inequality in the rural sector (Heaven, 1989; Osmani and Rahman, 1981).

Because of inefficiency and lack of accountability in the public sector, the delivery of basic needs in health, education and shelter to the poor was also poorly carried out (BRAC, 1981). Many poor people either remained outside the scope of these services or received services that were of low quality. Numerous studies suggest that, with few exceptions, public sector initiatives in health and education experienced high costs with low returns. In some cases, the benefits were simply skimmed off in favor of the less poor. This situation continued until about the early to mid-eighties.

Since the mid-eighties, the NGO movement has been gaining strength. Enriched with their own practical experience in poverty and disillusioned with government approaches and failures, NGOs consistently sought alternative options to poverty reduction and radical reform of the public sector (Tandon, 1992).

Intellectual work based on cross-cultural studies provided legitimacy to and evidence for the NGO claims (Chambers, 1995; Blair, 1978). In addition, during the early eighties, the donor community, especially multilateral agencies such as the World Bank, also became alert to the rising discontent directed against these experiments with development. In many cases, donors were blamed for the worsening situation of poverty and, indeed, the environment.

The collapse of the Soviet Union eased the tensions associated with the Cold War. This was also the time when the globalization and liberalization school became particularly active, prompting new thoughts and ideas concerning development to arise. At the political level, this was the time when every country witnessed a movement toward democracy. Heralded as the new paradigm in development thinking, a body of research work started to look at the relationships between globalization, liberalization, the state, and poverty. During this time several research findings and the seemingly new opportunities created by globalization and liberalization highlighted a significant lesson – sustained economic growth complemented by pro-poor institutional reforms are key to economic development and poverty reduction.

During this phase, the characteristics of public institutions also started to experience some changes, and these, in one way or another, started to focus more on people, though only from the supply-side. The result has been a configuration of an institutional framework that continued to act “on behalf” of the people and not so much “with the people.” This meant that many development activities continued to remain irrelevant, with little or no benefit to the poor.

Political Economic or “Entitlement” Model

This model argues that the poor are poor because the existing institutions disadvantage them.⁴ It further argues that the poor are very capable and, indeed, are very keen to change their lives, but the institutions that govern their existence function against their interests. This school asserts that the legal system, land tenure arrangements, the financial systems, etc. have evolved in societies to serve the interest of the haves and not of the have-nots. It also argues that these are the systems that put constraints on the poor in the exercise of their free choices, thereby impeding their (poor’s) ability to make progress.

Two important researches and the experience of an important action-research program demonstrated how institutions remained at the core of the debate on poverty. By following the political economic perspective, Robert Chambers (1983), through his seminal work, “Putting Last First,” argued that the poor were poor because they were caught in a “deprivation trap” and that the elements of deprivation, namely, vulnerability, powerlessness, poverty, remoteness, etc. were inter-linked and institution-related and keep the poor in poverty in a self-perpetuating way. To overcome the malaise, according to him, is to bring about fundamental changes to the existing institutions, especially those that relate to the powerlessness of the poor— the access to resources, the access to the decision-making processes of the state, etc. Similarly during this period, Nobel Laureate Amartya Sen (1981) argued that even during times of famine, the poor were hungry not because there were shortages of food but because the poor lacked what he called “entitlements” to food, meaning they lacked the purchasing power to acquire food. Citing examples of the Bengal famine of 1940 where several thousands died of starvation, Sen stated that during the famine, the supply of food was never a problem. People were dying of hunger right in front of the warehouses where plenty of food were kept in storage. The reason the poor died of hunger was because they could not gain access to food due to their lack of capacity to buy it. This simple but seminal work of Sen sent a very powerful message – to alleviate poverty or to save the poor from hunger, more emphasis should be given to the issue of empowering the poor with income opportunities. In other words, one has to shift the attention of development from the supply side to the demand side. The “entitlement theory of development,” by implication, prescribes development strategies that can enhance the “entitlements to livelihood” through the creation of income earning opportunities, and not by giving handouts to the poor as seemed to have been the practice until recently.

In the early eighties, an action-research program, the now famous Grameen experiment in micro credit by Prof. Yunus of Bangladesh – a country known at the time

⁴ Taking the example from the credit sector, Prof. Mohammed Yunus of Grameen Bank argues that one reason the poor are poor is because they do not have access to resources. He cites the example of the existing banking system, which does not lend money to the poor without collateral, yet “the poor need money more than anyone else to participate in productive activities. But in our banking system the poor are denied access to credit, the rich gets money so that they can become richer.”

as Kissinger's famous basket case—aptly demonstrated how the existing institutions were either not equipped or were inadequate to address the issues of the poor. He then showed how an institution designed to serve the interests of the poor by giving them access to collateral-free credit could radically transform their lives. The Grameen is a good example of how institutional reform designed specifically to address the element of “entitlement” can confront the issue of poverty in the most effective and convincing manner.⁵ Millions all over the world now benefit from Grameen or Grameen-type micro-credit initiatives.

The success with micro-credit has prompted practitioners to explore a whole variety of other initiatives that may help mainstream the poor into the processes that are vital for poverty reduction. These include decentralization (to include the community and the poor in decision-making processes), “people budgeting” (to include the concerns of the poor in the budgeting process),⁶ pro-poor macro-economic policy processes (to incorporate citizens' views in macro-economic policy-making), and, in some cases, introduction of what has come to be known as the concept of “engaged governance” (bringing people to the government and government to the people).

The key issue about creating pro-poor institutions is that they help to empower the poor. The political economic or “entitlement” school argues that once the poor are empowered through an enabling institutional set up, they all get energized and participate in the opportunities created, bringing changes to their lives on their own. This has been the lesson of Grameen and similar pro-poor institutions elsewhere.

Poor's Typology

Looking at these three models from another angle presents an interesting insight. For example, the diffusionist model, which is predicated on the basic assumption of superior/inferior theory – the poor countries are poor because their resources, technology and even the culture are poor and inferior and therefore, the way to change is to transfer superior technology, resources and culture from the richer to the poorer countries—is no doubt a very demeaning if not a very debilitating way of looking at development. If one were to look at this theory from a poor country's or a poor man's perspective, one could almost sense an attitude of contempt in the treatment of the poor by the developed countries, including their protagonists of development. From the poor's perspective, therefore, the diffusionist model of development can also be termed as a contempt model of development as it tends to treat the poor with contempt rather than with respect. It is little wonder then that the diffusionist model experienced such meager success. In the face of an arrogant and contemptuous attitude with which the model was administered, it ended up enjoying low credibility with the very people it purported to benefit.

The basic-needs model that emphasized the aspects of human resource development recognized people not only as the “target” of development but as a resource as well. Its mixed results were due to the fact that it was implemented within

⁵ Yunus also argues that credit for the poor should not merely be seen as an important tool for development but a fundamental right of the poor.

⁶ A recently organized Expert Group Meeting by the United Nations Department of Economic and Social Affairs demonstrated that several countries, both developed as well as developing, are adopting participatory or pro-poor budgeting processes.

unequal power relationships and elitist institutional arrangements. However, as the model looked far kinder on people than the previous model and as it recognized the importance of people as the main beneficiaries of development, looking at it from the poor man's perspective, it can be regarded as a compassionate model. No doubt, compassion rather than institutional expediency formed the cornerstone of this model.

The third model, the entitlement model, is likely to be perceived by the poor as an empowerment model in that it recognizes the poor not only as the target of development but also as a resource. It ascribes the causes of the poor people's backwardness not to the degrading conditions of poverty in which they live but to the institutional arrangements that keep them in those conditions.

Pro-Poor Institutional Reform and Citizen Engagements

It is evident from the above analysis that institutional reform forms the core of the entitlement model as it advocates giving the poor access to opportunities so that they can work out their own livelihood options. It is with this backdrop that the search for poverty reduction strategies through institutional reform got currency since the mid-eighties. However, it is also important to note that the challenges of institutional reform, in the present day developing world, not only concerns the internal factors that affect national institutions but also the international forces that emanate from globalization, liberalization and "corporatization," forces that impact on national economies. These latter factors have brought about a whole set of new thinking in development management. The challenge here is how to manage globalization and liberalization, and encourage increased private sector involvement without sacrificing the core values of a state – the aspects of social and economic equity, justice, and environmental sustainability. In this equation, the role of civil societies and NGOs cannot be overemphasized. What role do civil societies, the NGOs and other forms of citizen participation have in making public policies and its processes more pro-poor? How does one legitimize citizen-government dialoguing in policy-making in democracies?

In recent times, many countries took it upon themselves to transform their political structures from one that was authoritarian to one that is democratic. However, the so-called "democratization" process did not always yield the desired results. In a multi-party electoral arrangement where a vast number of people continue to remain poor and illiterate and are ethnically or otherwise marginalized, the aspect of equal, educated and participatory democracy without intimidation remains a challenge. In some countries, such as those in Africa which are ethnically diverse and where tribal loyalty overrides secular choice, the practice of a multi-party system simply meant the rise of inter-tribal rivalry and the polarization of societies. Many argue that the fixed support base provided by tribal loyalty often acts as a disincentive for change and, what is worse, a license for indulgence and abuse by the ruling party.

In a number of countries, electoral populism, combined with the acts of electoral manipulation (either by intimidation or through patronage distribution), distort free and fair voter choice and the election outcomes, often at the cost of the disadvantaged and the poor. Again, once elected through these biased processes, the so-called "elected representatives," especially those who form the governments, tend to monopolize the state institutions and use them to secure their own interests through a variety of legislative and administrative means. Sadly, these are done in the name of "democracy." Fareed Zakaria, the international editor of Newsweek, refers to this sort of democracy as

"illiberal democracy." According to him, in these situations democracy simply exists in form and not in content, and does little to protect the rights of the people. In fact, what he says is that, in this arrangement, what one witnesses in the name of democracy is "nothing more than rotating plundering governments" (Zakaria, 2004). In this regard, the concluding observation at the recently held Human Security Seminar at the Columbia University of New York (13 May 2004) is also quite revealing. According to seminar participants, democracy is gaining new meaning under globalization and liberalization. They argued that, as globalization and liberalization is underpinned by a market economy in which the focus is on profits, efficiency and consumption, democracy in this situation is nothing but a mechanism to get people to buy into a value system focused on maximizing financial returns, with the result that it ("democracy") can be manipulated by "buying" power, by interest groups allied with capital.

In many countries, therefore, the situation of mass illiteracy, poverty, powerlessness, etc., on the one hand, and the "market orientation" of the electoral governance (the more-money-you-spend-the-more-votes-you-get syndrome), on the other, seem to contribute to the monopolization of state offices and state privileges by a select few. Others also argue that under globalizing conditions, "democracy has become a euphemism for neo-liberal capitalism" (Roy, 2003).

Roy (2003) argues that, increasingly, the rise of corporate capitalism is undermining the institution of democracy and fair play even in some developed countries. She states, "Politicians, media barons, judges, powerful corporate lobbies and government officials are involved in an elaborate underhand configuration that completely undermines the liberal arrangements of checks and balances between the constitution, courts of law, parliament, the administration and perhaps, most important of all, the media that forms the structural basis of a parliamentary democracy."

The Challenges Ahead

As is evident, the twenty-first century has presented every state with a whole set of new challenges, especially those in developing countries. Some of these challenges are even contradictory. For example, globalization and market orientation have no doubt yielded some good results, but, in many cases, the rise of corporate hegemony is starting to dislodge some of these gains and, more seriously, challenging the very foundation, if not the ethos, of a state. Democratization of countries has been good but democracy practiced within unequal power relations and especially within the emerging coalition of capital represented by the corporate interest and their local partners at the country level seems to be putting at risk the principles of equity, justice and fairness – the core values that every state strives for.

Faced with these dilemmas, what is at stake is how a state can continue to preserve its core values without compromising the impetus of economic growth. On the one hand, the state is shrinking and has become more vulnerable; on the other, its responsibilities seem to be increasing. Is it possible to reform the system from within? What should be done to make the policy processes and the institutions associated with these processes more pro-poor?

The key challenges that every state faces these days are the following:

While in every country the demands are increasing, the resources to meet these demands seem to be decreasing. In this situation, the challenge is how to do more with less.

Secondly, globalization and liberalization has in many cases created a bigger space for the market and shrunk the size and the functions of government. Yet government's responsibilities vis-à-vis poverty is increasing. Here the challenge is, how can the state increase its governance (especially pro-poor governance) without increasing its size and scope of control?

Thirdly, due to globalization and market orientation, a new challenge of corporate domination is attempting to sideline the issues of equity and environmental sustainability. Here again the challenge is how to maintain the impetus of private sector-led growth without compromising the issues of social equity and environmental sustainability.

Finally, while democracy, practiced through the existing electoral norms, provides a practical framework for securing peoples' representation in governance, in some cases the inequity in electoral governance distorts the outcomes of elections and limit broad-based participation, especially that of the poor and the disadvantaged. Here, notwithstanding the need for electoral reform itself, the challenge is how to improve broader engagement of citizens in the policy processes of the government without weakening the institutions of representational democracy.

There are no easy answers to any of these questions although institutional reforms remain the goal of all pro-poor initiatives. For example, the way one can "do more with less" is, on the one hand, to make every effort to mobilize domestic resources through better tax administration and to maximize returns on invested resources and, on the other, to increase savings by increasing the cost-effectiveness of public expenditure and by limiting waste. To achieve these goals the tax administration has to be made more transparent and equitable and, at the same time, to improve its planning and monitoring capacities to ensure that the resources are allocated and spent more judiciously. Again, to achieve the latter and especially to make the process more pro-poor, one would need to make it more people-based and to take it beyond the realm of public administration to include the citizenry in the planning, budgeting and monitoring processes. Some countries have already done that and seem to be achieving positive results (Khan, 1996).

In recent times, the city of Bangalore has introduced a system called citizens' scorecard, which allows the citizens to rate the performance of public sector agencies. This practice, which has been in place for a few years now, seems to have had tremendous impacts in helping to make service delivery of public institutions more pro-people by improving the quality of the service delivery and public accountability.

Many countries, through a process of decentralization and devolution, and through broad-based engagements, are moving increasingly to a culture of 'engaged governance,' i.e., government/citizen dialoguing for public policy. For example, Thailand has undertaken major constitutional reforms to engage the community in the state planning and monitoring processes. In Sri Lanka, the government has included in its

major decision-making processes representatives of the private sector and civil society organizations.

Similarly, in recent times, the South Asian civil society organizations networked together and formed the South Asian Center for Policy Studies (SACEPS). They are making efforts to develop what they call citizens' perspectives on policy processes. UNDESA has provided support to this initiative and helped launch the South Asian Citizens' Social Charter in Colombo, Sri Lanka in February 2003. UNDESA will continue to help the dialoguing and advocacy process to incorporate citizens' views in the South Asian social development policy process.

In addition to improving the policy-making processes through "engaged governance," steps are also needed to introduce specific analytical tools to ensure social orientation to growth. In recent times, UNDESA introduced, on a pilot basis, the techniques of social assessment in selected countries for application of this tool in the planning process. However, in the process of introducing these tools, what also became clear is that tools and techniques alone will not make any significant change unless the policy process itself is made genuinely participatory.

The transition to "engaged governance" will not be easy to achieve. Greater engagement by civil society organizations, and here the initiative must come from the CSOs themselves, will help in advancing this agenda. Wampler and Avritzer (2004) have shown how this has been successfully done in Brazil, a development that transformed a highly elitist governance system to a more engaging and participatory one.

The recent initiatives taken by the South Asian civil society organizations, the Thai constitutional reform, and the Brazilian experiments with what they call "participatory publics" underscore the viability of pro-poor institutional change and indicate the potential for achieving these changes through aggressive advocacy and partnership building. However, Wampler and Avritzer point out that in Brazil, the capture by left-leaning political parties of government, both at the center and at the local administrative levels, also helped the rise of government-citizen engagements in governance.

Citizen participation in every aspect of the national decision-making process is not only a sine qua non for pro-poor policy but also gives citizens an empowered sense of citizenship. It has been argued that "The liberal conception of autonomous citizen, the communitarian conception of freely cooperating citizen, and the egalitarian conception of equal citizen are all founded on the proposition that the good political life emerges only from the positive, active decision of equally choosing human beings..." (Green, 1985).

It is important that these emerging models of "engaged governance" are studied more carefully, and lessons learnt shared more widely. Finally, public institutions and their decision-making processes can become truly public and pro-poor when these are hosted in a governance framework that allows broader and wider space for citizens into deliberative processes and, most importantly, become the norm for governance. It will not be easy to establish such a people-centered process, especially in an alien governance environment where neither the constitution nor the legal system of a country creates space for and provides legal support to citizen participation. What is, therefore, crucial is that civil society organizations and the NGO community both within and outside the country form alliances and aggressively pursue the agenda of a pro-poor

policy not only as a product but also as a process where citizens are allowed legal entry to voice their concerns. This may require the re-making of democracy through the establishment of a culture that Fareed Zakaria refers to as "participatory democracy."

A culture of participatory democracy does not replace representative democracy but complements it. By empowering people to participate more directly into all the key decision-making processes, including the budget process, the state may in fact gain more legitimacy and be in a stronger position to tackle the vexing and sometimes contradictory issues of growth and poverty more sensitively and sensibly.

Bibliography

- Blair, H.W.
1978 "Rural Development, Class Structure and Bureaucracy in Bangladesh," *World Development*, 6(1), January.
- BRAC
1991 A Tale of Two Wings: Health and Family Planning Programme in an Upazila in Northern Bangladesh. Rural Studies Series. BRAC Publication: Dhaka, Bangladesh.
- Chambers, R.
1995 Poverty and Livelihoods: Whose Reality Counts? A Policy Paper Commissioned by UNDP for the 1995 World Summit for Social Development, Copenhagen.
1983 *Rural Development: Putting the Last First*. Longman: London.
- Desai, A. R. ed.
1972 *Essays on Modernisation of Underdeveloped Societies*. Vol 1. Humanities Press: New York.
- Green, M.
1985 *Retrieving Democracy: In Search of Civic Equality*. Methuen: London.
- Guthrie, D.
2003 "Engaged Governance: An Institutional Approach to Government-Community Engagement." Paper presented at the UNDESA Interregional Workshop on "Engaged Governance," Colombo, Sri Lanka, 9-11 December.
- Haq, M.
1976 *Poverty Curtain: Choice for the Third World*. Columbia University Press: New York.
- Huq, M. and Burki, J.
1980 *Meeting Basic Needs: An Overview*. The World Bank: Washington.
- Hutchcroft, P. D.
1991 "Oligarchs and Cronies in Philippine State: The Politics of Patrimonial Plunder," *World Politics*, 43(3): 414-450.
- Heaven, R.
1989 *Bureaucratic Politics and Incentives in the Management of Rural Development*. World Bank Staff Working Paper No. 537. World Bank: Washington.

- Khan, M. Adil
1996 *Economic Development, Poverty Alleviation and Governance: The Asian Experience*. Avebury: UK.
- Meir, G. M. and Seers, D.
1984 *Pioneers in Development*. A World Bank Publication, Oxford University Press: Washington.
- Nyilas, J.
1977 *Theory and Practice of Development in the Third World*. Akademiai: Budapest.
- Osmani, S. R. and Rahman, A.
1981 *A Study in Income Distribution in Bangladesh*. BIDS: Dhaka, Bangladesh.
- Paul, S.
2002 *Holding the State to Account: Citizen Monitoring in Action. Books for Change*. Bangalore, India.
- Roy, A.
2003 "Instant-Mix Imperial Democracy: Buy One Get One Free." A presentation at the City Riverside Church: New York on May 13, 2003. The lecture was sponsored by the Centre for Economic and Social Rights. New York.
- Stiglitz, J.
2002 *Globalization and its Dissent*. Norton: New York.
- Tandon, R.
1992 "Civil Society is the First Sector," *Development Journal of the Society for International Development*, Vol 3. Rome.
- UNDP, Bangladesh
2004 *UNDP Newsletter*. Spring Issue. UNDP: Dhaka, Bangladesh.
- Wampler, B. and Avritzer, L.
2004 "Participatory Publics: Civil Society and New Institutions in Democratic Republic of Brazil," *Comparative Politics*. Forthcoming.
- Zakaria, F.
2004 *The Future of Freedom. Illiberal Democracy at Home and Abroad*. Norton: New York.

The Dilemma of Governance in Latin America

JOSE GPE. VARGAS HERNANDEZ*

The last decades of the 20th century have seen the institutions of governance in Latin American countries affected by small macroeconomic achievements and reduced economic growth, and the development of an extremely fragile democracy. The implanting of the new model of neoliberal state consolidation has come at a high cost, and has not produced either the expected strengthening in the political, economic and social spheres, or the expected gains in efficiency, equity and freedom. This so-called economic liberalization has generated institutional instability in the structure and functions of the state, limiting the reach of democracy and legality, and ensuring that the effects of the associated managerial orientation that has transformed public administration are largely negative. Looking forward into the 21st century, a pessimistic prediction is that these tendencies will continue producing similar unstable mixes of democratic populism and oligarchic pragmatism. More optimistically, the Latin American states may come to see that genuine social development is necessary for sustained economic growth, and introduce policies to achieve that outcome.

Some Measures of Economic, Social and Political Malfunctioning

The globalization processes surprised Latin American countries because they did not have the political-economic mechanisms and the necessary institutions to assimilate its effects in such a way as to achieve social justice in the distribution of the wealth that was created. The challenges posed for Latin America by globalization require a further revision of the romantic utopias that came first with the Bolivarian independence of the early 1800s and subsequently with several popular revolutions in various parts of the region.

Whatever its benefits, globalization clearly has perverse effects. The 100 biggest transnational companies now control 70% of world trade, although a significant relationship does not exist between the growth of world trade and world gross product. The volume of the financial economy is 50 times more than that of the real economy. Most significantly for present purposes, the market value of the 1000 biggest companies (\$US23,942,986 million) is equivalent to 11.8 times the gross internal product of all the Latin American countries, and the market value of General Electric alone (\$US520,250 million) is equivalent to the gross internal product of Mexico. Any one of the twenty-three most powerful multinationals has superior sales to what Mexico exports. Again, the value of 9,240 commercial coalitions and acquisitions throughout the world in 1999 reached \$US2,963,000 million, compared with the annual gross internal product of all

* Centro Universitario del Sur, Universidad de Guadalajara, Mexico.

the countries of Latin America and the Caribbean calculated by the World Bank to be \$US1,769,000 million.¹

A brief survey by Lazcano (2000: 12-20) of the impact of globalization on the pattern of development in Latin American countries identifies several other outcomes:

- * economic dependence on external market forces, particularly the United States and the European Union, has deepened;
- * financial crises, devaluations and bank rescues have concentrated the wealth in less than 10% of the population;
- * economic growth has slowed, productive plant has been destroyed, and underemployment and unemployment have increased;
- * the northwards flow of Mexican (and other Latin American) workers (i.e., to the United States) has increased;
- * privileges have been granted to foreign capital in relation to the financial system and the servicing of the external and internal debt;
- * economic integration has been outwards as the internal economy has disintegrated;
- * the possibility of a sustainable development pattern and the range of options in economic policy-making have been reduced.

In all these ways the social fabric of Latin American countries has been disrupted, the income of the general population reduced, local wealth transferred out of the region, poverty levels expanded, and indigenous inhabitants excluded from the social pact.

Key Challenges for the Future?

The role of the state and of the public sector, which most directly supports and serves that role, is central to each of the three big challenges Latin America faces as it enters the new millennium. These challenges affect the economic, the social and the political spheres respectively, although of course there are many connections between them. The first is to achieve sustainable economic growth within the market economy; the second, to achieve fair and equal distribution of available income; and the third, to remove the obstacles that block development of state institutions that will allow a higher degree of democratic participation in governance.

¹ Not surprisingly these relativities, being so unfavorable to Latin America, have attracted a large literature in that region. These comparisons are drawn from Barros, 2000; Brito, 1999; Castillo and Romero, 1990; Contreras, 2000; Cason and Brooks, 1999; Daniels, 2000; Enriques Cabot, 2000; González Amador, 2000; Peón Solís, 1999; Rugman and Hodgetts, 1997: 44-45. See also EFTA, 1995.

Economic Policy and Social Development

Sadly, it seems that the implementation of policies that reduce social inequalities conflicts with the logic of capital accumulation. Thus the privatization of public enterprises and the associated destruction of productive chains have together resulted in a growth of unemployment and an increase in the number of people below the poverty line. The lack of appropriate employment opportunities is one of the main concerns of Latin Americans at the turn of the century (Duryea and Székely, 1998). Not enough employment is generated, and only a few individuals have access to well remunerated work.

The economic cycles of Latin America in the 1990s have allowed an average growth rate of 3.2 per cent that has achieved little for the poorest sections of the population. The growth rate has slowed in the last few years, and this is likely to continue into the new century due to the pressures of globalization as described above. Financial crises continue, making it difficult to maintain macroeconomic stability. These negative results widen social dissatisfaction and lead to social protests demonstrating broad dissent against the newly adopted economic policies

The inability of governments to overcome such problems points to the lack of appropriate governance arrangements. In some areas, the rule of government is virtually absent and chaotic situations have arisen marked by mass illegality and barbarism. Governance, in terms of the capacity of the state to solve the problems of society, is reduced to arrangements among different political-elite groups.

Poverty and inequality are of course not new in Latin America, and their earlier manifestations have been explained as the result of a pattern of Iberian colonization (Pinto and Di Filipino, 1979). While this does not explain why the former colonies of the British, French and others in the Caribbean and Latin America also have much poverty, Yañez (2000) discerns an Iberian institutional plot that favored the formation of economies with high transaction costs, ill-defined property rights and incomplete markets where inequality and exclusion are the norm. As former Spanish President Felipe González put it, the first challenge for the prevailing Latin American economic pattern is to put an end to poverty, the continued existence of which tears apart the neoliberal economic model (Sosa Flores, 2000).

It is broadly acknowledged by academics and intellectuals that the Latin American social structure is a "pigmentocracy" whose peak is represented by the direct descendants of the Spanish aristocrats, of tall stature and clear skin, well-educated and owners of the production factors of land and capital. At its base are placed the direct descendants of the indigenous population, lower in stature and with dark skin. Between these two strata is the big band of mestizos or mixed-bloods. The Spanish settlers used military force and the powers of the state to assure their economic and political dominance over the lower-strata majority (Chua, 1998).

The persistence of this social stratification until the present time is one of the causes of social exclusion, and it constitutes a serious problem for good governance; the dominant social stratum owns the major corporations and the main means of production. However, the market is not the source of this group's dominance, and so the new competitive atmosphere of globalization could be its tomb. Equally, "marketization"

can open up opportunities for the disadvantaged groups that previously had no opportunity to participate actively in the economy.

Globalization certainly imposes pressures, but many of the sources of poverty are internal to Latin American society: lack of knowledge, education and science; lack of capital equipment of all types; lack of incentives for individual action (except for those in big government or big corporations); lack of institutions that protect people's lives and their property; the general absence of the "rule of law;" and, the presence of often predatory governments. Public policies are needed to address all these issues.

Latin American countries require with urgency and with anguish a new development paradigm, and it is most likely to come by means of alliances among public and private sectors. Positive government is essential, but the companies that have benefited from privatization must participate in full measure. This new paradigm should allow and measure increments in wealth that are not disassociated from measures of monetary growth, population growth and debt. The systems and practices that fail in the current hegemonic paradigm point the way to eventual change and the institution of the new paradigm.

The low efficiency of public administration in the social arena in the last two decades must be overcome. While priority was given to macroeconomic reform, social expenditure did rise by almost 25 per cent—but the return on that investment was very low due to diverse factors such as corruption. Investment in human capital through attention to the education and health systems has provided only temporary relief because it has not been appropriately institutionalized; throughout Latin America the real expense per capita in education and health in 1995 hardly reached the levels of 1980, because there were no increments in the per capita income (Ocampo, 1998: 34). The "welfare state" was never deeply entrenched in any Latin American country, and what little of it there was is being dismantled. Existing programs to combat poverty offer only a temporary palliative through the provision of social security nets; they are focused on the consequences of poverty and not its causes.

All this must be changed. The proposal of Attanasio and Székely (1999) for a dynamic attack on poverty involves abandoning the focus on the family income and its distribution. The focus must instead be on the access of the poor to property, on the better use of asset-generating revenues, and on the accumulation and use of those assets to generate income-earning production. These investigators argue convincingly that the process of human capital formation is decisive for the development of Latin America and for the elimination of its poverty.

Participation and Democratic Governance

The demand for democratic participation in Latin American countries is at the same time a demand for transparent public administration. In its attempt to move away from authoritarian government, it represents a search for a way of providing the new development model with a genuine social identity.

The monetarist and neoliberal economic policies that have driven the changes to the Latin American state over the last two decades raise expectations that those changes will make the state more efficient and more effective. They have certainly made

it smaller and thinner; and the globalization processes they are associated with have reduced its sovereignty. That is the external assault; it is also being attacked from within by the economic and political malfunctioning that results. The fact is that, despite the efforts to democratize, most of these states continue to be strongly centralized, their governments permeated by anti-democratic traditions and controlled by the political elites that perpetuate existing relationships and the socio-economic and regional inequalities (Schonwalder, 1997). In an atmosphere of "neopatrimonial" clienteles, these political elites benefit from the economic inefficiency. This situation is aided by the disconnection between the budgeting, planning and procurement systems that govern the application of financial resources—high levels of technocracy operate here—and the evaluation of results; the latter already shows up many limitations and deficiencies, but the evaluation process is still in its infancy. All this must change too if there is to be genuine political and social reform.

There has been some reform of electoral processes. More than that is needed in the new century. The legitimacy of government requires that the reformers must enhance the democratic participation of citizens in the processes of government itself. They must be enabled to exercise their rights as citizens, to inspect and criticize the public function, and to participate in the design of policies and programs affecting their communities. Norms of reciprocity between governments and citizens must be established, such as those envisaged in Putnam's (1993a, 1993b, 1993c) nomination of institutions to develop social capital—nets of civic commitment—neighborhood associations, cooperatives, sports clubs and mass political parties.

Even as their capacities to make these changes have been diminished by two decades of neoliberalism, Latin American governments are being required to alleviate the imbalances caused by the market, to deepen the processes of economic restructuring and to redefine property relationships (Adelman, 1998). The processes of transition to democracy have had some successes. Democracy was restored where it had been eliminated, as for example in Argentina, Brazil and Guatemala, and has been deepened where certain democratic manifestations already existed, as in Colombia, Costa Rica, Mexico, the Dominican Republic and Venezuela. However, the advance and consolidation of Latin American democracy will occur only when it is thoroughly thought through and implemented as a regional strategy of development.

One significant analysis (Cavarozzi, 1992) leads to the conclusion that the dominant theoretical perspective during this period saw the installation and consolidation of the institutions of political democracy as an isolated process separate from the main causes and effects of the transition that was taking place. This analysis suggests that what is now needed is to move consciousness of this political reform to central stage so that authoritarian management systems are aborted and a new web of political-social and economic relationships constructed. The democratizing wave must not be allowed to be blunted by recurring economic crises.

This will involve recognition that the capacities of the state have been weakened to such a degree that the military forces are presently increasing their activities to provide emergency services, and that this tendency must be reversed before provision of the full range of assistance programs required for civil society can make headway (Franck, 1999). The military forces have been called in, or they have themselves volunteered, not only to control the explosive violence but also to fill the vacuum left by the weakening of the traditional state. The economic elites must be brought to support

instead participatory democracy, which they too often perceive as a threat to their own interests.

The main challenge is to make the state responsible to the society, the social groups and the citizenry in general. The society will support a government that attends to its needs, but it will oppose an unresponsive government and even rebel if these needs are not satisfied. The globalization processes that have weakened the Latin American state in their pursuit of modernization must be turned around to support social development. They must understand that the political and civil conscience of those who suffer the effects of the application of regressive economic policies will seek to find refuge in the territorial base of democracy, and that these people need to be assisted to develop their own autonomy and promote actions of self-management (Almeyra, 1999)

Into the 21st Century: The Dilemma of Governance in Latin America

The low level of governance in Latin America has its antecedents in the weaknesses of the economic, social, cultural and educational policies that existed despite the past strong presence of the authoritarian state and its governing institutions. Sadly, as we have seen, the new economic policies associated with the neoliberal transition of the late 20th century, which weakened that state, did nothing to remove these governance deficits.

What is now required is to develop a critical appreciation that the prevailing international economic system, which mortgages the future of big sections of the population, needs to change. Latin America cannot effect this change alone, but it can exert much more pressure on the levers that have designed and presently perpetuate that system if it now begins consciously to reform its governance along the lines indicated here. The centre of this debate on governance involves questioning the global economic pattern implemented in the last two decades that has given dominance to the market, and recognizing the imperative need to correct the social imbalances it has generated.

Quality governance certainly favors economic growth, but it also demands sustained social development. Economic development needs to be seen as a step towards a higher level of life, to be taken in the shortest possible time and at the smallest possible cost. It is thus a means, not an end in itself. If it has any validity as a process, it must be accompanied by social development, which involves better distribution of income. More generally, it involves an increase in the good of mankind, facilitating constructive coexistence of each member of the population with every other member. The imperatives are participation in community activities and the mutual help that insists on the validity of law and the democratic way of life. To achieve these standards, the horizons of education and culture must be opened and enlarged (Servitje, 1999). In these terms, the results obtained in Latin America over the last 20 years must be seen as very disappointing, and they point clearly to what needs to be done to improve standards of governance in the future.

There are many governance weaknesses to be overcome. Why were public and private investments in Mexico in 1996 less than the annual levels of the 1970s and 1980s? A serious study of the Mexican case (Glen and Sumlinski, 1998; Standard and

Poor's, 1997) points to several main problems: official and private corruption; the traffic of influence; the corruption and inefficiency of judicial organs; the influence of drug cartels; deficiencies in internal security in the form of guerilla groups operating in rural areas; and, violence in the big cities. Another study (Brunetti, Kisunko and Weder, 1998a), based on a survey of private sector views of the governments of Central American states (including Mexico, Costa Rica and Jamaica), sought to evaluate the institutional quality of the various countries and located significant obstacles to business opportunity in the rate of crime and robbery, inadequate infrastructure, inflation, corruption and poor financing. All this points to a high degree of risk associated with a government's capacity to establish macroeconomic stability (cf Malvin, 1985; also Brunetti, Kisunko and Weder, 1998a). Removing sociopolitical uncertainty must be an important component of all efforts to reduce the burden of these existing problems, and central to that cause must be the strengthening of education and health programs and basic social services to support the reduction of poverty. Such policies are essential to modify the economic environment so that a diverse range of individuals will be able to take advantage of opportunities to behave entrepreneurially and contribute broadly to the combined objective of economic growth and social development.

Is the process of selling strategic public enterprises to the private sector likely to be reversed? In their privatization programs, Latin American governments have destroyed the assets of nations, gambling on an assumed prosperity expected to come from globalization processes. Now, it would seem, a better future rests in the possibility that the provision of social welfare and other essential collective goods for a stable democracy may come from state actors and institutions forging close and mutually constructive links with private actors whose cooperation will be essential if political stability is to be achieved and economic growth restored.

A non-partisan strategy will be required. It must be recognized that all will benefit from such privileged connections between the actors of the state and those of the private sector, and this will not happen unless and until there is developed and entrenched a theory and a policy that stresses the importance of a sense of community identity and yet is tolerant of differences among the diverse members of that community.

The paradox is that, contrary to the principles of neoliberalism that postulate the free market, democracy and individual freedom, the recent reformations of the Latin American state have been implemented under practices of authoritarian government. Also, the interventions that have taken place (such as those under the authoritarians Salinas in Mexico and Menem in Argentina, dictator Pinochet in Chile or the delegate democracy of Fujimori in Peru) have accentuated the practices of strong "presidentialism," cronyism, corporatism and populism. The delegate democracy is a perverse form of democratic governance, maintaining existing iniquities. In the Latin American states at the turn of the century, tendencies sprout toward a system of public administration characterized by an oligarchic pragmatism that still personalizes presidential power. However, the resurgence of populism is another present possibility in Latin America, as in the recent case of Venezuela.

The processes of economic liberalization do not bring the benefits expected in economic growth, distribution of wealth or dispersion of poverty, and the advance of the processes of democratization is slow. The results appear in the tensions and social and political conflicts that have such serious implications for governance. Moreover, in the resolution of the various conflicts, the Latin American states are losing efficiency and

effectiveness because they have fewer resources, insufficient and inadequate means, and reduced autonomy for the formulation and implementation of policies.

The hope for the future is that the causes of this decline will be clearly recognized, and that governments will turn towards the strengthening of social development and social cohesion, which will then surely promote also the cause of economic growth. To do this, they will need to be far more selective in choosing which components of the globalizing process they wish to support; they will need to be stronger in standing against components that restrict their own developmental opportunities. A future in which these things happen may restore for Latin Americans the dream of a democratic Bolivarian utopia.

References

[Note: Unless otherwise state, the newspapers, magazines, journals and reviews cited are Mexican publications.]

Adelman, Jeremy

1998 Tequila Hangover: Latin America's Debt Crisis. *Studies in Political Economy*. No. 55: 5-35.

Almeyra, Guillermo

1999 La Utopía Posible. *La Jornada*. 26 September.

Attanasio, Orazio and Miguel Székely

1999 "An Asset-based Approach to Analysis of Poverty in Latin America." Working Paper R-376. Washington: Inter-American Development Bank.

Barros, José Luis

2000 "La Locomotora del Crecimiento." *Revista Expansión*. No. 781: 1.

Brito, Julio

1999 "México, Tercer Mercado en Atraer Inversión Extranjera." *Sección Financiera de Excelsior*. 20 September.

Brunetti, Aymo, Gregory Kisunko, and Beatrice Weder

1998a "How Business See Government." Discussion Paper 33. Washington: International Finance Corporation.

1998b "How Firms in 72 Countries Rate Their Institutional Environment." WWZ-Discussion Paper No. 9811. Wirtschaftswissenschaftliches Zentrum der Universität Basel.

Cason, Jim and David Brooks

1999 "Los 400 Más Ricos de EU Elevaron su Capital 177% en Una Década." *La Jornada*. 26 September.

Chua, Amy L.

1998 "Markets, Democracy, and Ethnicity: Toward a New Paradigm for Law and Development." *Yale Law Journal*. 108(1): 1-107.

Contreras, Gilberto

2000 "Ha a Cambiado Algo Dentro del Club de Los 100 Grandes?" *Revista Expansión*. No. 791: 40-47.

- Daniels, John
2000 *Las Empresas Multinacionales*. México: Prentice-Hall.
- Duryea, Suzanne and Miguel Székely
1998 "Labor Markets in Latin America: A Supply-side Story." *Working Papers*. Washington: Inter-American Development Bank.
- European Free Trade Agreement (EFTA)
1995 *EFTA Annual Report*. Geneva: EFTA.
- Franck, Thomas M.
1999 "Democracy, Legitimacy and the Rule of Law: Linkages" (mimeo).
- Glen, D. Jack and A. Mariusz Sumlinski
1998 "Trends in Private Investment in Developing Countries." Discussion Paper 34. Washington: International Finance Corporation/World Bank.
- González Amador, Roberto
2000 "Megafusiones, Poder de Mercado." *La Jornada*. 5 May.
- Lazcano, Jiménez
2000 "Integración o Desintegración de América Latina." *Macroeconomía*. 7(83): 2-20.
- Malvin, M.
1985 "A Country Risk Index: Econometric Formulation and an Application to Mexico." *Economic Inquiry*. No. 23: 601-619.
- Ocampo, José Antonio
1998 "Fortalezas, Debilidades y Desafíos del Pacto Fiscal." Santiago, Chile: Cepal (mimeo).
- Peón Solís, Augusto
1999 "A Propósito de la Globalización: ¿des Inminente la Desaparición del Estado?" *Este País*. No.102, 23-24 September.
- Pinto, A. and Armando Di Fillipo
1979 "Desarrollo y Pobreza en América Latina: un Enfoque Histórico-Estructural." *Trimestre Económico*. No. 183: 569-590.
- Putnam, R.
1995 "Bowling Alone: America's Declining Social Capital." *Journal of Democracy*. 6(1): 65-78.

1993a *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton: Princeton University Press.

1993b "The Prosperous Community: Social Capital and Public Life." *The American Prospect*. No. 13: 35-42.
- Rugman, Alan and Richard Hodgetts
1997 *Por Qué Las Empresas se Convierten en Multinacionales?* México: McGraw-Hill/Interamericana Editores.
- Sosa Flores, David
2000 "Reventó el Modelo Neoliberal en AI: Felipe González." *La Jornada*. 4 November.

Schönwälder, Gerd

1997 "New Democratic Spaces at the Grassroots? Popular Participation in Latin American Local Governments." *Development and Change*. 28(4): 753-770.

Standard and Poor's

1997 "Calificaciones y Comentarios." Lacey Gallagher, Standard & Poor Published Image. October.

Institutional Mechanisms for Monitoring International Commitments to Social Development: The Philippine Experience

MA. CONCEPCION P. ALFILER*

As part of its commitment to the principles of the Copenhagen Declaration drafted at the World Summit on Social Development (WSSD) in 1995 to which it was a signatory, the Philippine government has set up mechanisms to monitor and track how its performance on promoting social development is faring. Similarly, a non-government organization that participated in the parallel NGO activity during the WSSD has put together its own monitoring system. This paper describes and analyzes how the Philippine commitments to these goals are monitored (a) by the government, (b) by a non-governmental organization, and (c) indirectly, by a human development network. Spurred by the efforts of the United Nations to conceptualize and come up with a human development index, and to challenge countries to focus on social concerns that address problems of poverty and the misery that they bring, these three organizations prepare and submit regular reports on the state of social and human development in the country. This paper discusses the processes by which these three agencies perform their monitoring functions, their working relationships, and the common problems they must contend with in data gathering.

Objectives

This paper aims to describe and analyze the nature, functions and processes of three organizations that are actively involved in monitoring and reviewing the outcomes of Philippine efforts to comply with country commitments to the World Summit on Social Development and subsequent international conferences dealing with the same issues. These three organizations are (1) the Multi-Sectoral Committee on International Human Development Commitments (MC-IHDC) of the Philippine Government, (2) Social Watch Philippines, a non-governmental organization, and (3) the Human Development Network, a non-stock, non profit organization that seeks to propagate and mainstream the concept of sustainable human development through research and advocacy. These organizations independently strive to track the country's compliance of these international commitments. Also discussed are the common problems encountered by these organizations.

The data used in this review were gathered largely through reviews of printed reports, data provided in websites, and interviews with key informants actively involved in these organizations.

* Professor and Dean, National College of Public Administration and Governance, University of the Philippines, Diliman, Quezon City.

The Multi-Sectoral Committee on International Human Development Commitments (MC-IHDC)

Origins

This Committee was originally known as the World Summit for Social Development Multi-sectoral Committee (WSSD-MC). It was first organized in 1995 to fulfill five specific functions, namely:

- To ensure that the government, in cooperation with non-government organizations (NGOs), peoples' organizations (POs), the private sector, and the international organizations, adheres to the commitments made during the World Summit for Social Development (WSSD) as spelled out in the Copenhagen Declaration and Programme for Action;
- To prepare an annual report assessing adherence to the commitments and identifying future actions;
- To mobilize various government organizations (GOs), NGOs, POs, the private sector, various interagency bodies, and the rest of civil society in order to be able to effectively comply with the WSSD agreements;
- To prepare a mechanism for monitoring the implementation of the WSSD agreements; and,
- To promote awareness of the WSSD Declaration and Programme of Action and to advocate overall compliance with the WSSD agreements (Resolution no. 1, series of 1995).

When it was first constituted, the WSSD-MC had a total of 30 members. Headed by the Secretary for Socio-Economic Planning, this membership consisted of twenty-one government agencies, six non-government organizations and three people's organizations. The Philippine Rural Reconstruction Movement (PRRM), an NGO, took charge of the process of selecting the PO representatives to the WSSD-MC. Four government agencies took lead roles: the National Economic and Development Authority (NEDA) for overall coordination; the Presidential Commission to Fight Poverty for poverty alleviation; the Department of Labor and Employment for productive employment; and the Department of Social Welfare and Development for social integration.

In 1996, the Social Development Committee of NEDA, through resolution no.1, series of 1996, gave the committee its present name. The resolution recognized the "need to harmonize and coordinate all follow-up activities resulting from international human development conferences and such effort should be based on a coordinative framework that focuses on human development as the be-all and end-all of all development efforts" (Resolution no. 1, series of 1996). It, therefore, expanded the committee's functions to include the monitoring, review and evaluation of Philippine compliance to international human development commitments including, among others, those contained in the Cairo Program of Action on Population and Development, the Beijing Platform for Action on Women, and the Istanbul Declaration on Human

Settlements and the HABITAT Agenda. It also mandated that the Social Development Committees under the Regional and Local Development Councils be utilized for this monitoring function.

In addition, committee membership was enlarged to 30 government agencies. The Leagues of Cities, Municipalities and Provinces were added as well as nine NGOs and four POs. The committee's leadership was expanded to include two co-chairs and two co-vice-chairs, with one of the vice-chairs coming from the NGO ranks. Three other agencies took on leadership for additional functions, namely, the Population Commission for population and development, the National Commission on the Role of the Filipino Women for gender and development, and the Housing and Urban Development Coordinating Council for shelter and human settlements.

The committee's key functions were restated, as follows:

1. To prepare mechanisms for monitoring compliance to international human development commitments that include, among others, commitments made during the following conferences: the International Conference on Population and Development (ICPD); the World Summit for Social Development (WSSD); the Fourth World Conference on Women (FCWC); and, the Second International Conference on Shelter and Human Settlements (Habitat II);
2. To review reports of the lead agencies tasked to coordinate and monitor compliance to international human development commitments before submission to concerned UN bodies;
3. To recommend policies, strategies, programs and projects to the SDC-Technical Board drawn from the reports of the lead agencies; and,
4. To serve as a venue for coordinating the activities designed to monitor compliance to said commitments of government agencies, non-government organizations and people's organizations.

The Current MC-IHDC

In 2003, the Social Development Committee issued another resolution expanding further the functions and membership of the MC-IHDC. This time the task of monitoring quantified and time-bound targets of the Millennium Development Goals (MDGs) was added. The resolution stressed the "need to integrate and mainstream the MDGs into all aspects and functions of the Multi-sectoral Committee on International Human Development (MC-IHDC) of the NEDA-Social Development Committee, which monitors, reviews and evaluates Philippine compliance to international human development commitments" (Resolution no. 1, series of 2003).

The committee's membership was further expanded to 34 government agencies, but NGO representation was cut down to eight and POs retained their four seats. Eight more government departments assumed lead roles in monitoring the country's commitments to the Millennium Summit. These are:

Table 1. Lead Agencies for Millennium Development Goals

Agency	Concerns
1. Department of Health	Health concerns including water and sanitation
2. National Nutrition Council	Hunger and Nutrition
3. Department of Environment and Natural Resources	Environmental Sustainability
4. Department of the Interior and Local Government	Localization of MDGs
5. National Statistical Coordination Board/ National Statistics Office	Indicator Statistics
6. Department of Budget and Management	Financing/Budget
7. Department of Trade and Industry/ Department of Finance	Global Partnership for Development

Source: NEDA-SDC Resolution No. 1, Series of 2003.

The committee continued to benefit from a collective leadership consisting of four organizations, as follows:

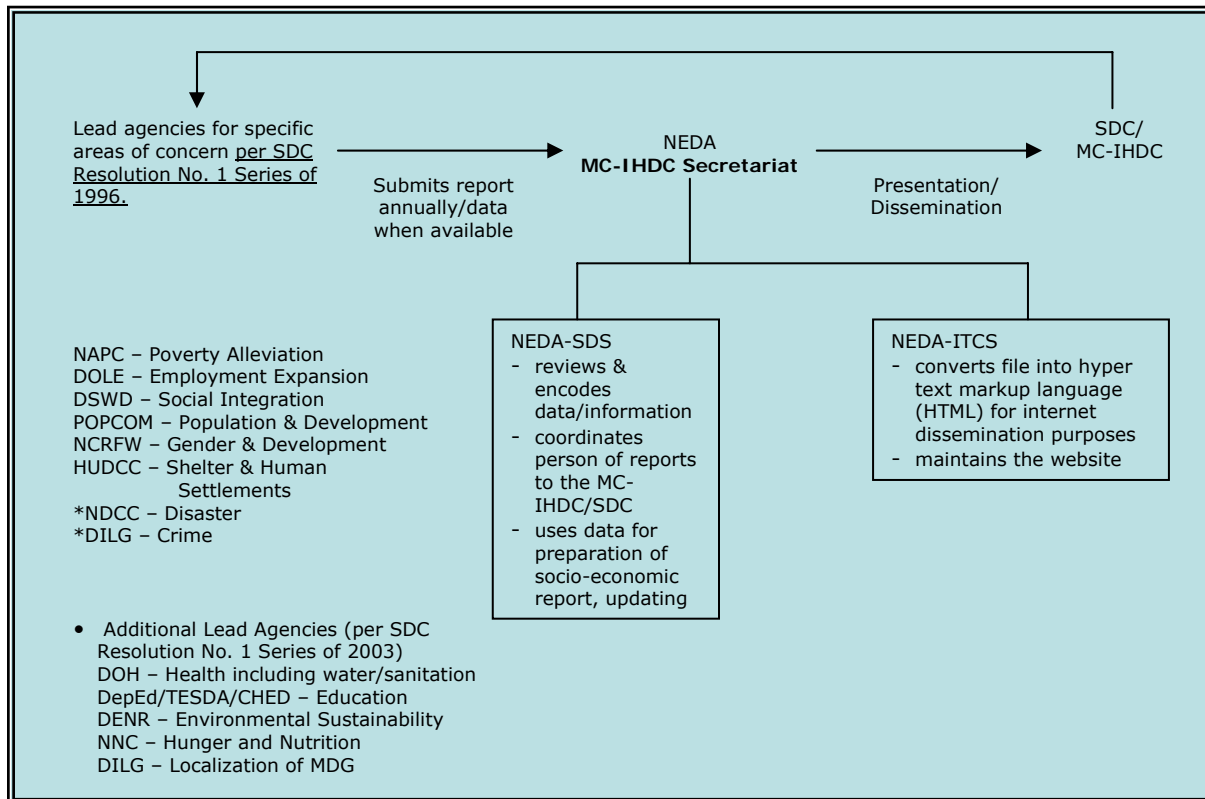
The National Economic and Development Authority	Chair
National Anti-Poverty Commission	Co-Chair
Department of Social Welfare and Development	Vice Chair
National Council for Social Development (NGO)	Vice Chair

Until 2002 the Philippine Government had a Presidential Task Force on the 20/20 Initiative. The 20/20 Initiative is an agreement between developing and industrialized countries that calls for the allocation of, on average, 20 per cent of the budget in developing countries and 20 per cent of official development assistance (ODA) to basic social services (RP 2002: 5). Among the functions of this Task Force were: (a) to assist in the formulation of rules and policies and a Comprehensive Agenda for Action for 20/20 in the 21st century; (b) to initiate advocacy programs to promote understanding and appreciation of the 20/20 initiative, (c) to coordinate efforts among various government agencies and local government units toward the fulfillment of the 20/20 initiative, and (d) to coordinate with the Social Development Committee, particularly the Multi-sectoral Committee on International Human Development Commitments. These functions were assigned to the MC-IHDC when the Task Force was abolished in 2002.

The Social Development Staff (SDS) of NEDA serves as the technical secretariat of the committee. It is assisted by NEDA's Information and Communication Technology Staff (ICTS) in this task.

Process of Monitoring

How does the MC-IHDC work? The committee convenes at least quarterly. It has sub-committees that are responsible for each area of concern specified by the WSSD and the MDGs. These sub-committees are headed by the lead agency assigned to each concern and are responsible for the collection of data for their respective areas.



Source: NEDA – Social Development Staff.

Figure 1. SOMIS Monitoring/Reporting Flow

Figure 1 above describes the flow of the monitoring and reporting process of the MC-IHDC. The respective lead agency for a specific commitment or goal submits reports annually, or whenever new data are available, to the NEDA-SDS. The secretariat then reviews and encodes the data and coordinates the presentation of reports to the MC-IHDC for the preparation of the socio-economic report or the updating of the Medium Term Philippine Development Plan.

The Information Technology and Communication Staff convert the Secretariat's report into hypertext markup language (HTML) for dissemination through the World Wide Web. The ITCS maintains the Social Development Management Information System or SOMIS (www.neda.gov.ph/mc-ihdc) website. The site is the repository for data pertaining to WSSD and MDG targets, contains a background on SOMIS, and publishes the proceedings of the national SOMIS workshop. The site has links to data sources maintained by the individual SOMIS lead agencies and by the country's statistical agencies, where more detailed breakdowns of macro and sector-based data may be accessed.

The NEDA-SDS produces regular analyses of the SOMIS, which are submitted to the MC-IHDC and the SDC. These analyses are used as bases for policy discussions on social development issues.

The MC-IHDC and the SDC meetings serve as fora for disseminating the information generated through the SOMIS. Aside the MC-IHDC quarterly meetings, the SDC convenes monthly national and regional assemblies.

The Ramos, Estrada and Arroyo administrations have all supported the work of the MC-IHDC. This is a strong signal that the government is committed to the goals of the WSSD and the MDGs. Reports on the status of these commitments are integral parts of the country's Medium Term Development Plan and its annual Socio-economic Reports. The three administrations all focused on poverty alleviation as a major concern. The Medium Term Development Plan of the Estrada administration acknowledged this when it said, "A number of policies in social welfare and community development were advanced in 1993-1998. Foremost of these was the actual conversion and integration of the country's international commitments into domestic laws, programs and projects. Among these were commitments made during the following international fora: a) World Summit for Social Development in Copenhagen, 1995; b) Manila Declaration on Human Rights, 1995; and, c) Fifth Asian and Pacific Ministerial Conference on Social Development 1997."

The MC-IHDC and its technical secretariat provide continuity through various changes in political leadership. It is an assurance that there is a persevering structure with a group of professionals providing continuity and institutional memory as the country strives towards the targets of the Millennium Development Goals.

Outputs

The latest report completed by the MC-IHDC and published by the Philippine Government is the *Philippine Progress Report on the Millennium Development Goals* (January 2003). Aside from this, the committee and its lead agencies have also produced the following reports: a) Progress Report on the Implementation of Agenda for Action on Social Development presented during the 5th Asian and Pacific Ministerial Conference on Social Development held in Manila on 5-11 November 1997; b) National Follow-up Workshop on the Implementation of Agenda for Action on Social Development held on 17-18 December 1998; and, c) Progress Report on the Implementation of the World Summit for Social Development Commitments prepared by the Social Development Staff of NEDA for the World Summit for Social Development + 5 on June 2000. It has also completed country reports on employment, population and development, and on gender and development, with the different lead agencies taking the initiative and being mainly responsible for the production of these reports.

The Social Development Management Information System (SOMIS)

The Concept

What is the Social Development Management Information System or SOMIS? It is a system that keeps track of a set of indicators and of supporting data and information

describing the state of the country's social development situation. It puts together data from various surveys, censuses and administrative reports of different agencies in charge of either collecting data or service delivery, or both, that are related to social development. The data within the system may be utilized by government agencies, researchers, policy makers and the public to assess the government's performance in meeting the country's goals and targets for, and commitments to social development.¹

Pilot Studies

In November 1997, the Fifth Asian and Pacific Ministerial Conference on Social Development decided to hasten the implementation of the Agenda for Action on Social Development in the ESCAP region. To accomplish this objective, the conference decided to "establish a regional network of national social development management information systems to support inter-sectoral planning and evaluation of social development programs." This led to the adoption of a project entitled "Assistance in Establishing Social Development Management Information Systems (SOMIS)" in 1998 with the support of the government of Japan. The project aimed to enable governments to set up "an institutional mechanism to help streamline and coordinate the regular compilation and generation of relevant information to monitor progress in achieving national social development targets within the context of regional and global agreements on social development."²

The project proceeded in two phases. The first phase (1998-1999) consisted of the holding of an expert group consultation on SOMIS, which identified key issues on the establishment of a national SOMIS and formulated a conceptual and operational SOMIS framework. In this phase, studies were also conducted to review the national situation and the feasibility of establishing a national SOMIS system in three pilot countries (the Philippines, the Islamic Republic of Iran and the Maldives). The second phase (1999-2000) focused on the organization of national workshops to pilot-test operations in the three countries where it was piloted. After the national workshops, a Regional Seminar on SOMIS was convened in Bangkok in May 2000.

In the May 2000 meeting in Bangkok, the following critical issues in the successful implementation of a national SOMIS were identified:

- a) The identification of appropriate and measurable indicators based on national priorities and conditions;
- b) The comparability of indicators across countries;
- c) Close coordination between data users and data suppliers;
- d) The capacity of the statistical system to generate the required statistics;
- e) Additional resources to generate data and maintain the information systems; and,
- f) A high degree of political will.

¹ <http://www.neda.gov.ph/subweb/mc-ihdc>

² <http://www.unescap.org/somis/>

The Philippine report on the results of the pilot test of the SOMIS described the Philippine SOMIS as “a 20 column table which shows a comparison between the targets set in the international commitments and the country’s medium term plan, and the actual figures on selected Philippine indicators on the eleven areas of concern in the regional social development agenda. Data used (actual and target) covered the period from 1991 up to 2004. Each of the eleven areas of concern was matched to corresponding international commitments as contained in the Manila Declaration on Accelerated Implementation of the Agenda for Action on Social Development in the ESCAP Region.”

The report also noted the following:

1. The over-all environment of the country is supportive and reflective of the goals and targets in the global and regional social development agenda as shown in the Medium Term Philippine Development Plan, 1999-2004 and the Philippine National Development Plan for the 21st Century.
2. Almost all of the data for the proposed national SOMIS are available in the Philippines. These data sets constitute a mix of generic social statistics (population growth rates), social indicators (proportion of women in managerial positions), and of basic life need indicators (Minimum Basic Needs [MBN] Indicators).
3. The MC-IHDC used the SOMIS data in its preparation of the national progress report on the implementation of commitments made at the World Summit for Social Development (WSSD) in Copenhagen in 1995.
4. The lack of timely data and its irregular availability remain the major issues in the implementation of a SOMIS in the Philippines. Also, complete disaggregation of data in terms of geographic coverage, gender, age and occupation, among others, is still to be realized as this would entail additional costs.
5. The hardware and technical capability of personnel involved in data generation, processing, storing, and maintenance vary greatly between national and local government entities.
6. Specific social development concerns, such as social integration, are still not clearly spelled out in terms of indicators. Most of the indicators used are impact indicators. There are no accurate and comprehensive data on the actual number and characteristics of targeted groups for social integration, such as street children, battered women, poor families in the informal sector, among other concerns. This makes monitoring of these sectors difficult.³

Annex I presents a detailed list of SOMIS Indicators covering the eleven areas of concern as spelled out in the following table.

³ <http://www.unescap.org/somis/>

Table 2. SOMIS Indicators

Areas of Concern	No. of Indicators
Poverty Alleviation	8
Population	9
Health	31
Education	15
Employment	19
Shelter	9
Environment	5
Disaster	6
Crime Prevention	7
Social Protection	11
Family	4
Total	124

Aside from the SOMIS indicators maintained by the NEDA-SDS, the National Statistical Coordination Board (NSCB) maintains a website on the Millennium Development Goal indicators. The NSCB's assessment on the availability and applicability of MDG indicators in the Philippines reveals that: out of a total of forty-eight indicators, twenty-nine may be obtained from government surveys and administrative records; eight indicators are not available; and, eleven indicators are not applicable to the Philippines. The 11 indicators under Goal 8 (Develop a Global Partnership for Development) are more relevant to least developed countries (LDCs) in Africa, landlocked countries, and small island developing states.⁴ The specific targets, their corresponding indicators and their availability in the country are provided in Annex II.

As part of its efforts to integrate the Millennium Development Goals in the SOMIS, the NEDA-SDS held a national workshop on 29 August 2003 to "strengthen institutional capacities toward enhancement and updating of the SOMIS and to identify data requirements and sources." This workshop was also intended to increase the level of awareness of participants of international commitments, in particular, the Millennium Development Goals (MDGs). More specifically, this activity sought to: a) validate, update and refine the indicators and data presently included in the SOMIS, ensuring their consistency and relevance to international (MDGs) and national priorities; b) identify relevant indicators such as those pertaining to resource mobilization and generation, as well as information on policy and program development; c) review institutional set-up and necessary linkages among agencies (in terms of data collection, analysis, feed-back purposes), including the technology to enhance the current SOMIS; and, d) identify further areas of cooperation among government agencies, the NGOs and international organizations. Participants who attended this workshop included not only the regular MC-IHDC members but also representatives of other non-government organizations, academic institutions and international organizations.

⁴ <http://www.nscb.gov.ph/stats/mdg/default.asp>

Monitoring the Government's Social Development Performance: Social Watch Philippines

When official representatives of states gathered in Copenhagen in 1995, a parallel assembly of international non-government organizations simultaneously took place. The international NGOs constituting the People's Alliance for Social Development (PASD) concurred with the United Nation's call for the eradication of poverty. They declared that poverty should not merely be viewed as the "limits of material survival but also as the helplessness that affects entire populations as the result of civil and ethnic wars, social, political and cultural identity crises and environmental deterioration."⁵

Participation in WSSD

In the Philippines, the Citizens' Initiatives for the World Summit prepared and published a compilation of advocacy papers prepared for the World Summit on Social Development. The compilation, *From the Margins to the Mainstream: Bringing Civil Society Voices into the Center of the Development Debate*, came out in March 1995. This document showcased the diverse voices of Philippine civil society rising in response to the crisis of poverty, unemployment and social disintegration. It also asserted these groups' capacity to define and craft an alternative agenda for social development.

Social Watch International

These civil society initiatives led to the formation of Social Watch, a global movement of non-government organizations and individuals that monitor the implementation of the commitments of the signatory countries. Social Watch works through a coordinating committee composed of regional representatives from Europe, the Arab region, Asia, Africa, Latin America, and North America. Its secretariat is based in Montevideo, Uruguay.

Since 1996, Social Watch has come up with an annual global report detailing its findings on how countries all over the world are progressing on their commitments to social development, using indicators that had previously been agreed upon. Social Watch submits this report to the UN Commission on Social Development (Serrano, 2002).

Social Watch International's 2003 report focuses on the poor and the market. In his preface to this report, Social Watch Coordinator Roberto Bissio pointed out that:

What both the global statistics and the national reports show in Social Watch Report 2003 is that the development promises have not been kept. Those commitments were made in a world of fast economic growth that believed in the magic of a revolutionary 'new economy' where bright countries hoped to 'leapfrog from abject poverty into the 21st century thanks to an unending inflow of private capital (Bissio, 2003: 9).

⁵ "Civil Society in Copenhagen" Meeting of the People's Alliance for Social Development in Copenhagen on the Occasion of the World Summit for Social Development, 4-5 March 1995. Main Documents.

Social Watch Philippines

In early 1997, Social Watch Philippines (SWP) was organized and convened by the NGOs Action for Economic Reforms (ACTION), Accessing Support Services and Entrepreneurial Technology, Inc. (ASSET), and the Philippine Rural Reconstruction Movement (PRRM), with Prof. Leonor Briones, coordinator of Social Watch Asia, as the Lead Convenor.

Constituted as a network of individuals and non-government organizations, Social Watch Philippines is an active member of Social Watch International. It seeks to hold governments, the UN System, and international organizations accountable for the fulfillment of national, regional and international commitments to eradicate poverty.

How is Social Watch Philippines organized? At the national level, SWP is headed by a convenors' group consisting of individual and institutional members as follows: Action for Economic Reforms (AER), Philippine Rural Reconstruction Movement (PRRM), Leonor Briones, Jessica Reyes Cantos, Ma. Victoria Raquiza, Rene Raya, and Isagani Serrano. Its secretariat is anchored by Janet Carandang.

How does Social Watch carry out its strategy of advocacy, awareness building, monitoring, organizational development and networking? It conducts regular consultations in the three major island groups of Luzon, Visayas and Mindanao. These consultations are hosted and participated in by members of the Social Watch network, which are organized by island clusters. Each cluster has a focal point at the provincial level chosen by the members of each island cluster.

Social Watch Philippines reports on participation in international conferences and meetings to its local members. It submits an annual country report to the Global Social Watch Report. It has also organized Asian regional meetings (in 1999 and 2000). It has engaged, lobbied, partnered with, and where necessary, criticized government, as part of its monitoring and evaluation process of government performance with regards to the social development goals. In this aspect, it has worked closely with NEDA, being an NGO member of the MC-IHDC.

Social Watch Philippine Monitoring Template

In its 2001 Report, Social Watch Philippines presented and discussed its proposed Quality of Life Index (QLI). The index arose out of studies done by Action for Economic Reform and was inspired by the UN Human Development Index. The QLI uses a pure capability-based approach (conceptualized by Prof. Amartya Sen) in measuring accomplishments in human development. Aside from being a measurement of outcomes, the index is also a framework and advocacy tool for human development work at national and local levels. Three indicators are used to generate the quality of life index as shown in the following table.

**Table 3. Social Watch Philippines Quality of Life Index:
Measures and Indicators**

Capabilities	Measuring Indicators
Capability to be Well-Nourished	Under-five nutrition Status
Capability for Healthy Reproduction	Births Attended by Health Personnel
Capability to be Educated and be Knowledgeable	Elementary Survival Rate

Source: Raya, 2001: 96-120.

The selection of the three indicators was guided by the availability of data at the national and local levels. Aside from its practical value, this decision was also prompted by the concern to ensure consistency with national and international measuring standards and by the need to facilitate comparison and interfacing with existing welfare and development indicators. Data on under-five nutrition, attended births and cohort survival rates are all part of the existing indicators of the Philippine statistical system. Data for these indicators are regularly monitored and generated at the national level down to municipal and barangay (village) levels. Also, QLI uses the nutrition statistics produced by the Food and Nutrition Research Institute, which follows the international standard for computing under-five nutrition status. This ensures consistency with international standards (Raya, 2001).

Social Watch has been pilot testing the QLI in four provinces and one city and training their focal points in its use. The Social Watch Monitoring Template consists of the following:

1. Use of Social Indicators – identify gaps that exist in measuring progress in areas such as social integration. These gaps may be addressed by the preparation of case studies.
2. Quality of Life Indicators – determine access to basic social services.
3. Assessment of Local Development Plans at the Municipal Levels – determine what is in the local development plans, how the plans are prepared and what indicators are used.
4. Local Executive Budget and Expenditure Program – describe and analyze the sources of funds; analyze expenditures and the annual investment plan for allocating basic services for basic education, primary health care, food and nutrition, and safe water and sanitation; and, examine how funds are allocated and actually utilized for basic services.

For its 2004 report, Social Watch hopes to share the outcome of the piloting of the use of the QLI in Nueva Ecija, North Cotabato, Guimaras, Camarines Sur and Dumaguete City.

The Philippine Human Development Network Foundation, Inc. (HDN)

Its Origins and Composition

The publication of the *UN Human Development Report* in 1990 triggered the coming together of a group of development-oriented practitioners, researchers and social scientists to discuss how the findings may be best utilized in the Philippine setting. This group was subsequently registered in 1992 as the Philippine Human Development Network Foundation Inc. or the HDN.

The HDN website describes the network as consisting of about 90 individual members from national government agencies, international organizations, non-governmental organizations, and research institutions. In terms of discipline and background, the group is composed of political scientists, sociologists, economics, and specialists in public administration, education and social work.

The UNDP is a continuing partner of the HDN. It has consistently provided financial and technical assistance to the network for the preparation of the Philippine Human Development Report and its advocacy activities since 1994.

HDN Activities and Projects

The HDN seeks to push for and promote awareness of the concept of sustainable human development through five key activities:

- a) Preparation of the Philippine Human Development Report on a regular basis;
- b) Conducting and publishing the results of policy researches on human development issues;
- c) Monitoring achievements, breakthroughs, deficiencies and gaps regarding human development in the work of both government and non-government organizations;
- d) Organizing and participating in dialogues and symposia on human development concerns; and,
- e) Providing briefings, workshops, lectures and training sessions relating to human development concepts and measures to different audiences.

The Philippine Human Development Report

The Philippine Human Development Report (PHDR) is the HDN's main vehicle for advocating people-centered development. It is the national counterpart of the UNDP's *Global Human Development Report*. In partnership with the UNDP, it has produced four PHDRs – 1994, 1997, 2000 and 2002.⁶

⁶ <http://www.hdn.org.ph>

The 1994 PHDR analyzed the three components of the Human Development Index, established the baseline measures and identified areas requiring policy attention. It highlighted disparities in the country's human development index by region as well as by gender. This report also made a first attempt at assessing the country's environmental performance.

The 1997 PHDR focused on the Filipino woman, tracking her progress over the years, and specifying the kinds of discrimination she has had to overcome and still has to overcome. The report also tracked the human development performance of the Philippines between 1991 and 1994, as well as the expenditures of central and local governments for poverty programs.

The 2000 PHDR reported on the quality of, relevance of, and access to basic education in the Philippines. It pointed out fundamental problems, such as the quality of the education received by the poor, the efficiency of allocation within the education budgets, the possibility of using new teaching methods and approaches, the relevance of what is taught and what is lived.

In October 2000, at the conclusion of the Second Global Forum on Human Development, the first National Human Development Report (NHDR) award was launched. PHDR 2000 won awards in three categories: Excellence in the Innovative Use of Human Development Measurement Tools; Excellence in Presentation and Design; and, Excellence in Participation and Policy Impact. It shared the top honors in the Asia-Pacific Region with China's HDR.

The 2002 PHDR was on Work and Well-being. It aimed to trace the complex relationships between growth, employment, poverty and human development. Among the findings of this report were the following:

1. "Leapfrogging" from agriculture to services and by-passing industry may not be such a good idea. There is no automatic process by which poverty in agriculture will be wiped out merely by an expansion of services sector employment.
2. What little growth there has been in the Philippines has benefited the rich disproportionately more than the poor.
3. There is a direct link between inequality of educational opportunities and inequality of income.

A valuable contribution of the PHDR is its disaggregation of the HDI at the provincial level. However, the 2002 PHDR report pointed out that:

The first issue of this Report in 1994 contained only regional estimates. The 1997 PHDR computed provincial HDIs for 1991 and 1994, the 2000 PHDR for 1994 and 1997. This issue contains estimates for 1997 and 2000. Because of the refinements in the HDI methodology and discontinuities in the data series, however, the HDIs, unfortunately should not be compared across editions.

How has the Philippines Fared?

In the table below, we present two assessments of Philippine performance vis-à-vis its commitments to social development and the millennium development goals.

Table 4. Status at a Glance⁷
Summary of Progress towards Meeting the Millennium Development Goals

Goals/Targets	What is the probability of meeting the goal/target given the current rate of progress				State of Support Environment ^{7.1}			
	High	Medium	Low	No Data	Strong	Fair	Weak but improving	Weak
EXTREME POVERTY Halve the proportion of people living below the national food threshold by 2015	x					x		
HUNGER Halve the proportion of underweight among under-five years old by 2015			x			x		
BASIC AMENITIES Halve the proportion of people without access to safe drinking water	x					x		
UNIVERSAL PRIMARY EDUCATION Achieve universal primary education by 2015	x				x			
GENDER EQUALITY Achieve equal access for boys and girls to primary schooling by 2015	x				x			
CHILD MORTALITY Reduce under-five mortality two-thirds by 2015	x				x			
MATERNAL HEALTH Reduce material mortality ratio by three-quarter y 2015		x					x	
HIV/AIDS^{7.2} Halt and reverse the spread of HIV/AIDS by 2015	x					x		

Source: RP 2003: 5.

By the government's own account, the probability of meeting the targets of the MDGs given the current rate of progress is high for (a) halving poverty, (b) providing access to safe drinking water, (c) achieving primary education by 2015, (d) achieving

⁷ Note: The criterion used in determining whether the target will be met is the ratio, λ between the annual rate of change needed to reach the target and the current annual rate of the progress. The ratings corresponding to ranges of λ are given below:

Rate needed to reach target/current rate of progress

<1.5	High
1.5 to 2.0	Medium
>2.0	Low

^{7.1} The criteria used in assessing the state of supportive environment are the following:

1. Formulation of appropriate policies
2. Presence of effective programs
3. Availability of budgetary support
4. Capacity to implement policies and programs

^{7.2} Given the current progress where the number of confirmed cases of HIV/AIDS is low and the rate increase in the number of cases is slow, there is high probability of meeting the MDG goal/target. However, in view of its highly explosive potential, our country cannot be complacent. Efforts will be continued and strengthened to halt and reverse the spread of HIV/AIDS by 2015.

equal access for boys and girls to primary schooling by 2015, (e) reducing under-five mortality by two-thirds by 2015, and (f) halting and reversing the spread of HIV/AIDS by 2015. However, the probability of reducing the maternal mortality ratio by three-fourths by 2015 is at the "medium" level, while the probability of halving the proportion of underweight children among those under-five years old by 2015 is considered low (RP, 2003).

Social Watch International's assessment of the current status and level of progress of the Philippines' efforts to achieve social development is presented in Table 5 below. It shows that the country has done very well on illiteracy (close to or beyond targets) and is "above average" on reproductive health, children, and gender. It earns a "below average" grade for food and services. With regard to progress on these concerns, "significant progress" has been made on illiteracy and childhood, but efforts to promote gender have stagnated. "Some progress" has also been achieved in the case of reproductive health, food and services.

Table 5. Current Status and Progress of Philippine Efforts on Social Development: Social Watch Scorecard

Indicators	Current Status	Level of Progress
Illiteracy	Close/Beyond Targets	Significant Progress
Reproductive Health	Some Progress	Above Average
Food	Below Average	Some Progress
Services	Below Average	Some Progress
Childhood	Above Average	Significant Progress
Gender	Above Average	Stagnation

Source: The Social Scorecard (Social Watch Report, 2003). Please refer to Annex III for a brief description of indicators used for this scorecard.

Social Watch also monitors the country's "political will" as manifested in the priority given to social spending, defense spending, ODA and the ratification of fundamental international conventions. The table below indicates that the Philippines scored "high" in military expenditure and ratification of key international agreements, "medium" in education expenditures as a proportion of GNP, and "low" in health expenditures as a proportion of GDP.

Table 6. "Political Will" Measures: Social Watch Scorecard

Indicators	Score
Education Expenditure as % of GNP	Medium
Health Expenditure as % of GDP	Low
Military Expenditure as % of GDP	High
Key International Agreements	High
Assistance as % of GNP	Not Applicable

Source: The Social Scorecard (Social Watch Report, 2003)

Increasing and Enriching the Capacity for Monitoring Social Development and the MDGs

This paper has shown how the government, a non-government organization, and an independent group of social scientists have all tried to measure the country's

progress, or lack thereof, in achieving sustainable human development and in fulfilling its international human development commitments. Beyond merely providing an array of information, however, what we have described above allows us to infer the following:

1. The institutionalization of the monitoring and tracking process in both the government and in a non-government organization is an assurance that monitoring will continue regardless of changes in political leadership. Despite three changes in administration over the past eight years (1995 to 2003), the reporting and monitoring mechanisms have endured.
2. The existence of government, non-government, and independent researchers continuously monitoring the country's performance provides for a balanced system or reporting that assures people that deficiencies and inaccuracies will be discovered and pointed out.
3. While these three institutions bring different perspectives to the process, there is a continuing effort among them to work together and to complement each other in this difficult task.
4. The different areas of coverage provided by these three institutions ensure stakeholders that there will be a wider scope for the dissemination of the process and its outcomes. Social Watch's effort to bring monitoring and tracking concerns down to the grassroots is commendable. With such awareness, local communities can monitor their local governments' performance and can utilize this knowledge for collective action to demand that their national and local leaders account for their performance in achieving social development goals.
5. The availability of these reports to the general public may encourage other sectors of society to push for certain policy changes.
6. Partnership and collaboration among the state, civil society and market organizations in the fulfillment of the social development goals is a recognized principle in the development agenda. In the Philippines, state and civil society organizations take more prominent roles in this pursuit.
7. Finally, while both Social Watch and the HDN have tried to cope with discontinuities in the data using innovative approaches, there is a need to deal more effectively with three common problems if tracking and monitoring are to become more systematic, namely, the lack of timely and regular data at the national and local levels, the uneven capability of national and local government agencies in systematic data gathering, and the need to develop more easily generated indicators for social integration.

We present below the summary of the government's capacity for monitoring and reporting progress on meeting the Millennium Development Goals as it is indicative of what needs to be done in order to strengthen the institution's capacity in five areas: a) the quantity and regularity of survey information; b) the quality of survey information; c) statistical analysis; d) statistics in policy-making; and, e) reporting and dissemination of information. Table 7 depicts where the country stands in so far as its capability to produce, use and disseminate the relevant data and information.

Table 7. Capacity for Monitoring and Reporting on the MDG Process⁸

GOAL	Quantity of Regularity of Survey Information			Quality of Survey Information			Statistical Analysis			Statistics in Policy-making			Reporting and Dissemination of Information		
	Strong	Fair	Weak	Strong	Fair	Weak	Strong	Fair	Weak	Strong	Fair	Weak	Strong	Fair	Weak
Poverty & Hunger		x			x			x			x			x	
Universal Primary Education		x			x			x			x			x	
Gender Equality		x			x				x			x			x
Child Mortality		x			x			x			x			x	
Maternal Health		x			x			x			x			x	
Water & Sanitation		x			x			x			x			x	
HIV/AIDS		x				x		x		x				x	
Environmental Stability			x			x			x			x			x

Source: RP, 2003: 57.

References

- Bello, Walden
2001 *The Future in the Balance: Essays on Globalization and Resistance*. Quezon City, Philippines: UP Press.
- Citizens' Initiatives for the World Summit (CIWS)
1995 *From the Margins to the Mainstream: Bringing Civil Society Voices into the Center of the Development Debate*. Quezon City, Philippines: CIWS.
- Chossudovsky, Michel
1997 *The Globalisation of Poverty: Impacts of IMF and World Bank Reforms*. Manila, Philippines: Institute of Political Economy.
- Manasan, Rosario G.
2002 *Philippines Country Study on Meeting the Millennium Development Goals*. Makati, Philippines, United Nations Development Programme.
- Raya, Rene
2001 *An Alternative Measure of Poverty and Human Capability: Introducing the Quality of Life Index. Social Watch Philippines 2001 Report*.
- Republic of the Philippines (RP)
2003 *Philippine Progress Report on the Millennium Development Goals*. January.
2002 *The 20/20 Initiative: A Comprehensive Agenda of Action for the 21st Century*.
2001 2001 Accomplishment Report, The Presidential Task Force on the 20/20 Initiative Secretariat.

⁸ To assess the capacity for monitoring and reporting the MDG, the different aspects of data collection, analysis, use and dissemination are examined.

The level of capacity depends on how well the following concerns are met:

- (1) Quantity and regularity of survey information – whether the data collection is conducted at regular intervals at the desired frequency, with nationwide coverage, and with the relevant disaggregation.
- (2) Quality of survey information- whether the data collected are reliable and accurate.
- (3) Statistical analysis – whether in-depth analysis of the data is performed soon after the release of the data.
- (4) Statistics in policy-making – whether the data and analysis are used in the formulation of policies and programs.
- (5) Reporting and dissemination of information – whether the data and analysis are made available to all the stakeholders and the public in a timely fashion.

- 2000 *Philippine Progress Report on WSSD+5: Towards a Government-Civil Society Agenda on Social Development*. Manila, Philippines.
- 1995 *Social Development in the Philippines: Vision, Challenges and Imperatives*. Philippine Information Agency, Office of the President.
- United Nations
1995 Report of the World Summit for Social Development, Copenhagen, Denmark.
- United Nations Research Institute for Social Development
1997 Advancing the Social Agenda: Two Years after Copenhagen, Geneva.

Social Watch Materials

Social Watch Asia Meeting Proceedings, 1998, Quezon City, Social Watch Asia.
Social Watch Philippines Proceedings, 2000, Quezon City, Social Watch Asia.
Social Watch Southern Luzon Cluster Proceedings, 2002.
 Social Watch, 1996, Social Watch 1996, Uruguay, Instituto del Tercer Mundo.
 Social Watch, 1997, Social Watch 1997, Uruguay, Instituto del Tercer Mundo.
 Social Watch, 1998, Social Watch 1998, Uruguay, Instituto del Tercer Mundo.
 Social Watch, 1999, Social Watch No. 3 1999, Uruguay, Instituto del Tercer Mundo.
 Social Watch, 2000, Social Watch 2000, Uruguay, Instituto del Tercer Mundo.
 Social Watch Philippines, 2002, 2001 Report, Philippines, Social Watch Philippines.
 Social Watch Philippines Monitoring System Module

Philippine Human Development Report

Philippine Human Development Report 1994, Philippines, United Nations Development Programme (UNDP).
Philippine Human Development Report 1997, Philippines, Human Development Network (HDN) and United Nations Development Programme (UNDP).
Philippine Human Development Report 2000, Philippines, Human Development Network (HDN) and United Nations Development Programme (UNDP).
Philippine Human Development Report 2002, Philippines, Human Development Network (HDN) and the United Nations Development Programme (UNDP).

Websites

<http://www.unescap.org/somis/>
<http://www.nscb.gov.ph/stats/mdg/default.asp>
<http://www.neda.gov.ph/Subweb/mc-ihdc/>

Annex I

List of National SOMIS Indicators in the Philippines

Poverty Alleviation

- Family Income and Expenditure (FIES) Survey conducted every three years
- Minimum basic needs (MBN) approach adopted in all 5th and 6th class *barangays* through the Comprehensive and Integrated Delivery of Social Services (CIDSS) Program
- Convergence strategy for reaching the poor adopted
- Annual Poverty Indicator System (APIS) conducted annually
- Incidence of families below subsistence threshold level
- Incidence of families below poverty threshold level
- Poverty gap
- Proportion and number of families/population below poverty threshold

Population

- Total fertility rate
- Crude birth rate
- Crude death rate
- Contraceptive prevalence rate
- Population level, population density, population growth rate
- Age dependency ratio
- Unmet need for family planning
- Maternal mortality rate
- Completed family size

Health

- Access to health services
- Ratio of the population to government health personnel
- Proportion of the population with access to health services
- Proportion of births attended by doctors, nurses, midwives
- Infant mortality rate
- Under-5 mortality rate
- Immunization rate, number, percentage
- Prevalence of measles, number, percentage
- Prevalence of diarrhea, number
- Life expectancy at birth
- Number of AIDS cases per 100,000 population
- Reduction of prevalence of low birth weight infants
- Reduction of prevalence of underweight among 0-5 year old preschoolers
- Reduction of prevalence of underweight among 6-10 year old school-aged children
- Reduction of prevalence of chronic energy deficiency among adults 20-59 years old
- Reduction of prevalence of chronic energy deficiency among older persons 60 years old and above
- Reduction of prevalence of iron deficiency anemia among children and adults

- Reduction of prevalence of low to deficient serum vitamin A deficiency among 6 months to 6 years old
- Reduction of iodine deficiency indicated by median urinary iodine extraction
- Prevalence of breast feeding
- Reduction of overweight among children
- Increase in prevalence of exclusive breast feeding for about 6 months
- Reduction in the proportion of households whose income falls below the food threshold
- Number of malaria cases
- Morbidity rate
- Prevalence of tuberculosis
- Number of health personnel by region
- Hospital beds per person
- Number of health personnel by province
- Number of drug offenders by violation/cases
- Number of legislation and regulations promoting health and safety in public places and the neighborhood

Education

- Participation rate - elementary and secondary
- Basic literacy
- Functional literacy
- Elementary completion rate
- Secondary completion rate
- Elementary cohort-survival rate
- Achievement rate
- Drop-out rate
- Teacher-pupil ratio
- Enrolment in higher education, number
- Enrolment rate in vocational schools
- Number of vocational training programs for disadvantaged and vulnerable groups
- Number of graduates in technical vocational programs
- Formulated training regulations for occupations
- Registered technical vocational education training courses

Employment

- Labor participation rate
- Employment rate
- Unemployment rate
- Underemployment rate
- Overseas deployment, number
- Number of own-account workers or self-employed
- Number of cooperative banks tapped as secondary conduits of government financial institutions for credit extension to the marginalized sectors
- Kilometers of farm-to-market roads completed
- Electrification levels per barangay
- Proportion of irrigated area to potentially irrigable lands
- Poorest households provided with micro-finance services
- Existing primary cooperatives strengthened

- New cooperatives formed
- Ancestral domain claims settled
- Land distributed under the Land Reform Program
- Proportion of women in managerial positions
- Number of female workers affected by non-compliance with labor standards
- Ratio of average wages of males to females
- Proportion of unionized labor

Shelter

- Number of households with access to safe drinking water
- Number of households with adequate toilet facilities
- Number of households with electricity
- Number of households provided with socialized housing
- Number of households provided with economic housing
- Proportion of households living in makeshift houses
- Proportion of households considered squatters
- Number of households living in the same dwelling unit
- Average number of rooms per household

Environment

- Forest lands protected
- Developed community-based forest management sites
- Indigenous peoples and/or migrant upland communities awarded with community-based resource management agreement for protected areas
- Priority watershed management projects implemented
- National integrated protected area sites established

Disaster

- Distribution of contingency evacuation plans
- Proportion of disaster victims provided with assistance
- Number of organized barangay development coordinating councils
- Disaster control groups and rescue teams organized
- Disaster drills conducted
- Proportion of people affected by disaster

Crime prevention

- Researches conducted
- Crime prevention organizations organized
- Number of information and education materials reproduced and disseminated
- Share of youth in prison population
- Number of young delinquents assisted
- Number of rehabilitation graduates provided alternative opportunities
- Reduction of incidence of violence against women and children

Social protection

- Number of workers covered by social security system

- Number of self-help groups organized
- Number of persons with disabilities assisted
- Number of senior citizens centers established
- Number of senior citizens provided assistance
- Number of children provided with alternative parental care
- Number of women in especially difficult circumstances assisted
- Number of disadvantaged women provided with skills training
- Number of families provided with livelihood assistance
- Number of day care centers established
- Number of families benefited by the Comprehensive and Integrated Delivery of Social Services (CIDSS) program

Family

- Incidence of single-parent households
- Incidence of female-headed households
- Incidence of domestic violence
- Teenage pregnancy rate

Annex II
Availability of MDG Indicators
(Millennium Development Goals)

Goal	Target	Indicators	Data Available
Goal 1. Eradicate Extreme Poverty and Hunger	1. Halve , between 1990 and 2015, the proportion of people whose income is less than one dollar a day.	1. Proportion of population below \$1.00 (PPP) per day 2. Poverty Gap Ratio 3. Share of poorest quintile in national consumption	1. Data available for selected years
	2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children under 5 years of age 5. Proportion of population below minimum level of dietary energy consumption	1. Data available for selected years 2. <u>Not available</u>
Goal 2. Achieve Universal Primary Education	3. Ensure that by 2015, children everywhere, boys and girls, will be able to complete a full course of primary schooling	6. Net enrollment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year olds	1. Available for selected years
Goal 3. Promote Gender Equality and Empower Women	4. Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratio of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-24 year-olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament	1. Available for selected years
Goal 4. Reduce Child Mortality	5. Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1 year old children immunized against measles	Data available for selected years

	11. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	31. Proportion of urban population with access to improved sanitation. 32. Proportion of households with access to secure tenure (owned or rented)	
Goal 8. Develop Global Partnership for Development	12. Develop further an open, rule-based predictable, nondiscriminatory trading and financial system. Includes a commitment to good governance, development and poverty reduction, both nationally and internationally	33. Official development assistance Net (ODA), total to LDCs, as percentage of OECD/DAC donors' gross income 34. Proportion of total bilateral, sector allocable ODA of OECD/DAC donors to basic social services	Not applicable
	13. Address the special needs of the least developed countries	35. Proportion of bilateral ODA of OECD/DAC donors that is united 36. ODA received in Landlocked countries as proportion of their GNIs 37. ODA received in small island developing states as proportion of their GNIs	Not applicable Not applicable Not applicable
	14. Address the special needs of landlocked countries and small island States	38. Proportion of total developed country imports to imports from developing countries and LDCs, admitted free of duties 39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing and developing countries 40. Agricultural support estimate for OECD countries as percentage of their GDP 41. Proportion of ODA provided to help build trade capacity	Not applicable Not applicable Not applicable Not applicable

	15. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	42. Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points 43. Debt relief committed under HIPC initiative, US \$ 44. Debt service as a percentage of exports of goods and services	Not applicable Not applicable Available for selected years
	16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.	45. Unemployment rate of 15-24 year olds, each sex and total	Available for selected years
	17. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries	46. Proportion of population with access to affordable essential drugs on a sustainable basis	<u>Not available</u> (WHO has estimates for 1995 and 1997)
	18. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	47. Telephone lines and cellular subscribers per 100 population 48. Personal computers in use per 100 population and internet users per 100 population	Available for selected years <u>Not available</u>

Source: <http://www.nscb.gov.ph/stats/mdg/default.asp>

Annex III

Social Scorecard (Social Watch Report 2003)

Philippines

The Social Scorecard of Social Watch Report 2003 presents a summary of the present status, progress and regression of countries on the areas determined from the measurable goals established at the 1995 World Summit for Social Development in Copenhagen, the Fourth World Conference on Women in Beijing and the 2000 Millennium Summit.

The indicators used to measure the status of the countries are illiteracy, reproductive health, food, services, childhood and gender. For each of these indicators, Social Watch considered several variables as shown in the table below.

Indicators	Variables
Illiteracy	Adult illiteracy rates Illiteracy among 15-24 year olds
Reproductive Health	Pregnancies and deliveries attended by skilled personnel
Food	Daily per capita calorie intake Children below 5 years old suffering from malnutrition
Services	Percentage of population with access to sanitation Percentage of population with access to improved water sources Telephone lines per 1000 inhabitants
Childhood	Infant mortality rate Children below 5 years old morality rate Percentage of children reaching 5 th grade Net primary enrolment rate
Gender	Female to male ratio with respect to unemployment Gross enrolment rate in primary school Illiteracy among 15-24 year olds

Progress and Regression shows progress, stagnation and regression with respect to the internationally agreed social development goals. Progress and Regression have been calculated in linear terms on the basis of changes produced between 1990 data and the most recent data with respect to key indicators for selected communities. It also considered the distribution of annual growth rates registered between 1990 and the latest available data.

Present Situation shows the current status of social development with regard to the same indicators based on the most recent available data. It shows how near or far on the average countries are from achieving their targets

The tables Progress and Regression and Present Situation complement each other. The former reflects the rate of progress while the later provides a snapshot of the country's current situation.

Political Will presents the current position of countries on issues directly linked to governmental decisions expressed in the priority given to social spending, defense spending, ODA, and ratification of fundamental international conventions.

Globalization and Social Development: Capacity Building for Public-Private Collaboration for Public Service Delivery

AMARA PONGSAPICH*

In discussing social development after the 1997 Asian economic and financial crisis, the paper presents the different types of social service programs implemented in Thailand after the crisis. The paper also shows how public-private collaborations have been coordinated. Part I discusses the development paradigm and the shift to a human-centered development. Part II examines the different social development programs implemented by the government after the crisis. Two issues are discussed: (1) Poverty eradication and productive employment, and (2) Social integration, gender equity, and access to social services. Finally, Part III provides two case studies of public-private partnership for public service delivery in areas related to social services for the poor and in the area of health. In the poverty eradication and income generation program, the Social Investment Fund Project is examined. In the area of health, there are two cases. The first case is the HIV/AIDS programs implemented by government and civil society organizations, and the second case is the anti-tobacco campaign.

Part I. Globalization as Development Paradigm

The distinction between economic globalization and social globalization is one way to make the distinction between a development paradigm that is growth-oriented, on the one hand, and a human-centered development paradigm, on the other. The definition of globalization used in the 1999 UNDP Human Development Report recognized the positive and negative aspects of globalization. According to that report:

Globalization, a dominant force in the 20th century's last decade, is shaping a new era of interaction among nations, economies and people. It is increasing the contacts between people across national boundaries—in economy, in technology, in culture and in governance. But it is also fragmenting production processes, labor markets, political entities and societies. So, while globalization has positive innovative, dynamic aspects—it also has negative, disruptive, marginalizing aspects (UNDP, 1999:25).

In other words, economic globalization is seen in the global expansion of capitalism through the spread of multi-national corporations and financial institutions, of information technology, and of consumerism. Social globalization, on the other hand, emphasizes the importance of human development and people-centered development, and other related issues.

The need for a new development paradigm was first recognized a few decades ago. The increasing expansion of the global economy brought with it a negative impact in the form of a larger income gap, both between the rich and the poor within a country, as well as between rich countries and poor countries.

* Dean, Faculty of Political Science, Chulalongkorn University, Thailand.

The increased exploitation and depletion of the natural resources of developing countries was another negative impact brought about by increasing globalization.

After World War II up to the 1960s, most countries adopted the strategy of increased production, the expansion of natural resource utilization, and infrastructure development as essential components of economic growth that promised to bring development. Globalization processes were, therefore, the outcome of the development strategies adopted. Instead of development, however, the strategy only led to unsustainable use of natural resources, a poorer quality of life for certain groups of people, and increased social inequity. The effort to reject this type of globalization then was labeled as a form of communism and socialism.

During the 1970s, the United Nations (UN) introduced the concepts of self-reliance and people's participation. It was hoped that the adoption of these ideas would bring about better social equity. The concept of self-reliance was similar to the former USSR's self-reliant, closed door policy of the 1960s. Similarly, the concept of people's participation seemed to be inspired by the socialist/communist commune system where members participated in all levels of production and received equal shares of the produce in return.

At the same time, a growing concern for environmental problems led to the United Nations Conference on the Human Environment in Stockholm (1972), which adopted the Action Plan for the Human Environment and initiated the United Nations Environment Program (UNEP). This conference was significant for founding the concept of sustainable development and for the part played by NGOs in presenting the views of the people. It set a new pattern for the relationship between the UN and NGOs in dealing with global issues.

In 1987 the World Commission on Environment and Development (WCED), under the chairmanship of Gro Harlem Brundtland, published its report, *Our Common Future*, which focused on the concept of sustainable development. It defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The problem of world poverty was addressed, without denouncing economic growth, in the following manner: "We see instead the possibility for a new era of economic growth, one that must be based on policies that sustain and expand the environmental resource base. And we believe such growth to be absolutely essential to relieve the great poverty that is deepening in much of the developing world" (Rodda, 1991:2). In 1992 the United Nations Conference on Environment and Development (UNCED) was held in Rio de Janeiro, followed by another conference a decade later—the World Summit on Sustainable Development (WSSD)—held in 2002 in Johannesburg.

Since the 1990s, a shift in the development paradigm has occurred. A human-centered development paradigm as advocated by many international organizations received a boost by the adoption of the "human development" concept by the UNDP as evidenced by its Human Development Reports, published every year since 1990. There have been a series of conferences on different human development-related issues. The Convention on the Rights of the Child was adopted in 1989 and the World Summit for Children took place in 1990. On the issue of women, the Convention on the Elimination of the Discrimination against Women (CEDAW) was adopted in 1985 and World Conferences on Women took place in 1975, 1980, 1985, and 1995. Attention has been

given to other vulnerable groups as well, with specific issues to be given special treatment on certain years. Examples of these are the International Year of Indigenous People, the International Year of the Family, the United Nations Year of Tolerance, and the International Year for the Eradication of Poverty.

The WSSD which took place in Copenhagen in the same year as the Fourth World Conference on Women also advocated people-centered development, with emphasis on the poor, the unemployed and vulnerable groups. In June 2000, in Geneva, the United Nations Twenty-fourth Special Session of the General Assembly held a follow-up conference entitled "World Summit for Social Development and Beyond: Achieving Social Development for All in a Globalizing World" to evaluate the commitments made by member countries. The latest international agreement was the United Nations Millennium Declaration in September 2000, affirming that member countries would "spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty." For this purpose, a set of clear time-bound objectives, the Millennium Development Goals (MDGs), have been established (UN, 2003).

Part II. Social Globalization Impacting on Social Development

From March 6-12, 1995, United Nations held the landmark World Summit for Social Development in Copenhagen, Denmark. This summit brought to the attention of the world the concern for people living in poverty, and focused global actions on increasing employment and promoting equitable social development for everyone. Five years later, on 26-30 June 2000, the Special Session of the United Nations General Assembly on the Implementation of the Outcome of the World Summit for Social Development was held in Geneva. One of the objectives was to review how the commitments made had been met by member states. The second objective was to renew and revise the commitments made in Copenhagen. At the end of the Special Session, the commitments were renewed with revisions and the Geneva Declaration confirmed commitments made in Copenhagen five years earlier.

Attempts of the United Nations social development agencies to adopt human centered strategies have not been successful. The 1997 economic crisis in Asia is a case in point, showing some of the negative impacts of globalization. During discussions on how to recover from the crisis, in debates and press conferences, it appeared that most economists and policy makers were not aware of the alternative, human-centered development paradigm. Mainstream development theories have failed to integrate non-economic variables in their development models.

The 1995 Copenhagen World Summit for Social Development indicated clearly the support for people-centered development. The ten commitments agreed upon by leaders of member countries of the UN General Assembly certainly reflected that support. Details included in the commitments were comparable to the seven categories of human security, especially if one compares them with the selected indicators of human security proposed in the UNDP Human Development Report, 1994. Since precise quantification of human security is impossible, UNDP proposed some useful indicators that can provide an early warning of whether a country is facing problems of human security and heading towards social disintegration and possible national breakdown.

Given more time, it is still possible to pursue the objectives of human-centered development. It is neither necessary nor possible to stop globalization completely. It is sufficient to try to slow down negative impacts of globalization by diverting globalization objectives from maximizing growth to less ambitious and forceful objectives. Many governments have declared the goal of achieving growth with social equity. Again, however, this objective has not succeeded in most cases.

Based on the ten commitments made by UN member countries, but to limit the scope of the discussion on social development to Thailand, this paper will examine the economic, political, social, cultural and legal environment enabling social development in that country. In the discussion, the need for partnership and cooperation among national, regional, and international agencies will become evident. The role of civil society organizations, government agencies, and international networks are seen as very important in bringing about social development and economic recovery in Thailand. The two main issues to be dealt with are:

- Poverty eradication and productive employment.
- Social integration, gender equity, and access to social services

Poverty Eradication and Productive Employment

July 2, 1997 marked the date when the Government of Thailand announced a change in the foreign exchange regime to a “managed float” system, abandoning the 13-year-old peg to a basket of currencies dominated by the US dollar. This was only one of the many necessary measures that government adopted to turn around the financial crisis.

After the exchange rate regime was switched, the value of the baht value dropped from its level of 26 baht per US dollar on 30 June 1997. By the beginning of January 1998, the US dollar had climbed to 56 baht. After the Bank of Thailand abandoned the separate foreign currency policy at the end of January, the exchange rate stabilized around 42 baht to the dollar in March, 1998. Only after 2003 did the exchange rate stabilize to a level of 39 baht per dollar.

Because of the financial and economic crisis, many firms closed down and the unemployment rate increased from about 500,000 persons at the end of 1997 to 1.4 million in early 1998. This number was provided by the National Statistical Office and was confirmed by the Government’s Committee for Unemployment Information Study. The Socio-Economic Survey of the National Statistical Office in August 1998 reported unemployment to be 1.13 million persons. The rise was believed to be due to increased agriculture activities taking place during August, which is the rainy season. The Committee for Unemployment Information Study estimated unemployment to be 1.3 million persons for the last quarter of 1998. For 1999, the unemployment rate increased and the Miyazawa loans came in to help generate employment and stimulate the economy. In the year 2000, unemployment was reported to be at 1.2 million persons.

The proportion of the population under the poverty line also increased from 11.3 percent in 1996 to 13.0 percent and 12.4 percent for the first and second quarters of 1998, respectively. This is equivalent to from 7.6 to 7.9 million persons dispersed in the rural areas. The National Economic and Social Development Board (NESDB) reported a decrease in the average real wage income of the employed to 506 baht per month. In

the business sector, the decrease was 1,038 baht per month. The agriculture sector was said to be unaffected because exports of agriculture products improved when compared to the previous year.

Even after introducing a few stimulus packages in 2000, people living under the poverty line in 2001 was reported to be 8.2 million persons. Between 2002 and 2003, the government implemented many poverty eradication projects including the one million baht village fund, small and medium enterprise support, housing for the poor, a universal health care program, and a universal education program. In early 2004, when the government announced another comprehensive poverty reduction program and requested "poor" people to register, the number who did so totaled 8.5 million. This number has not been validated and many people may actually not be qualified as poor. This registration was an attempt to establish a baseline from which the government could later show reductions.

The economic environment was disrupted by the economic crisis. While the incidence of poverty may have been dropping over time, at least until the year before the crisis, the characteristics of those who remain in poverty have largely remained unchanged as listed below:

- As poverty increases monotonically with household size, there is strong evidence that a large family size contributes to poverty.
- Male-headed households are more likely to be poorer than female-headed households but that could be because female-headed households are disproportionately concentrated in and around Bangkok where earning opportunities are greater.
- Poverty among household heads who are agriculturists is highest, indicating that those who have chosen to become farmers are likely to be poor.
- Poverty decreases monotonically with the level of education of the household head. In other words, the poor show lower educational levels than the non-poor.
- Poverty rises perceptibly with households headed by persons aged 70 and older. This general trend is true for both rural and urban areas (Royal Thai Government, 2000).

When the crisis broke, both the government and the people were at a loss as to of what to do. There were no government programs or mechanisms that could be directed towards helping the poor in case of an emergency. Despite the high economic growth rates of the previous decade, no social policy existed to effectively deal with the problems of the poor. Prior poverty alleviation programs were mainly developmental in nature. They helped improve living conditions and responded to people's basic needs to a certain degree. Many of the poor benefited, but many public resources did not reach those that needed them most, i.e., the ultra-poor.

Many projects and programs have been introduced and implemented to bring the country firmly into economic recovery. In the process, it is hoped that the government can take the opportunity to introduce reform measures that would benefit the poor and bring about structural changes to combat the problem of income inequality as well. In this respect, and in relation to the loans, the government views overall "social development programs" to include specifically three sectors, i.e., education, health including labor, and social welfare.

The Question of Human Security of the Poor. Despite advanced studies on the poverty threshold, poverty incidence and income distribution, the problem of who are the poor still remains. When it is time to implement programs and projects, it is not easy to find the poor, especially the ultra-poor, a difficulty that has been faced by the scholarship and health care programs in particular. National surveys provide the numbers but the actual identification of individuals must be carried out in the provinces, districts and sub-districts. To target the poor, the first recommendation has been to decentralize authority. At the end of 2003, the government chose to ask the poor to register themselves.

Ultra-poor people have been marginalized and have little or no access to available funds, partly through lack of information. Furthermore, most of the ultra-poor migrate to find work or other resources and are difficult to reach. Extra care must therefore be taken in identifying those who actually need resources the most.

In terms of better targeting of the poor, the Development Evaluation Division of the National Economic and Social Development Board (NESDB) recommends that children represent the most vulnerable group and should be targeted for special assistance. Therefore, larger families with many children should have the highest priority. Fortunately, studies on the effect of the crisis on children's education and health services indicate little impact. Students continue to attend school and most people continue to receive health care services. However, implementing agencies need to keep in mind that in 1998, the number of poor persons below 15 years old constituted 3.1 million, or 39.2 percent, of all the poor that stood at 7.9 million.

Government Responses to the Crisis on Human Security of the Unemployed. To revitalize the Thai economy, the government introduced two economic stimulus packages containing elements of social protection in fiscal year 1999, namely, the Unemployment Mitigation Plan and the Miyazawa Plan. The former consisted of seven measures aimed to generate 1.48 million jobs with a budget of 61.40 billion baht. The latter comprised six tasks aimed at creating 486,000 jobs with a budget of 13 billion baht, out of the main budget of 53 billion baht (Vasuprasat, 1999: 7).

The financial crisis of 1997 made it clear that the social protection system in Thailand was inadequate. During the crisis, the affected population had to fall back almost entirely on the support of the traditional extended family and the community through family transfers or informal mechanisms developed by the community. This kind of traditional family support, however, is declining as traditional values have been rapidly taken over by the value of individualism inherent in the modern sector.

According to one ILO report, the economic crisis has put the social protection system in Thailand to a severe test. With widespread retrenchment and layoffs, many workers went without compensation, leaving their future and family at risk. Many of them had to accept wage cuts as well as reduced welfare benefits. According to official figures, in 1998 the number of workers laid-off was 50,487. This figure represented those who reported to authorities requesting for job placements. Under the Labor Protection Law, workers affected by lay-offs must be provided with severance payment and retraining, and taken into employment generation programs. However, some workers were laid-off without proper compensation from their employers. In 1998, affected workers lodged complaints with the Ministry of Labor and Social Welfare, claiming approximately 24 billion baht in severance payments, an increase of 22 percent

from 1997 figures. This excluded other claims such as wage arrears and other payables (Vasuprasat, 1999: 2).

Several government agencies have undertaken action to improve employment as part of their regular responsibilities. Due to the economic crisis, however, these programs have had to be adjusted to deal with more urgent issues, and unemployment is one of the most urgent ones. Many projects and programs have been set up to create jobs for the unemployed, but they are aimed at solving short-term problems, leaving the long-term ones unattended.

The crisis highlighted the necessity of putting in place a comprehensive social safety net system. However, the crisis also reduced the capacity of both government and private sectors to commence such a program. Social security coverage should ideally cover the entire population. Since the crisis, coverage has actually gone down.

Raising the average educational level of workers is another long-term target that may have been affected by the crisis. Most programs and projects implemented so far only aim at mitigating the short-term effect of the crisis by trying to keep students from dropping out of school, primarily by providing loans from the educational fund. In a world where greater competition is expected, and given that Thailand is already behind in its human capital development, the cost of such a postponement will be very high. Thailand has increased the period of schooling to 12 years, starting from pre-school level, but the implementation of the National Education Act of 1999 has been slow. As a result, it is expected that the average productivity of the workforce will increase very slowly.

Social Integration, Gender Equity, and Access to Social Services

The creation of an enabling social-political environment that is intended to give rise to new institutions, plus the initiation of socio-political reforms have been directly or indirectly impacted by globalization, both economic and social. Two aspects are discussed below, namely, legislative measures as part of the political reform activities, and the growth of civil society in political and social reform movements.

Legislative Measures. At the national and local levels, attempts to bring about social transformation are evident in the effort to create an enabling environment through legislative, economic and social measures.

1994 Decentralization Act

The Decentralization Act, as well as the Sub-district Council and Sub-district Administrative Organization (SAO) Act, aims at promoting autonomous, self-managed, and self-regulated local bodies. Before the Act became law, there were heated debates on the readiness of local organizations to take on the responsibility of financial management. There were 4,201 sub-district councils and 2,780 SAOs when the Act came into effect. All sub-district councils were to be upgraded as SAOs, and all SAOs were to have budget allocations.

1997 Constitution

The Constitution is one of most important legislative instrument to help bring about a new environment for social development. It stipulates that an enabling environment is to be created to ensure equality and equity between women and men, as well as for all disadvantaged and vulnerable groups. Furthermore, it encourages transparent and accountable governance and administration in partnership with free and representative organizations of civil society. The Constitution thus serves as the foundation for bringing about further initiatives.

1998 Labor Protection Act

The Labor Protection Act is an addition to the Labor Relations Act that had been promulgated earlier. The Labor Protection Act of 1998 specified unemployment benefits for workers in at least four forms: a workmen compensation fund established according to the Workmen Compensation Act of 1994; severance pay in accordance with Section of the Labor Protection Act of 1998; a provident fund mandated by the Provident Fund Act of 1987; and, an employee welfare fund established according to Section 126 of the Labor Protection Act by the Ministry of Labor and Social Welfare. However, enforcement has been spotty and, since labor unions in Thailand are weak, the issue of labor protection needs to be reviewed.

1999 National Education Act

The National Education Act (NEA) is another indication of the effort to bring about social reforms. Both the Constitution and the NEA guarantee the right of every citizen to 12 years of free basic education. In addition, the NEA mandates a shift from the centralized system of administration and management to a decentralized one where the powers and duties for basic education, as well as those at lower-than-degree level, are vested in local entities and schools.

2002 National Health Insurance Act

After long negotiations, the National Health Insurance Act was passed. It represents a form of universal health care coverage. All people are entitled to health care services at health care centers where people have registered, usually near the home or one's place of work. People are charged 30 baht per visit for healthcare services. This scheme was provided for people not covered by any other insurance program. The quality of services, however, is below that provided to those covered by social security or other government schemes.

Social Integration, Government Social Reform and Social Safety Nets Programs. The 1997 Constitution and its subsidiary laws, together with the National Education Act of 1999 and the Labor Protection Act of 1998, have established legal grounds to bring about equal opportunities, increase respect for diversity and promote the participation of disadvantaged and vulnerable groups and persons.

The drafting process for the new constitution took place two years before the final draft was approved. It involved the participation of disadvantaged and vulnerable groups to make sure that certain clauses were included in the constitution. Since the new constitution was promulgated, different vulnerable groups have come out to assert

their rights, including access to social services. The Declaration of the Elderly was announced in March 1999. The disabled demanded equal access to the use of the Sky Train (light rail) and other public facilities. The Forum of the Poor, consisting of rural and urban poor groups, demanded their rights to land and improved living conditions. A Human Rights Bill is being drafted and negotiated between the concerned parties. Thai society is now more tolerant of and is ready to respond to the needs of different groups, and this should lead to greater social integration.

However, the Thai government continues to face social unrest and public protests. In practice, social integration has not been achieved, and the poor and disadvantaged groups feel that they continue to be excluded from the mainstream of Thai society.

Cases of the Vulnerable Groups

The crisis has placed significant pressures on poor families, driving some of them even further below the poverty line. There are a growing number of reports documenting increased conflicts between family members, more children being pressured to help out, a rising divorce rate, and more elderly people being compelled to work so as to earn their keep. Concrete reports on the impact of the crisis on specific vulnerable groups are not readily available, however. As a result, anecdotal accounts of different incidents are often cited, but these are insufficient to lead to a conclusive analysis. Furthermore, it is not yet clear whether the stress on families caused by the crisis was any greater or more severe than the stress that was occasioned during Thailand's economic boom years, which were characterized by migration-induced separations. Nevertheless, from available statistics, the following conclusions can be made about family cohesion, societal crime as well as community and civil society responses to the crisis.

Changes in family patterns are noticeable. During the economic boom period, the majority of rural wage earners migrated to the industrialized areas and cities, leaving the old and the very young in the villages. In addition, although the extended family was the traditional norm, 80 percent of children now come from nuclear households. Sixty-five percent of the families include both the father and mother, while in 24 percent the father and mother live apart. Eleven percent are headed by a single parent, and of these, 8.8 percent are headed by women (UNICEF, 1997: 26). However, the migration trend is now being reversed. With the economic crisis, many migrants have returned to their villages, and it is possible that the extended family pattern may return.

For marriages and divorces, it appears that the marriage rate has been dropping whereas the divorce rate is rising. In this case, one cannot assume that the crisis has caused the family break down since the marital trend has been dropping for over a decade while the divorce rate has been on the increase. The number and rate of marriages and divorces registered with the Ministry of Interior, for example, shows a steadily growing divorce trend. Data from the Labor Force Surveys undertaken by the *National Statistical Office* also points to a steady rise in the divorce rate until 1996, followed by a sharp increase in 1997, and then a record high rate in early 1999 (World Bank Bangkok Office et al., 1999). This same pattern also has been observed in industrialized countries, a trend that, for Thailand, happened during the economic boom period. The crisis therefore did not have a clear impact on families when viewed from this perspective.

Although marriage and divorce rates are not indicative of the crisis's negative impact, data on abandoned children—those living in orphanages and those left at hospitals after delivery—show signs of family break down. Available data indicate that the crisis appears to have resulted in an increasing trend in the number of abandoned infants. Data collected from 40 hospitals reveal that, while the rate of abandonment remained fairly constant between 1994 through 1997, in 1998 there was a significant increase. Furthermore, the number of children newly admitted to orphanages was fairly static through 1997, but showed significant increases in 1998 and 1999 (up to June only). The two data sets on abandonment and orphans lead to the hypothesis that during 1998-99 a greater break down in family cohesion occurred. Without the crisis, an upward trend would still have been seen, but to a lesser degree (World Bank Bangkok Office et al., 1999).

It must be kept in mind that the case of abandoned and orphaned children is an example of available but insufficient data. The *Department of Public Welfare* collected data from 21 orphanages under its supervision. These numbers do not reflect real figures because government orphanages have limited space and therefore the number admitted into orphanages depends on space availability and not actual demand. Data needed to supplement these figures include the number of orphans entering private orphanages. Ways and means should be devised to collect this information systematically to ensure full coverage. Furthermore, these figures show institutionalized children only. No data exist on non-institutionalized orphans.

Data on number of suicides, obtained from the Royal Thai Police, indicate a steadily rising rate since 1992. But in 1998, a significant increase occurred, which implies that there may be a link between the rising suicide rate and the economic crisis that resulted in the loss of jobs and decreased wages. Data on mental health and anxiety outpatients also show an increasing trend for depression, which supports the trend in the rising number of suicides. An implied correlation between the rise in suicides and the economic crisis would raise similar concerns about the increasing fragmentation of the family unit, and the accompanying loss of an adequate support network (World Bank Bangkok Office et al., 1999).

Societal Crimes

Another dimension of the impact of the crisis on families may be viewed in terms of social ills, most notably, crime statistics. There has been a dramatic increase in arrests for drug related crimes. Available data from the Narcotics Suppression Bureau of the Royal Thai Police, indicate a general upward trend since 1992. But from 1997 to 1998, there was a considerably large increase—27 percent more arrests in 1998 than in 1997. Figures for 1999 up to August are also high. One can therefore hypothesize that people are turning to criminal behavior to replace lost wages. But such a hypothesis may be overly simplistic. It is clear that the government has shown its political will in tackling drug trafficking and use among younger people. More raids and arrests took place during 1998 and 1999, and there have been many school programs to deal with the drug problem.

One cannot view drug-related crimes as having been caused by the economic crisis either. Evidence from industrializing countries also indicates that there is a strong correlation between economic growth and social ills. Political and economic conditions in

neighboring countries also contribute to the high growth of amphetamine production, distribution and consumption, with Thailand serving as an excellent outlet.

However, evidence exists which suggests that the crisis has had an impact on criminality. The World Bank Thailand Social Monitor III states that the level of overall crimes seems to be on a generally increasing trend, with no noticeable deviation during the crisis years. The level of violent crimes remained at pre-crisis levels in 1998 but arrests for property crimes, and specifically theft, dramatically increased above the trend in 1998. This coincidence of events suggests that economic pressure on household and individuals has led to the upsurge in property crimes. However, other factors could be involved, including more effective police work, changes in the law, and evolving norms and values not linked to the crisis (World Bank Bangkok Office et al., 1999).

Government Responsibility for Basic Rights Requirement

The 1997 Constitution is considered the historical foundation for future political and social reform in Thailand, providing the building blocks for doing so. The Constitution also recognized shifts in development paradigms, from one that was growth-centered to another that was people-centered. Social reform will have to take place. The social integration of disadvantaged and vulnerable groups into mainstream society is on the way. Equal access to social services and sensitivity in treating people of diverse origins need to be encouraged. Concern for humanity and not economic or political gain is the social value to be promulgated. Education and health reforms to provide universal coverage must be considered. Concepts of social services, social welfare, social protection, and social development are all-encompassing issues that need to be sorted out in the social reform process.

The discussion on vulnerable groups earlier indicates clearly that the government has made attempts to implement programs and projects both on a regular basis and as crisis mitigation programs. The crisis also showed that the government programs available before the crisis were not sufficient to cope with the social impact of the crisis. It is now necessary to establish clear policies on the government's role in providing protection for those in need and to look into related programs on social safety nets, social protection, social insurance, social security, social welfare, etc.

The privatization policy being discussed by the government created a great deal of fear and worry that the poor and vulnerable groups would be greatly affected. The discussion on self-reliance and down-sizing of government offices also indicates a trend toward less provision for basic requirements. In the process of economic recovery, the government needs to reconsider seriously the new social reform policy to ensure that basic requirements are being provided for because they are part of people's basic rights. The concept of Basic Human Rights is at work here.

Part III. Partnership Between Government and Civil Society Organizations in Social Services

Growth of Civil Society at the National and Local Levels

The development of different forms of civil society organizations in Thailand can best be understood from a historical perspective. In the past, traditional Buddhist

temples performed the philanthropic function of providing for those in need and also served as community centers. Later on, different forms of organizations appeared with the arrival of missionaries and Chinese immigrants. Western influences, social heterogeneity, and the spread of the communist ideology brought about changes in the activities of civil society organizations, which were viewed by the government at the time to be possible threats to national security.

During and after the second world war, the government reasoned that the threat of communism from China justified exercising constraints over civil society organizations. The National Cultural Act 1942 was promulgated to regulate organizations whose objectives were to propagate cultural heritage and to provide welfare and social services in the form of clan associations as well as religious organizations. Groups formed during this period include organizations belonging to the National Council of Women and the Social Welfare Council of Thailand, philanthropic organizations, school alumni groups, and Chinese linguistic and clan associations. On the other hand, associations formed by the Chinese to help people in the same business or the same trade came under the Trade Association and Chamber of Commerce Act of 1966.

To control grassroots activities during the anti-communist years, the Cremation Act of 1974 was promulgated to watch over farmers organized in the forms of cremation associations. The Labor Relations Act of 1975 was promulgated to control and suppress unwanted labor activities.

During the decade of the 1980s, after the fall of the Communist Party of Thailand and the government's amnesty announcement, many organizations working at the grassroots level were formed. They focused mainly on rural development and advocacy. The NESDB recognized the role of NGOs and civil society groups as indicated in the Sixth National Development Plan. The National Coordinating Committee of Non-Government Organizations for Development was formed as a coordinating body between government and non-government organizations. It had 220 members at the time of the establishment.

The civil society movement, which has been slowly gaining strength since the 1980s, became stronger during the 1990s when the need for political and social reforms was recognized. The May 1992 incident showed how both middle class and grassroots organizations had been empowered and became instrumental in bringing about political and social changes.

During this period, civil society organizations put themselves in strategic positions and became involved in monitoring political activities in the country. The demand for a new constitution and people's participation in the drafting process was made. The government agreed to set up the Constitution Drafting Assembly. The 1997 Constitution is said to be one of the achievements of civil society groups. Another achievement was in monitoring corruption scandals. The public views these types of activities favorably. On the other hand, the activities of NGOs and civil society groups on environmental issues are viewed diversely, ranging from the most negative to the most positive of opinions.

Government Partnership with Civil Society Organizations Working for the Poor, Unemployed, and Vulnerable Groups

There is a long history of civil society organizations in Thailand. In 1997 there were over 8,000 civil society groups working in the areas of social welfare and development. Some run very small micro-projects, while others are much larger, operating at the national level in multi-sectoral programs. Over 100 registered organizations concentrate on programs to promote the development of children and youth. There have been increasing efforts to coordinate initiatives among organizations in order to build partnerships through networking. More recently, non-government and government organizations have been joining hands. The partnership has had a great impact on community development and mobilization (UNICEF, 1997). The World Bank Thailand Social Monitor III reports on more positive trends that show an increasing rate of participation in a variety of community organizations (World Bank Bangkok Office et al., 1999).

Since the crisis, the Government has been quite instrumental in establishing greater numbers of community level organizations. The *Community Development Department* of the *Ministry of Interior* has been supporting community organizations through the promotion of activities for different target groups. Specifically, more concerted support for women's development groups, child development centers, and vocational groups have materialized at the village level since the early 1970s. Since the crisis, many more community organizations have been promoted. But unfortunately, statistics were not collected systematically in the past and reporting has been periodic with no definite trend. Recent statistics, however, indicate a rising number of different community organizations due to governmental promotion policies.

Since the crisis, the *Ministry of Interior* has adopted a strategy to promote the concept of a self-sufficient economy. The strategy was designed based on His Majesty the King's New Theory on integrated agriculture introduced in 1994 and reiterated in the speech His Majesty the King delivered on 4 December 1997 a few months after the crisis. The speech provided the Thai people with a vision and hope for an alternative means of livelihood that does not rely heavily on the world market and economic system. Since then, the concept of self-sufficiency through integrated agriculture and community enterprises has received a great deal of interest from the public and many government agencies working in the rural areas. In urban areas, statistics from the *Urban Community Development Office* have shown an impressive trend as well in terms of the growth of urban community networks and members.

Another area of government activity is the Social Investment Fund (SIF), which was launched in late 1998 with World Bank financing. Its objective is to both address the impacts of the crisis and to accelerate the empowerment of communities. The Social Investment Fund represented the first occasion when the Thai Government channeled funds directly to civil society organizations in large sums. This was a significant step forward. In addition to alleviating the social and economic problems of the vulnerable sectors of Thai society, the SIF attempts to transform the crisis into an opportunity. The ultimate aim is to build on the available social capital to support highly desirable reforms towards decentralization, better governance, community empowerment, and the forging of broad development partnerships involving civil society. In order to receive the grants, communities go through the sub-project proposal procedures, management and

administration, and sub-project monitoring, thus resulting in a learning process that strengthens the community in the long-run.

The SIF *menu* of eligible investments covers five main categories: community economy, community welfare and safety, natural resource management and cultural preservation, community capacity building and networking, and emergency community welfare for the vulnerable groups. Specifically relevant to vulnerable groups is item 2: Community Welfare and Safety in which local organizations draft proposals to support different target groups and submit this for funding, and item 5: Emergency Community Welfare for the Vulnerable Groups in which a network of community organizations submit proposals for vulnerable groups when emergency needs arise. Item 5 was included as another window of support in March 1999 to be terminated at the end of that year. It was designed to respond to the urgent needs of poor communities and the increasing demands on organizations struggling to assist them. The new window finances social assistance transfers through community organization networks to those most vulnerable, thereby strengthening the coping capacities of groups most severely affected by the crisis. While maintaining the fundamental objectives and principles of the SIF, this initiative expands the ability of the Fund to respond to immediate needs.

Government Partnership with Civil Society on Health Security Issues— The Case of HIV/AIDS

Role of International Institutions in Creating an Enabling Environment for Human Security in Coping with HIV/AIDS. During the sessions of the preparatory committees and the World Summit on Social Development, debates and discussions on the role of international organizations in the development process on issues of human-centered development and the role of developed countries took up much time. In concrete terms the roles of international organizations are spelled out in detail in Commitments 8, 9, and 10 of the World Summit on Social Development.

Commitment 8 identifies roles of international financial institutions in working with national governments to adopt the principle of integration of social as well as economic aspects in the design of structural adjustments as well as reform programs.

Commitment 9 recommends that the High-Level Intergovernmental Event on Financing for Development be held in 2001.

Finally, in **Commitment 10**, international institutions are to play coordinating roles in strengthening cooperation at regional and global levels.

On the issue of HIV/AIDS, it is clear that many United Nations organizations are supporting activities related to the issue. These include UNAIDS, WHO, UNFPA, UNICEF, and UNIFEM, to name the most obvious ones. In addition, international non-government organizations are also supporting the activities. Financial assistance are being put forward from different organizations on research and community-based activities that include both preventive measures as well as curative measures, even when the situation is not very optimistic.

Role of the Governments in Creating Enabling Environment for Human Security in Coping with HIV/AIDS. Based on the World Summit on Social Development, in terms of

Human Security and HIV/AIDS, the role of the governments is to fulfil Commitments 4, 5, and 6. Commitment 4 asks for “social integration” of vulnerable groups, HIV/AIDS victims included, while Commitment 5 focuses on gender equality, and Commitment 6 concentrates on access to quality education and a high standard of physical and mental health care.

Since Thailand’s response to HIV/AIDS is considered one of the most successful cases, in this section, Thailand is used as case study on government responses. The World Bank Thailand Social Monitor Report (November, 2000) states that AIDS arrived in Thailand in the mid-1980s but the response was mute. Prior to 1989, government policy on HIV/AIDS control followed a standard public health approach. It was not until 1991 that HIV/AIDS prevention and control became a national priority at the highest level, emphasizing progressive policies to encourage safer behavior, and encapsulating the efforts of many sectors as well as civil society groups. Four important initiatives taken were:

1. AIDS policy was brought under the coordination of the Office of the Prime Minister with an official multi-sectoral National AIDS Prevention and Control Committee, chaired by the Prime Minister.
2. A massive public information campaign on AIDS was launched under the leadership of cabinet member Mechai Viravaidya, a well known national figure with deep roots in past family planning campaigns and strong ties to non-governmental and community groups.
3. The 100% condom program was adopted nationwide to promote universal use of condoms in commercial sex all of the time.
4. A number of repressive policies were repealed and those that were under discussion gradually faded from the policy dialogue.

In addition,

5. Between 1987 and 1997, public spending on AIDS prevention and control in Thailand expanded dramatically, indicating increased commitment of the government. Total AIDS spending by donors and government rose from \$684,000 in 1988, most of which was financed by WHO, to \$10.1 million in 1991, more than 72% of which was financed by the Thai Government. By 1997, total spending from the government AIDS control budget had reached \$82 million annually—more than \$1 per capita—of which 96% was financed by the Thai government (World Bank, 2000: 10).

The World Bank report states that the political will adopted by the Thai government resulted in behavior change in Thailand which has prevented an estimated 200,000 HIV infections that would have otherwise occurred. Lessons learned indicated that effective action requires national leadership and political commitment at the highest levels. Effective actions include, for example:

1. Epidemiological surveillance as a critical tool for generating public awareness, political commitment and action.

2. Civil society groups play a key role in ensuring non-discrimination and respect for human rights and in sustaining progressive policies in behavior change.
3. A nationwide program that reduces transmission via commercial sex can have a potentially great impact on the course of the epidemic.
4. The main contribution of the multi-sectoral approach at the national level has been to raise the profile of the AIDS problem across society, to engage new participants in policy dialogue, and to set national priorities.

Thailand has been used as an example to demonstrate the role that national governments can play in collaborating with international goals on social development.

Role of Civil Society in Creating an Enabling Environment in Coping with HIV/AIDS. Again, in this section, Thailand will be used as the case study to demonstrate the role of civil society organizations in coping with HIV/AIDS problem. There are at least 3 networks of civil society organizations working on HIV/AIDS. Civil society organizations here include non-government organizations, nonprofit organizations, people's organizations, and community-based organizations. The different types of civil society organization networks are discussed below.

Network of Civil Society Organizations Working on Issues Related to HIV/AIDS (NGO Coalition on AIDS). Civil society organizations started to work on issues related to HIV/AIDS in 1984 when the first case of HIV/AIDS infection was detected. Because of the devastating impact of HIV/AIDS on people, families, and communities, many people were concerned and felt that the HIV/AIDS problem required more concerted efforts. Most of the activities carried out during the initial period consisted of advocacy work, providing information and raising awareness as well as disseminating ideas on protective measures. In Thailand, the first group of civil society organizations that became active in HIV/AIDS related issues was that working on family planning and community development. Those groups included the Red Cross, Population and Development Association (PDA), Family Planning Association of Thailand, Fraternity for AIDS Cessation in Thailand (FACT), and Program for Appropriate Technology on Health (PATH). In addition, an anonymous clinic was established by the Red Cross in 1979/80 and is still very active.

In 1989, the Thai NGO Coalition on AIDS was formed consisting of 18 founding members:

- Thai Volunteer Service Foundation (later registered ACCESS as an organization working on AIDS related activities)
- Empower
- Population and Development Association (PDA)
- Rural Doctors Society
- Rural Reconstruction Foundation
- Duang Prateep Foundation
- Foundation for Women
- Fraternity for AIDS Cessation in Thailand (FACT)
- Foundation for Children with Disability
- Independent Social Workers Group
- National Health Foundation
- Hill Area Development Foundation

- Pearl S. Buck Foundation
- Program for Appropriate Technology on Health (PATH)
- Thai Development Support Committee (TDSC)
- Friends of Women Foundation
- Coordinating Committee on Primary Health Care (CCPHC)
- NGO-Coordinating Committee on (Rural) Development (NGO-COD)

Two years after the establishment of the consortium, the government announced a National Policy on AIDS and Prime Minister Anand Panyarachun was named the first chairperson of the National AIDS Protection and Control Committee. Committee members included members of the consortium as well as representatives from other government agencies working on issues related to AIDS. In 1994, the consortium changed its name to Committee on NGOs against AIDS and expanded the coverage to regional areas. Since the northern region group had been involved in AIDS-related activities since 1992 and was the most advanced region, it was the first region to start. The Northeast branch became active in 1993 and the Central region in 1996. Members of the AIDS network included registered organizations, registered both in Thailand and internationally, as well as non-registered organizations. The ratio of registered and non-registered was approximately 60:40 (Thai NGO Coalition on AIDS, 1998).

Many development-oriented organizations have shifted to AIDS related activities. There are members of the AIDS network whose main activities are exclusively HIV/AIDS related. At the same time, there are organizations that join the network but usually work on other issues (such as development) as well. A survey carried out in 1999-2000 on 126 organizations working on AIDS related issues showed that 32.5 per cent of the organizations worked on the AIDS issue only and the rest worked on multiple issues including AIDS. Activities of AIDS related issues include:

- Campaign on HIV/AIDS prevention
- Assistance to people with AIDS
- Counseling services and training in counseling
- Capacity building for organizations working on AIDS related issues.

People Living with HIV/AIDS (PLWHA) Network. In addition there is also the People Living with HIV/AIDS (PLWHA) Network consisting of people living with HIV/AIDS groups formed by patients and health personnel working in hospitals in Bangkok and the North. Due to the policy for hospitals to support the establishment of self-help groups, there were 53 PLWHA groups in 1995 who submitted a set of proposals on the rights of PLWHA to the Government. In 2001, there were a total of 495 PLWHA organizations forming a national network and six regional networks. The PLWHA networks have been strongly involved in advocacy issues relating to standards of care and access to anti-retroviral therapy (Ungphakorn, 2002).

The two networks, i.e., Network of NGOs Against AIDS and PLWHA Network, work in parallel with each other. Issues advocated are:

- Basic rights of people with AIDS
- Access to health care
- Reduction of impact on children
- Health insurance for all
- Financial support

Foundation against AIDS. In 1999, the Thai NGOs Against AIDS, together with the Ministry of Public Health, formed the AIDS Foundation as a channel for fund raising. The Department of Communicable Disease, Ministry of Public Health is now supporting the Foundation. The sustainability of the Foundation is not yet confirmed.

Partnership of Government and Civil Society Organizations on Health Issues: The Case of the Tobacco Control Movements

The Thailand case is applicable here again. It is not clear the extent to which the Thailand model (or something similar) is applicable in other countries. In 1986, the People's Doctor Foundation and 12 health-related organizations set up the Thai Anti-Smoking Campaign Project (TASCP) to deal exclusively with tobacco control. In 1997 TASCP changed its name to Action on Smoking and Health (ASH) and became a foundation in its own right. ASH aims to promote positive non-smoking values and work toward effective tobacco control legislation. Public education and health promotion, public advocacy and coalition building are some of the strategies employed by ASH. Particular attention has been paid to building up networks between schools, hospitals, temples, workplaces, the media, and government. The objectives of ASH include:

- To promote non-smoking values
- To protect children and youth from the dangers of tobacco consumption
- To encourage, motivate and help smokers quit
- To campaign for legislative and social measures to protect the health of non-smokers
- To build coalitions and establish networks to campaign against tobacco.

The founding members that joined together to establish TASCP, which later became ASH, no longer function as a group. Instead ASH works with other organizations to carry out many different projects advocating different issues. Therefore, ASH networks are not rigid. At present there are different types of organizations working on the anti-smoking campaign that coordinate their activities with ASH. The main ones are:

1. Private agencies and companies that are actively involved in the "Smoke Free Workplace Project." There are about 800 firms located in the Bangkok metropolitan area and vicinity.
2. Government units within the Ministry of Public Health who are working on smoking-related aspects. They form a network and coordinate their activities for effective implementation.
3. Non-government organizations whose regular activities are on other issues but join with ASH on smoking related activities.
4. Entertainment and mass media groups that support campaign activities by promoting a "Smoke Free Environment" from different angles using different media. Columnists and so-called "Tobacco Control Activists" provide positive contributions to the tobacco control movement.

5. A few Buddhist temples are starting to support non-smoking campaigns using the temples as entry points. This network is new but has potential for expansion with high impact on the general public.
6. Academics and researchers who carry out smoking-related research and disseminate information on the negative effects of smoking on individuals, society, and environment. At the same time it should be noted that many of the academic reports are very technical and appear as medical reports with a very small impact on society.

Other activities of ASH together with its network consist mostly of media advocacy and community-based programs. They include, for example:

- Newsletters and journal publications;
- Quitline—a telephone counseling service for smokers;
- Smokebuster club launched in 1998 with 332 clubs dispersed over the whole country;
- Care for Kids Project to provide training seminars for teachers;
- Women and Smoking Project to foster the traditional non-smoking values of Thai women; and,
- Smokefree Areas Project.

ASH, together with its network members, succeeded in the objectives identified above. In the year 2000, a “Sin Tax” was launched with two percent of the taxes on liquor and cigarette to be collected and set up as a fund. An Office of Health Promotion was established to operate the fund and the Thai Health Promotion Foundation was registered in 2001. It is now known as the “Thailand Health Promotion Fund” functioning as a public agency with the objectives to support pro-active health promotion activities as well as establish mechanisms leading to capacity building for sustainable operations.

Conclusion: Role of Civil Society Organizations in Partnership with Government

The role of civil society organizations has been more and more recognized globally as well as in Thailand. However, in Thailand, the struggle during the past few years has shown that, despite the enabling environment for social transformation, the crisis has brought about a new challenge for Thai civil society groups. A quality civil society is not easy to achieve. The crisis has certainly shed some light on the development paradigms adopted by the international bodies working on development as well as the government of Thailand. The shift from a growth-centered to a people-centered development is being recognized in the 8th and 9th National Development Plans. The crisis also provided good reasons for allowing alternative means of livelihood to be adopted as the people's choice. Civil society groups at the national and local level have been quite active during the past decade. The demand for civil society to continue taking on active roles is still there. At the same time, because of social globalization, the demand for local civil society groups to join hands with transnational groups is being recognized more and more as well. Most organizations are not ready to move at the transnational level. They have not been empowered sufficiently to tackle the battle on two fronts. Transnational civil society organizations will have to work harder to attract local groups to join them.

At the moment local groups are not capable of fulfilling the demands to work at the local and transnational levels at the same time.

References

- Chisholm, Anthony H. and Rodney Tyers (eds.)
1982 *Food Security: Theory, Policy, and Perspectives from Asia and the Pacific Rim*. Honolulu: East-West Resource Systems Institute.
- Einaarsson, Peter
2000 *Agricultural Trade Policy as if Food Security and Ecological Sustainability Mattered*. Stockholm: Church of Sweden Aid, Forum Syd, and the Swedish Society for NATURE Conservation and the Programme of Global Studies.
- FAO
2001 *The State of Food Insecurity in the World 2001*. Rome: FAO.
- Goodman, David and Michael J. Watts (eds.)
1997 *Globalising Food: Agrarian Questions and Global Restructuring*. London and New York: Routledge.
- Kwa, Aileen
2000 *Agriculture in Developing Countries: Which Way Forward? Small Farmers and the Need for Alternative, Development-Friendly Food Production Systems*. South Centre: Trade-Related Agenda, Development and Equity (TRADE) Occasional Papers No. 4
- Lowe, Philip and Neil Ward
1997 "Field-Level Bureaucrats and the Making of New Moral Discourses in Agri-Environmental Controversies" in Goodman and Watts (eds.) *Globalising Food: Agrarian Questions and Global Restructuring*. London and New York: Routledge.
- Madeley, John
2000 *Hungry for Trade: How the Poor Pay for Free Trade*. Bangkok: White Lotus.
- National Commission on Social Welfare, Office of
2000 *Social Development in Thailand*. A National Report for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development, Geneva, 26-30 June, 2000.
- Pongsapich, Amara et al.
2001 *Current Status of Civil Society Organizations in Health Sector Thailand*. A report submitted to WHO Regional Office, Delhi.
- Rodda, Annabel
1991 *Women and the Environment*. Women and World Development Series. London & New Jersey: Zed Books Ltd.
- Royal Government of Thailand
2000 *Social Development in Thailand: A National Report*. A report prepared for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development, Geneva, 26-30 June 2000.

- Ungphakorn, Jon
2002 "Addressing the Issues Head On." Paper presented at the Intersessional Meeting of the Human Security Network on *Human Security and HIV/AIDS in the Greater Mekong Region*. 21-22 January 2002. Bangkok.
- United Nations, General Assembly
2000 World Summit for Social Development and Beyond: Achieving Social Development for all in a Globalizing World. Twenty-fourth special session of the General Assembly, Geneva.
- United Nations Development Programme (UNDP)
1994 *Human Development Report, 1994*. Delhi: Oxford University Press.

1999 *Human Development Report, 1999*. UNDP, New York.

1999 *Human Development Report of Thailand, 1999*. UNDP Thailand, Bangkok.
- United Nations Children's Fund
1997 *Children and Their Families in a Changing Thai Society*. UNICEF Office for Thailand, Bangkok.
- World Bank Bangkok Office
1999 "Thailand Social Monitor II, July 1999: Coping with the Crisis in Education and Health." Bangkok.
- World Bank Bangkok Office, UNICEF, CU/SRI, and MU/IPSR
1999 *Thailand Social Monitor III: Social Capital and the Crisis*. Bangkok: The World Bank Bangkok Office, UNICEF Office for Thailand, Chulalongkorn University Social Research Institute, and Mahidol University, Institute for Population and Social Research.
- World Bank Thailand Office
2000 *Social Monitor Thailand: Thailand's Response to AIDS "Building on Success, Confronting the Future."* November.
- World Commission on Dams
2000 *Dams and Development: A New Framework for Decision-Making*. London and Sterling, Va.: Earthscan Publications Ltd.

Trade Liberalization and the Poor: A Framework for Poverty Reduction Policies with Special Reference to Some Asian Countries Including India

SOMESH K. MATHUR*

The paper examines the impact of trade liberalization on the poor through its impact on prices and incomes. A simple framework is given which traces the impact of trade liberalization on the poor. There is unambiguous empirical evidence from economies around the globe, and for some of the Asian economies included in our sample, that trade openness promotes economic growth. Raising economic growth in a sustained manner reduces poverty. Further, for a cross section of fourteen Asian economies included in our study, no significant relationship could be found between changes in inequality and poverty, and inequality of incomes with economic growth rates and trade openness. However, most of the poor in the developing economies are in the agricultural sector; therefore, raising growth in the agricultural sector is an essential ingredient for making the reform process successfully. The paper provides the basic elements of a good trade policy regime. Some guidelines are given for making trade work for the poor after identifying how the trade regime works. The paper also discusses necessary complementary policies that can make trade policy reform effective. These complementary policies identified are macroeconomic and microeconomic stability, a competitive exchange rate, flexible labor markets, and competent product markets. The success of trade reform lies in focusing the reform agenda on agricultural and, additionally, the services sector. It is imminent from the study that these two sectors are key sectors in poverty reduction. These provide a benchmark against which to judge the prevailing trade regime and provide guidance for the direction of reforms for the poor in the future.

Also, there is large outstanding agenda that can and should be undertaken by high-income countries that will generate significant benefits for ordinary people in developing countries. These include removing trade distorting policies in agriculture, disciplining non-tariff measures that restrict trade and removing restrictions on the temporary movement of natural persons supplying services (Stern, 2002).

Introduction

The article "The Death Trap" in the January 2003 issue of Frontline magazine reported on the causes of the suicide of cotton farmers in May 2001 in twelve districts of the Vidarbha region of Eastern Maharashtra. The article stated, "The farmers, faced with mounting debt, a failed crop and government indifference, are resorting to suicide as a

* Lecturer, Department of Economics, Jamia Millia Islamia, New Delhi-25, India. Email: som@del3.vsnl.net.in. Thanks are due to Dr. M.S. Bhat, Professor Naushad Ali Azad and Dr. Abusaleh Shariff for discussions on the theme of the paper.

way out of misery.” Patnaik (2002) concludes that the majority of cotton growers is made up of small farmers and have been highly price responsive since colonial times. International cotton prices started declining in 1995-96 from 75 cents a pound to an all time low of 35 cents in October 2001. Government’s lifting of quantitative restrictions on cotton in 1999 and the fact that tariff rates have not been enough to deter cotton imports have had an adverse impact on farmers who cannot compete in the open environment. Vijay Jawandhia, leader of the Kisan Sangatana based in Warda, said, “By permitting imports of cotton at five percent duty, the Central Government has destroyed the domestic market. Prices have fallen drastically and it has adverse impact on farmers.” On the other hand, cotton textile owners gained from the lowering of cotton prices as cotton was their main production input. In fact, it was reported that the powerful textile lobby resisted moves to increase the import duty on cotton.

The above episode indicates that the integration of markets with the international economy have differing impacts on different sections of the society, and that it is possible that the more powerful, with their vested interests, usually benefit from this integration, but not the poor. The role of safety nets and re-training are, therefore, important in dealing with the adjustment costs of trade liberalization.¹ Trade-related reforms in agriculture and services provide significant opportunities for raising employment and income of the poor, as well as for reducing their costs of their consumption.

On the other hand, there are many cases in which Indian industrial producers, since the reform era of the 1990s, have favored increases in import duties. This is their way of resisting competition and the leveling of the playing field.

This paper shares the experiences of different countries where trade reform was successfully undertaken, with adjustment costs and other negative impacts, usually felt via prices and incomes, for the poor minimized. Alan Winters (2000) has identified several linkages between trade, trade policy and poverty (see Section II). It is therefore important to study and identify how the trade regime works.² Knowledge of how the poor obtain and spend their income is important in designing pro-poor policies. Trade policies will affect the welfare of the poor through both what they consume and what they produce. A simple framework is developed which traces the impact of trade liberalization on the poor. Some guidelines are given for making trade work for the poor.

Proponents of globalization claim that greater integration with the world economy may reduce poverty. The two mechanisms usually identified in this context are: first, reduced industrial protection should turn terms of trade in favor of agriculture and

¹ “We may recall that in Europe during the 16th century, poor relief was shifted from a charitable to a government organized activity. The creation of social insurance schemes and the subsequent expansion of the welfare state cannot be explained as public acts of charity; these factors have been the key elements in the survival strategy of capitalism” (Maran, 2002).

² The first step in designing a strategy to use trade policy for growth and poverty reduction is to understand how the trade regime works (Hoekman et al., 2001). This involves learning the importance of non-tariff barriers, including who gets the licenses and permits; what the structure of the tariff is, including its dispersion, exemption and rebate provision; how much revenues are generated from tariffs; what policies are in place that may tax or subsidize exports; the existence of trade related institutions such as standards organizations, export finance and marketing facilities that adequately support an expansion of exports; how the pattern of protection favors the income of the poor, or a segment of the poor, and what policies can be designed to assist the poor during the transition. For more discussion on this issue, see below.

thereby agricultural (and rural) incomes; and, second, this should increase industrial employment since comparative advantage would favor labor intensive manufacturing in regions with abundant labor. The paper examines these two hypotheses in context of some South Asian countries including India.

Trade liberalization involves reducing discrimination against foreign suppliers of goods and services. This is achieved not simply by eliminating quotas and reducing average tariffs and dispersion across tariffs but also by strengthening trade related institutions, in particular, customs and standards bodies.

There is ample empirical evidence that trade liberalization and openness to trade increases the growth of income and output (Sachs and Warner, 1995; Dollar, 1992; Edwards, 1993, 1998; Ben David, 1993; Frankel and Romer, 1999 among others). Also, the link of overall growth to poverty alleviation has been demonstrated, both in cross country analyses (Dollar and Kray, 2000) and for individual countries.³ Trade liberalization can therefore be expected to help the poor overall given the positive association between openness and growth. The paper tests the hypothesis that trade openness promotes growth for the fourteen Asian countries included in our sample. The study also examines the impact of economic growth rates, trade openness and inequality of incomes on poverty. The significance of economic growth rates and trade openness on inequality of incomes is also measured. Cross-country regression is used for analysis.

The political economy of trade policy is such that, in practice, it is unlikely that the poor have much influence on the pattern of protection that prevails in a country. As trade policy has the effect of redistributing income, this implies that trade policy often acts to tax the poor, and that liberalization can improve the income of the poor.⁴ However, in the short run, liberalization may have negative impacts on some of the poor, depending on their sources of incomes, and on the prices of goods and services the poor consume. Thus, there is a need to examine the impact of trade liberalization in some detail to help design policies that protect those among the poor who may be adversely affected, especially in the short run. The paper provides the basic elements of a good trade policy regime. These provide a benchmark against which to judge the prevailing trade regime and provide guidance for the direction of reforms for the poor in the future.

It is a fact, however, that, despite recurring rounds of trade liberalization under GATT/WTO auspices, as well as unilateral reforms, many developing countries have not been able to integrate into the world economy. It is true that no developing economy can develop within protected walls. It is equally true that no country has developed

³ For example, Srinivasan (2000) found that, for India, of the 17 percentage point reduction in the population below the poverty line over some 40 years (between 1951-55 and 1993-94), the 15 point reduction is to be attributed to growth and 2 points to redistributive policies. Agricultural and rural growth in a sustained manner is thought to be important.

⁴ Trade policy instruments include tariff and non tariff barriers, anti-dumping duties, special customs regimes for exporters, export subsidies, export taxes, export processing zones with trade related institutions like customs clearance, export finance, product standards, and access to information on market opportunities and linkages with the Regional Trade Agreements and World Trade Organization. See appendix table I for the effects of alternative trade policies on the welfare of consumers, producers, the government and the nation as a whole. For detailed analysis of the impact of trade policy instruments on the poor, see Hoekman et al. (2001).

simply by opening up to foreign trade and capital flows. Domestic policies⁵ can be effective and work for the poor if they are undertaken with the appropriate mix of trade policies and supporting complementary policies. These complementary policies are identified in the paper. These include, among others, macroeconomic and microeconomic stability, a competitive exchange rate, flexible labor markets, and competitive markets. External policies like trade restrictions-tariff peaks, tariff escalation, subsidies, ever tighter product standards, rule of origin, etc. reduce the ability of developing countries to exploit their comparative advantage. A regime that encourages investment and competition, including openness to foreign direct investment, benefits by having business services supplied at competitive prices. Good macroeconomic policies encourage stable prices and a competitive real exchange rate.⁶ The poor frequently work in the rural sector and in the urban informal sector. Thus, policies that affect agricultural and labor markets are important complements to trade reform for the poor.

From the perspective of the developing countries, a multi-pronged strategy is required. A trade agenda that benefits ordinary people in developing countries can and should be addressed by developed country governments. Section IX deals specifically with this issue.

The paper is organized as follows. Section II discusses the linkages between trade, trade policy and poverty. A framework is developed to examine the impact of trade liberalization on poverty through its impact on prices (and hence consumption) and income (production). Section III links trade liberalization with growth, poverty and inequality. Section IV evaluates the empirical evidence for fourteen Asian countries included in our study. Section V discusses the political economy of protection, while Section VI is on the adjustments costs of trade reform. Section VII discusses the basic elements of good liberal trade policies. These can provide benchmarks against which judgment can be made of the prevailing trade regime and guidance for a reform process. Section VIII discusses the strategies for poverty reduction via an appropriate mix of trade policies and complementary policies. This section also deals with role of safety nets in coping with uncertainty. Section IX discusses developed country trade and domestic policies that can have significant impacts on the poor in developing countries. The last section presents the conclusions.

Linking Trade, Trade Policy and Poverty: A Closer Examination

It is useful to consider the linkages that exist between trade, trade policy and poverty. In a comprehensive paper on this topic, L. Alan Winters (2000) identifies

⁵ Poverty is not only due to lack of income but also to lack of capabilities (skill, education), livelihood, security and assets, troubled and unequal gender relations, exhausted and weak body, disregard and abuse by the more powerful, disempowering institutions, lack of radical and comprehensive land reforms, degraded environment, inadequate rural infrastructure, among others. Effective domestic policies for poverty reduction should cover all the above stated issues. Pre-occupation with the minimal concept of poverty has impaired anti-poverty strategies. That, however, is beyond the scope of this paper.

⁶ Rodriguez and Rodrik (2000) note that "there is a strong association between exports and growth. However, we are unable to be sure whether this association is a consequence of exports causing output growth or of the two being jointly determined by the strength of countries' institutions." Even if we were to accept to this view, the resulting policy prescription is a relatively comprehensive approach to development that includes improvement of a range of institutions along with trade liberalization.

several key linkages, which are reiterated in large part by Bamister and Thugge (2001). Potential links include changes in:

- (a) the price and availability of goods;
- (b) factor prices, income, and employment;
- (c) government transfers influenced by changes in revenue from trade taxes;
- (d) the incentive for investment and innovation, which affect long-run economic growth;
- (e) external shocks, in particular, changes in the terms of trade; and,
- (f) short-run risk and adjustment costs.

Our paper develops a framework linking trade with poverty using links (a) and (b) (see section II.1). Linkages (b) through (f) tend to be less frequently considered. A study by Levin (2000) focuses on transfers, link (c). A number of economy-wide analyses account for terms of trade effects, link (e). The factor price, income, and employment link (b) may have the greatest relative importance of all the links between trade and poverty. Household survey data, as well as casual observation, suggest that people tend to be much more heterogeneous with respect to income than with respect to consumption. In other words, two households may have identical commodity budget shares and the same level of income, but entirely different sources of income; one may derive all income from agricultural labor, while the other may rely on transfers from a relative who works abroad. This point is underscored by the fact that opposition to free trade initiatives often arises from groups with highly specialized income, such as steel workers and sugar farmers in the U.S., to name just two examples.

Within the world of classical trade theory, income effects are key to the famous Stolper-Samuelson theorem, which relates international trade to the domestic distribution of income (Dixit and Norman). By the Heckscher-Ohlin theorem, a country has a comparative advantage in the good that intensively uses the country's relatively abundant factor. Free trade will increase the relative price of that good and so, by the Stolper-Samuelson theorem, increase the real return of the relatively abundant factor by an even larger percentage. At the same time, trade will reduce the return to the relatively scarce factor, though to a smaller degree. As a result, it can be said that changes in commodity prices due to trade liberalization magnify the resulting changes in factor prices.

The presence of this Magnification Effect (due to Jones, 1965) in theoretical trade models is one reason why trade economists tend to focus on factor market effects when analyzing trade liberalization and poverty. Some (e.g., Winters, 2000) have argued that the practical relevance of the Stolper-Samuelson/Magnification result is negligible, since it rests on so many restrictive assumptions as to be a special case. Nevertheless, this theoretical insight underscores the importance of considering factor earnings effects when examining the relationship between trade liberalization and poverty.

Three empirical studies reinforce this view. A general equilibrium analysis of technical change in the Philippines by Coxhead and Warr (1995) found earnings effects to be substantially more important than consumption effects. In particular, income effects accounted for two-thirds of poverty alleviation when there was a rise in agricultural productivity. The nature of the shock is not dissimilar since the adjustments are transmitted through commodity and factor markets. Harrison, Rutherford and Tarr (2000) found that factor price changes drove the incidence of trade liberalization in

Turkey. They demonstrated this by employing three counterfactuals in which the 40 representative households in the analysis (differentiated by rural/urban orientation and by income level) have (i) identical consumption shares, (ii) identical factor income shares, and (iii) identical consumption and factor income shares. Since counterfactual (i) provided nearly identical results to those generated when the heterogeneity of the 40 households is left intact, the authors concluded that “clearly, for the poor, it is the source of income, not the pattern of expenditure, that is driving the adverse impact relative to the average household” (Rutherford and Tarr, 2000: 12).

A general equilibrium analysis by Warr (2001) of Thailand’s proposed rice export tax also suggests that factor earnings effects are the driving force behind welfare and distributional effects. Although an export tax generates government revenues and lowers the price of rice for consumers, it also lowers the return to unskilled labor, which is used intensively in the Thai rice industry. Because both the rural and urban poor derive more than 40 percent of their income from unskilled labor (according to the Thai survey upon which the stylized households are based), the negative income effect ends up outweighing the consumption benefit, such that both the rural and urban poor are harmed by the export tax.

Despite the apparent importance of factor earnings effects, they are often not accounted for in studies that quantify the effects of external shocks on the poor in developing countries. This is particularly the case for analyses based on detailed household surveys, at least historically. Because abstracting from this particular linkage may be quite misleading, this paper will pay particular attention to how each analysis deals with the income side of the story. At the same time, the issue of whether a focus on “factor markets” is the same as a focus on “income” is not explored in depth here. It can be argued that many of the poor are subsistence farmers and largely disconnected from markets, or that their well being is largely determined by their net trade position in a food commodity such as rice. Studies that explore this latter issue in more detail include Ravallion (1990) and Ravallion and van de Walle (1991). As to the importance of thinking about a household’s income in terms of commodities versus factors, Hertel, Preckel, Cranfield, and Ivanic (2001) provide interesting survey evidence on this issue for seven developing countries in Figures 1-21 of their paper.

Furthermore, greater integration with the international economy may reduce poverty through two routes. The first relates to terms of trade effects (link [e] above) and the second is through employment effects (link [b] above). The two mechanisms usually identified in this context are: first, that reduced industrial protection should turn terms of trade in favor of agriculture and thereby agricultural (and rural) incomes; and, second, that this should increase industrial employment, since comparative advantage would favor labor intensive, manufacturing in regions with abundant labor. Sen (2003) notes that reduced protection to industry in South Asian countries have not been able to raise agricultural terms of trade. He points out that agricultural terms of trade have actually worsened in Bangladesh, Pakistan and Nepal. The domestic policies regarding food subsidies and price support in India and Sri Lanka, however, have raised cereal prices and thus improved terms of trade (cf Table I). In the South Asian Region, it is the services sector that gained from the shift in the terms of trade against manufacturing, suggesting not only that skill differentials increased but also that a considerable part of the dividend from reduced tariffs was retained by trade and finance.

Table I. Sectoral Price Relatives to Overall GDP Deflator

Country	Agriculture			Manufacturing		
	1979	1989	1998	1979	1989	1998
Bangladesh	100	83.5	85.8	100	101.4	95.4
India	100	107.0	119.1	100	101.4	90.5
Nepal	100	82.2	86.6	100	92.7	94.5
Pakistan	100	116.0	104.0	100	95.7	91
Sri Lanka	100	109.9	121.0	100	95	81.7

Source: World Bank Country Tables, 2000.

Simultaneously, despite overall GDP growth being maintained or slightly improved, the growth of agricultural GDP decelerated throughout the region (Table II). This combination of slower output growth in agriculture with deteriorating terms of trade is the major reason why rural incomes in South Asia have tended to lag behind urban incomes. Globalization would have had a greater effect if agricultural growth had not lagged behind due to falling terms of trade, low technology diffusion and cuts in public investment, including investment in rural infrastructure, public irrigation, roads and power.

Table II. Growth Rates of Sectoral GDP

	Agriculture		Industry		Services	
	1980s	1990s	1980s	1990s	1980s	1990s
Bangladesh	2.7	1.6	4.1	7.3	5.4	5
India	3.4	3.1	6.6	6.5	6.7	7.5
Nepal	3.8	2.4	8.5	7.4	3.5	6.3
Pakistan	4.6	4.4	7.3	4.3	7.2	4.5
Sri Lanka	3.5	2.1	5	7.1	6.5	5.6

Source: World Bank Country Tables, 2000.

As far as employment is concerned, the picture among the South Asian countries is complicated (Table III). It is true, for example, that garment exports and employment have expanded rapidly, particularly in Bangladesh and Sri Lanka, but in both countries this occurred alongside significant declines in employment in other import substituting industries. In Pakistan, manufacturing as a whole experienced a severe slowdown. In India, the 1990s pattern is more complicated with manufacturing employment stagnant in the unorganized sector, but marginally increased in organized firms after reforms (Tendulkar, 2000). However, data from labor surveys by the ILO show that industrial employment in India declined in the late 1990s (cf Table III).

Table III. Sectoral Distribution of Employment

		Bangladesh	India	Pakistan	Sri Lanka
Agriculture	Early 80s	57.1	68.7	52.7	45.9
	1990	66.4	62.1	47.5	41.4
	Late 90s	63.2	63.9	50.0	35.1
Industry	Early 80s	12.1	13.8	18.9	18.6
	1990	13.0	15.5	19.1	25.7
	Late 90s	9.6	14.3	16.7	22.4
Services	Early 80s	26.4	17.5	28.4	29.3
	1990	16.2	22.3	33.4	29.6
	Late 90s	25.0	21.8	33.3	38.8

Source: ILO, KLIM data set from Labour Force Surveys.

Four main types of methodologies are used for studying the impact of trade liberalization on poverty (Reimer, 2002).

Trade Reform and the Poor: A Simple Framework

In order to provide an overview of the various possible effects of a trade policy reform, we follow Hoekman et al. (2001). The model assumes three types of sectors, that producing import substitutes (M), that making exportable goods (X), and that turning out non-tradable or home goods (H), as well as two factors of production, labor and capital. The only asset of the poor is labor, while the asset owned by the non-poor is capital.

The effects of trade policy reform on the poor depend on the consumption and production of the poor in these three sectors. The effects also differ in the short and long runs. In the short run, factors of production are immobile, while they are mobile in the long run.

The model assumes that countries have no power to affect world prices of trade goods and that labor markets function efficiently, i.e., nominal and real wages are flexible. Domestic prices of M (P_m) and X (P_x) depend on their world price and on policy variables such as the exchange rate and import tariffs. On the other hand, the price of H (P_h) is determined fundamentally by domestic supply and demand. In the long-run, resource allocation depends on relative prices only, such as P_x/P_m and P_x/P_h .⁷

Trade liberalization (a reduction in tariffs) raises P_x/P_m , and labor and capital have an incentive to move from M to X. Whether P_m falls or P_x rises makes an enormous difference in the short run and is likely to determine the success of the reform. This is where complementary policies, including exchange rate policy, play a crucial role.

Suppose the nominal exchange rate (ER) remains unchanged following a tariff reduction. Then P_m falls while P_x remains unchanged, and labor and capital in sector M are hurt in the short run. The groups that are hurt are likely to lobby for a policy reversal. Also, although in the long run both imports and exports increase with a tariff reduction, imports tend to increase faster than exports, with a likely deficit in the balance of trade that may be unsustainable. Both the pressure from short-term losers and the balance of trade problem may result in a failure of the reform. This outcome can be avoided or its effects mitigated by a depreciation of the domestic currency. This raises the price of importables relative to non-tradables, and helps dampen both the increase in import demand and the decline of labor and capital's nominal income in sector M. On the other hand, labor and capital in sector X benefit from the devaluation since P_x increases.⁸

⁷ With three nominal prices, there are only two independent relative prices. For instance, choosing P_x/P_m and P_x/P_h , the third relative price (P_m/P_h) is obtained by dividing P_x/P_h by P_x/P_m .

⁸ Devaluation has no impact on the relative price P_x/P_m because both prices increase in the same proportion.

Thus, a policy package of tariff reduction and currency depreciation should make it easier for the factors of production in sector M in the short run and during the transition period, and should dampen the resistance to the reform. In countries with a flexible or floating exchange rate policy, the lower tariff will raise the demand for imports and for foreign exchange. This will raise the price of foreign exchange or lower the value of the domestic currency. In other words, the exchange rate will depreciate (more units of domestic currency per unit of foreign currency). This is similar to a devaluation except that it is determined by the market and not by the monetary authorities.

The effect of trade reform on the poor also depends on the second relative price P_x/P_h . That relative price depends not only on policy but also on consumer reaction to the policy since it is determined by supply and demand. P_x/P_h also rises following a tariff reduction, though less than P_x/P_m .

When the value of the nominal exchange rate cannot be changed, a tariff reduction has no impact on P_x but lowers P_m . This leads to a shift in consumption from H and X to M, and thus to a reduction in P_h (though less than the reduction in P_m). This implies an increase in P_x/P_h . With a full devaluation equivalent to the tariff reduction, P_m remains unchanged and P_x rises by the magnitude of the depreciation, shifting consumption from X to M and H, raising P_h . P_x/P_h rises by the exact same amount as in the absence of devaluation. Finally, with flexible exchange rates, the depreciation is less than the reduction in the tariff, so P_m falls, while P_x rises. Consumption shifts from X to H and M, and from H to M, so the net effect on the demand for H is ambiguous, as is the effect on P_h . Note, however, that P_x/P_h rises exactly as in the other two cases.

Effects on Real Income in the Short Run

The impact of trade reform on the poor in the short run will critically depend on their location in terms of consumption and production (income), in particular whether they are employed in the production of tradable or non-tradable goods. There are three cases to consider that indicate the types of effects that may arise:

- i) **Poor employed in the exportable goods sector.** The relative price of sector X increases. In the short run, as factors are not mobile across sectors, the wage rate of labor employed in X increases. On the consumption side, labor (and the poor, by assumption) would gain as long as they consume either some M or some H or both (since their prices fall). Thus, labor's real income must improve; and the higher the proportion the poor spend on H and M, the larger the gains. Thus, the real income of labor in X must rise, or remain unchanged in the unlikely circumstance that the poor spend their entire income on the exportable X.
- ii) **Poor employed in the importable goods sector.** If, on the other hand, the poor produce in the importable goods sector, a tariff reduction would lead to a decline in the wages of the poor (labor) employed in the sector. How much they would lose would depend on the consumption effect: if they spend all their income on importables, the income and consumption effects would

cancel out and the net effect of trade liberalization on their real income is zero. However, if they also consume X and H, they will lose. The expected result is that the poor lose in the short run, but their loss is smaller than the decline in their wages because of the gains from the effect of trade liberalization on the prices of things they consume.

- iii) **Poor produce only in the non-tradable goods sector.** With the decline in the price of H, the wage rate in that sector also declines by about the same percentage. On the other hand, labor in H also benefits from the lower cost of consuming M and H. It is possible that the impact on the real income of the poor rises because the cost of the consumption bundle falls more than their wages. In general, the impact on the real income of labor in H is ambiguous and depends on the shares of M, X and H in the consumption basket, and on the response of the price of H to trade liberalization. The larger the share of M in the consumption basket of the poor, the greater the likelihood that they will gain. They must gain if they only consume M, they must lose if they only consume X, and they are unaffected if they only consume H.

These results are summarized in the matrix below (Table IV). Each cell in the matrix represents the "location" of the poor in terms of production and consumption. The first sign represents the effect of trade liberalization on the income of the poor, i.e., the return to their asset (labor). The second sign represents the effect on their real income due to changes in the cost of their consumption basket. Thus a "+" after the "/" sign means that the cost of their consumption basket has fallen following trade liberalization. The sign in parenthesis gives the net effect of changes in their nominal income and cost of their consumption baskets on their real-income in different "locations." To summarize, the best outcome is when the poor are employed primarily in the exportable sector X and consume importable goods M. And the worst outcome occurs if the poor are primarily employed in sector M and consume primarily exportable goods X.

Table IV. Location of the Poor and Effects of Trade Liberalization in the Short run

	M	X	H	TOTAL©
M	-/+ (0)	-/- (-)	-/+ (-)	-/(+) (-)
X	+/(+)	+/- (0)	+/(+)	+/(+)
H	-/(+)	-/- (-)	(-)/+ (0)	-/(+)
TOTAL©	?/(+)	?/- (-)	?/(+)	

Note: The Total© gives the effect that receive their income from production in only one sector but their consumption basket includes products from the three sectors. Total© gives the effect for the poor that consumes products from only one sector but receive their income from the three sectors.

Although the discussion has focused on trade reform involving tariffs, in practice, reforms often involve the abolition of quantitative restrictions (QRs) such as import licenses. As discussed above, due to rent-seeking, shifting from QRs to tariffs could significantly help the poor.

Effects in the Long Run

In the long run, labor and capital are mobile across sectors. Then, trade liberalization results in a contraction of sector M and an expansion of sector X. If, as is likely for most low income developing countries, M is, on average, capital intensive, while X is relatively labor intensive, then the new output configuration results in an increased demand for labor and a higher nominal wage rate. As the prices of M and H fall, labor's real income rises as well. Consequently, while in the short run some labor employed in M loses from trade liberalization and the impact on labor in H is ambiguous, when factors are mobile, labor in both sectors gain. Of course, for this to apply to all the poor, labor markets need to be integrated. If they are segmented, then some poor could lose, especially if they are employed in the import competing sector and are unable to move. In order to ensure that the poor are better off following trade liberalization, the conditions affecting the functioning of the labor market are therefore critical.

In the analysis presented above, it is assumed that all factors are fully employed and changes in trade policy are reflected in changes in relative factor prices. In practice, and for many of the countries for which poverty reduction strategies are being prepared, there may be a large supply of unskilled labor in the subsistence sector that can be employed at a fixed real wage in the modern sector. Trade reform may have a positive impact in this case, not through an increase in the wages of the unskilled workers but rather by reducing the amount of unemployed or underemployed in the subsistence sector and inducing an expansion of the output of the modern sector. Indeed, following the Indian trade reform in 1991, manufacturing employment increased faster, while wages increased slower than before the reform (Winters, 2000). In most cases, one can expect a lasting trade policy reform to have a mixture of quantity and price effects on the labor markets. No matter what the situation is, labor mobility is essential in order to ensure the movement of workers from the contracting to the expanding sectors.

Sector-Specific Issues

The above framework is highly stylized and abstracts from many factors that are important in determining the impact of reform on the poor. Such factors include the existence of imperfect competition and inter-sectoral dependencies. For example, although the agricultural sector is generally made up of small and competitive farms, this is typically not the case for marketing and distribution services. In a number of less developed countries (LDCs), marketing is organized by public agencies that usually fix producer prices at levels below world prices and do not always change them in response to changes in world prices or in exchange rates. An issue to take into account is the degree to which farmers consume their own output. The greater the share of own consumption, the smaller the impact of the reform on the real income of the farmers. If farmers consume exactly what they produce, then the real income effect of trade reform on them is nil. If farmers are net buyers, it is often argued that in that case farmers lose from an increase in the price of the product they produce. This may well be the case, but one must also consider that in order to be net buyers, they need to obtain additional income. If this additional income is obtained by working on other farms, real income of these farmers need not decline given that nominal rural wages will tend to increase with the price of farm products (or increase with trade reform in the long run).

Trade Liberalization, Growth, Inequality and the Poor

Trade is likely to make an impact on the poor through higher growth. However, the impact on the poor over a period of years would depend on how steady the growth is and, also, whether or not the growth is poor friendly. There are numerous individual country studies over the past three decades that suggest that “trade does seem to create, even sustain, higher growth (Bhagwati and Srinivasan, 1999). A country’s trade policy is the key link in the transmission of price signals from world markets in combination with the exchange rate, and allow resource allocation to be consistent with comparative advantage, thereby increasing productivity. An open trade regime and investment regime encourage integration into the global trading environment and the import of diverse and modern technologies that are important for productivity improvements (See Coe, Helpman and Hoomaister [1997] for evidence and Romer [1994] for further discussion.). However, it has been argued that, from 1960 to the mid-1990s, in some of the East Asian economies—Hong Kong, Korea, Singapore, Taipei, Indonesia, Malaysia and Thailand—it was a domestic investment boom that sustained the growth process rather than outward oriented policies (Rodrik, 1995). According to Rodrik, exports were initially too small in relation to GDP to have a significant effect on aggregate growth. The boom was the outcome of a number of strategic government interventions and favorable initial conditions, such as the presence of an educated labor force and the equality of income and wealth. Many have contested this argument. Bhagwati (1996) opined that even if it originated from sources other than trade policy reform, the investment boom could not have prospered in a closed economy.

However, for most developing economies, agricultural growth is important and such a process should be inclusive so that non-progressive populations have the opportunity to catch up with the small pockets that make gains in modernization and growth. The strategy of inward-oriented development, in which exports are not encouraged because imports are kept to a minimum, proved to be ineffective everywhere, even in the most populous countries such as Brazil, China, India and the former Soviet Union (Bajpai and Sachs, 1998).

Trade can affect the poor adversely if economic growth worsens income distribution. Table V documents the data for India. This table reports a worsening of income distribution in 1997.

Table V. Distribution of Per Capita Expenditure in India

Year	Lowest 20%	Second 20%	Third 20%	Fourth 20%	Highest 20%
1972	8.5	12.6	16.5	21.8	40.6
1973	9	13.1	17.2	22.6	38.1
1977	8.5	12.5	16.4	21.7	40.9
1983	8.6	12.7	16.5	21.7	40.5
1987	8.9	12.5	16.3	21.3	41
1992	8.8	12.5	16.2	21.4	41.1
1994	9.2	13	16.8	21.7	39.3
1997	8.1	11.6	15	19.3	46

Source: The figures for 1994 are from World Bank Development indicators on CDROM. All other figures are from NSS, reported in Datt (1999).

However, Deininger-Squire (1996) and the WIDER (2000) data suggest that there was virtually no change in income distribution (defined as the share of the bottom 40 percent of the population) over the twenty-five year period, 1972 to 1997. The constancy of the share of the poor has implications for studies on poverty. It means that the poor have shared equally in whatever economic growth has occurred.

Xavier Sala-i-Martin (2002), using data for 125 countries, concludes that poverty rates, as well as absolute headcounts, declined significantly from 1970 to 1998. Moreover, income inequality also declined, particularly in the last two decades. This author uses nine of the most common inequality indices in the economic literature to offer the same result: although inequality remained more or less constant in 1970s, it declined substantially in the 1980s and 1990s. As a result, the shape of the income distribution has changed, from a bimodal distribution with a peak of poor people and a peak of the rich in 1970 to a smoother distribution in 1998, suggesting the emergence of a world middle class.

Dollar and Kray (2001) defined the poor as the lowest 20 percent of the population and assumed that poverty falls if the mean income of the bottom 20 percent goes up relative to the mean income of the population. Dollar and Kray's regression analysis, which used data from 80 countries for four decades, indicated that trade openness enhances growth, which affects all income groups proportionately, including the lowest quintile. This result was robust with respect to variations over time between rich and poor countries, and between crisis and non-crisis periods. However, openness did not have any direct impact on income distribution, either positive or negative, other than through growth.

There are three reasons why growth is crucial to poverty reduction (Panagariya, 2002). First, when the growth engine is nearly 3 percent or more in per capita terms, it overwhelms any negative effects resulting from increased inequality. It gives rise to what Jagdish Bhagwati calls the powerful pull-up effect rather than what skeptics call the trickle down effect. This effect rapidly brings the poor into gainful employment. Second, faster growth generates much more resources to finance anti-poverty programs. Finally, growth also improves the ability of the poor to access public services. At low levels of income, most poor people send their children to work. It is only increased incomes that result in the children being able to switch from work to school.

Trade Openness, Growth, Inequality and Poverty: Empirical Evidence from Some Asian Economies

We have run an OLS regression on cross country data for fourteen Asian countries.⁹ The econometric software, statmost, is used for the analysis. The countries

⁹ The cross-country regression approach has a number of advantages for understanding the links between trade and poverty. First of all, it enables the use of traditional statistical tools for testing results and hypotheses, as opposed to only making predictions. Secondly, cross-country regression results are typically much more general than the country-specific results of many applied simulation models. Thirdly, cross-country regression may be able to account for some of the dynamic aspects of trade reform that are missed by static simulation models. Given the differing advantages and disadvantages associated with the cross-country regression and simulation approaches, they should probably be viewed as complementary forms of analysis as opposed to substitutes.

included are India, Pakistan, Bangladesh, Nepal, and Sri Lanka from South Asia, and Indonesia, Malaysia, Philippines, Hong Kong, China, Japan, Singapore, Thailand, and South Korea from East Asia. The dependent variable is poverty as measured by the population below the international poverty line of \$1 per day; the independent factors are average annual trade openness, average annual per capita GNP/GNP growth rates (1960-97), and a measure of inequality—the “Gini average” (the average Gini across all observations for the given sample period for each country included in the sample). The Gini coefficient¹⁰ in the 1990s is also regressed on economic growth rates and trade openness to examine the impact of such factors on income distribution.

Regression analysis results show that trade openness is one of the significant factors in explaining variations in growth of per capita GDP for the fourteen Asian countries (cf note in Table VI for the regression result). In turn, the economic growth process (1960-1997) shows a significant impact on reducing poverty in the 1990s (cf note of Table VII for the regression results). However, trade openness becomes an insignificant factor in explaining poverty when per capita growth rates are included as an additional explanatory factor in the regression equation. The effect of trade openness is captured by per capita growth rates. This suggests that trade openness has an impact on poverty by raising economic growth rates (note Table VII).

Table VI. Average Trade Openness, Growth of GNP, Per Capita GNP and Volume of Trade for Some Asian Countries

	Average Annual Growth Rate of Volume of Trade (1960-1997)	Average Annual Growth Rate of GNP (1960-1997)	Average Annual Growth Rate of Per Capita GNP (1960-1997)	Average Trade Openness (Trade[Exports+ Imports]/GNP in % 1960-1997
	Column(1)	Column(2)	Column(3)	Column(4)
Bangladesh	5.6	3.879	1.58	26.33
China	11	7.725	6.215	27.92
Hong Kong	8.7	7.977	5.61	280.31
India	7.9	4.712	2.55	15.43
Indonesia	8	6.26700	4.24	50.94
Japan	5.100	5.5100	4.45	18.21
South Korea	12	7.94100	6.16	74.84
Malaysia	8.8	7.073	4.37	144.66
Nepal	6.9	3.465	1.12	34.83
Pakistan	6.7	5.743	2.78	34.82
Philippines	8.3	4.179	1.45	55.41
Singapore	9.4	8.6	6.43	354.18
Sri Lanka	4.1	4.572	2.88	70.40
Thailand	10	7.516	5.13	70.12

Source: GNP and Per Capita GNP data are in constant 1995 US\$. GNP, PCGNP and Trade data are taken from World Bank World Development Indicators in CD-ROM for various years.

Note: Regressing Average Annual Growth Rate of GNP (Y-Column 2) on Average Trade Openness (X-Column 4) yields

$$Y = 3.0545 + 0.5915X$$

$$t- (5.1640) (2.192)$$

$$R^2 = 0.28$$

$$F = 4.809$$

¹⁰ The Gini coefficient, although not a perfect tool, is a relatively good summary indicator of income inequality. For discussion on the merits and drawbacks of using the Gini indicator, see Deninger and Squire (1996: 567).

Inequality of income (average Gini) during the last three decades has no significant impact on poverty for the Asian economies in the 1990s. The t-values are insignificant but surprisingly they come out with negative signs, suggesting that higher inequality tends to reduce poverty (note Table VII).

Also, neither economic growth nor average trade openness are significant factors in explaining inequality of incomes as measured by the Gini coefficient. The signs of the independent factors, however, suggest that higher economic growth rates tend to reduce inequality, while higher trade openness tends to increase inequality (see note of Table VII).

In summary, trade openness tends to increase economic growth rates. No significant relationships could be found between changes in inequality and poverty, and among economic growth rates, trade openness and inequality of incomes (see notes on Table VIII). The above analysis for the fourteen Asian countries confirms the results of other studies (e.g., Dollar and Kray, 2001) that raising economic growth rates is the factor that reduces poverty across economies.

**Table VII. Economic Growth, Poverty and Inequality Index
For Some Asian Countries**

	Average Annual Growth Rate of GNP (1960-1997)	Average Annual Growth Rate of Per-Capital GNP (1960-1997)	Average Population Below \$1 a day in 1990s	Gini Average	Gini Coefficient in % in 1990s
	Column (1)	Column (2)	Column (3)	Column (4)	Column (5)
Bangladesh	3.879	1.58	29.1	36(1963-86)	33.6
China	7.725	6.215	18.5	32.68(1980-92)	40.3
Hong Kong	7.977	5.61	.1	41.58(1971-91)	42
India	4.712	2.55	44.2	32.55(1951-92)	37.8
Indonesia	6.26700	4.24	7.7	33.67(1964-90)	31.7
Japan	5.5100	4.45	0.1	34.82(1962-90)	24.9
South Korea	7.94100	6.16	1	34.52(1965-88)	31.6
Malaysia	7.073	4.37	0.1	50.76(1970-84)	49.2
Nepal	3.465	1.12	37.7	36(1960-90)	36.7
Pakistan	5.743	2.78	31	31.55(1969-88)	31.2
Philippines	4.179	1.45	49	48.53(1957-85)	46.2
Singapore	8.6	6.43	.1	40.12(1973-89)	38
Sri Lanka	4.572	2.88	6.6	42.50(1953-87)	34.4
Thailand	7.516	5.13	2	45.48(1962-92)	41.4

Source: GNP and Per Capita GNP data are in constant 1995 US\$. GNP, PCGNP and Trade data are taken from World Bank World Development Indicators in CD-ROM for various years. Poverty data (international poverty line) and Gini index (area between lorenz curve and line of equality) are from the World Bank World Development Indicators 2001.

Note: Higher values of Gini index indicate higher levels of inequality. Gini average data in Column 4 for years indicated in the bracket (Sarel, 1997).

Note:

Regressing Poverty (Column 3 of Table VII) on Trade Openness (Column 4 in Table VI)

Poverty = 24.21 -.088 Trade Openness

t- values (4.06) (2.00)

R² = 0.25

F = 3.1

Regressing Poverty (Column 3 of Table VII) on Per Capita Growth Rates (Column 2 of Table VII) and Trade Openness (Column 4 in Table VI)

$$\begin{aligned} \text{Poverty} &= 46.037 - 7.1471\text{PCGNPGR} - .019452 \text{ Trade Openness} \\ t\text{- values} & \quad (5.862) \quad (-3.347) \quad (-.503) \\ R^2 &= 0.1179 \\ F &= 9.28 \end{aligned}$$

Regressing Poverty (Column 3 of Table VII) on Growth Rates (Column 1 in Table VII) and Trade Openness (Column 4 in Table VI)

$$\begin{aligned} \text{Poverty} &= 61.285 - 7.2272 \text{ GNPGR} - .012184 \text{ Trade Openness} \\ t\text{- values} & \quad (4.048) \quad (-2.588) \quad (-.259) \\ R^2 &= 0.533 \\ F &= 6.285 \end{aligned}$$

Regressing Poverty (Column 3 of Table VII) on Per Capita Growth Rates (Column 2 in Table VII) and Gini Average (Column 4 in Table VII)

$$\begin{aligned} \text{Poverty} &= 70.1027 - 7.755\text{PCGNPGR} - 0.61 \text{ GINI Average} \\ t\text{- values} & \quad (3.30) \quad (-4.51) \quad (-1.18) \\ R^2 &= 0.662 \\ F &= 10.8 \end{aligned}$$

Regressing Inequality of Income (Gini) (Column 5 of Table VII) on Growth Rates (Column 1 in Table VII) and Trade Openness (Column 4 in Table VI)

$$\begin{aligned} \text{GINI} &= 36.04 - 1.78\text{GNPGR} + .023 \text{ Trade Openness} \\ t\text{- values} & \quad (4.88) \quad (-.1315) \quad (1.0265) \\ R^2 &= 0.06279 \\ F &= .7447 \end{aligned}$$

Regressing Inequality of Income (Gini) (Column 5 of Table VII) on Per Capita Growth Rate (Column 2 in Table VII) and Trade Openness (Column 4 in Table VI)

$$\begin{aligned} \text{GINI} &= 37.533 - .78803\text{PGGNPGR} + .0228 \text{ Trade Openness} \\ t\text{- values} & \quad (-.691) \quad (1.416) \\ R^2 &= 0.154 \\ F &= 1.005 \end{aligned}$$

Political Economy of Protection and the Poor

Even when trade reform will benefit the poor and the economy broadly, it will often be resisted. The sectors with the highest protection know they receive concentrated gains and will oppose the reforms. The expansion of exports following reforms is likely to be spread throughout the economy, often with new and sometimes unexpected industries arising. It is often difficult to identify future exports and exporters. Thus the employment and income gains from reforms are likely to be diffused. The same is true for consumers who will gain from the reform through lower prices and more choices. The diffused nature of the gains to consumers and producers explains why those opposed to liberalization often are dominant in political lobbying. The redistributive effects of trade reform can be a major factor impeding the launch of welfare improving policy changes (Rodrik, 1998).

Abstracting from fiscal revenue considerations, barriers to trade are typically put in place to protect domestic producers from international competition and usually benefit powerful interest groups, not the poor. Non-tariff barriers are especially pernicious in this regard as they result in the transfer of rents from consumers, including the poor, to license holders. Such rents arise because the restriction on imports results in domestic prices that are above the world price. Whereas in the case of a tariff the government

collects the revenue that is implied by the difference between the world price and tariff inclusive of domestic price, in the case of non-tariff barriers this implicit revenue is captured by those who have the right (hold the license) to import. There is evidence that in developing countries, such rents constitute a major source of inefficiency (Krueger, 1974) in the form of real resources spent to obtain import licenses and influence policy. These license holders are often among the wealthiest members of society. Thus, in addition to the inefficiency costs, protection will often transfer income to the rich and away from the poor. Indeed, in percentage terms, the effect of trade reform on the incomes of those who gain and those who lose can easily be a multiple of the economy-wide welfare gains from liberalization. This is because trade policy is inherently an income redistributive mechanism.

Adjustment Costs of Trade Liberalization

Trade reform may not be implemented due to political dynamics or a fear of adjustment costs. A recent review of over 50 empirical studies of adjustment costs by Matusz and Tarr (2000) found that all the evidence support the view that the adjustment costs to the economy are very small in relation to the benefits of trade liberalization. Private adjustment costs can be substantial or very small depending on whether or not displaced workers were earning rents at their initial position, and whether or not markets function reasonably well. The poor are not likely to be earning rents. The evidence shows that adjustment costs are typically short term and end when workers find a job, while the benefits of trade reform can be expected to grow with the economy. In developing economies, trade liberalization should favor labor since exports will typically be labor intensive. Significant intra-industry shifts typically occur after trade liberalization, which tend to minimize the dislocation of factors of production. Moreover, the duration of unemployment for most industries is not high especially where workers were not earning substantial rents in their original jobs. Finally, in many industries, normal labor turnover exceeds dislocation from trade liberalization so that downsizing, where necessary, could be accomplished without causing much unemployment. Nonetheless, the extreme poor may be incapable of sustaining even short periods of adverse adjustment costs, and there may be selected groups of the poor that do not gain, while some of those that gain may lose in the short run. In order to minimize adjustment costs and help make trade reform work more effectively for the poor, complementary policies are necessary. One important complementary policy for the poor is an efficient social safety net system. In general, attaining and sustaining a high rate of economic growth is a key factor in improving outcomes for the poor over time.

Liberal Trade Regimes and their Impact on the Poor

Although trade openness is the common element in all success stories of poverty reduction, there are considerable differences in the models of trade policy that countries have adopted. The success stories may be grouped into three broad categories:

- (a) Economy-wide trade liberalization: Countries like Hong Kong, Singapore and Chile adopted very liberal trade regimes. These countries avoided non-tariff barriers. Hong Kong and Singapore practiced free trade (zero tariffs), while Chile employed low uniform tariffs.

- (b) Protection with offsetting policies for exporters: Some countries that experienced rapid growth in trade and GDP did so in the context of trade regimes characterized by significant import controls on the domestic market. Korea, Taiwan (China) and Japan (in the early stages) are the main examples. The key to understanding these experiences has to do with looking at all factors that affect competitiveness and incentives to producers to sell in the domestic versus the export market. These economies managed an elaborate system that offset the bias against exports. Two of the most important mechanisms used were duty-free access to intermediates used in the production of exports and capital subsidies to exporters. Also important was that exporters had preferred access to working capital at interest rates that were considerably lower than the interest rates paid by firms supplying the domestic market. This system, however, required development and enforcement of these policies over a long period and required a strong political will supported by a broad consensus and a highly competent administration (Westphal and Kim, 1977; Rhee, Rosslarson and Pursell, 1984). It is difficult to apply this development model to other countries where such an elaborate system would be hard to implement.
- (c) Protection with Export Processing Zones (EPZ): In a protected trade regime that discourages exports, EPZs may be used to partly place exporters on a footing equal to producers for the domestic market. While many countries have introduced EPZs, few have actually succeeded in stimulating exports substantially and on a sustainable basis through this mechanism. The experience of Mauritius in the last 15 years of the 20th century, however, provides an example of a country that expanded exports significantly and reduced poverty by incorporating EPZs in a trade regime that was not liberal overall.

In practice, the most practical way of stimulating trade and opening up to the international economy is through liberal trade regimes rather than through a complex structure of protection and export incentives. The basic elements of a good trade policy regime involve predictability, transparency and uniformity. A liberal trade regime provides guidance for the direction of reforms.

As a practical matter, duty drawback mechanisms are ineffective in most of the developing economies. Thus, a regime with high protection will experience diminishing exports and growth. Moreover, differentiated structures of protection and subsidization create opportunities for the elites and powerful producer groups to capture trade policy for their special interests. This lobbying for protection and subsidies engenders corruption and inefficiencies, which in the end hurt the poor.

These problems can be avoided by simple and transparent protection regimes of low uniform tariffs. Most low income countries have differentiated tariff structures with significant tariff escalation. The main reasons for this type of structure include fiscal objectives, import substitution motivations, and the political weight of vested interests. Tariff escalation is a problem since it affords high effective protection to final goods producers, thereby discouraging the development of intermediate industries. Exporting of intermediate products is an important way for developing countries to participate in the modern global economy, but these activities are discouraged by an escalating tariff structure.

Uniform tariffs convey a number of advantages (Tarr, 2001). The most important is that the gains to industry lobbying are much smaller (and may be negative), creating a kind of free rider problem for the lobbying industry, dramatically reducing the incentive to lobby for protection.¹¹

A uniform tariff structure greatly simplifies customs operations, eliminates a number of ways used to avoid paying the tariff, and should help reduce corruption and save on scarce administrative resources. There will also be a direct saving of resources from reduced lobbying for higher protection and an associated gain from encouraging scarce entrepreneurial talent to be employed more productively in the creation of better and cheaper products. Overall, the level of protection is likely to be lower as the incentive to lobby for higher tariffs is attenuated. Many of these factors are pro-poor as they greatly reduce the scope for the exercise of power and rent seeking.

Uniformity of tariffs does not imply that there can be no exemptions for products that are deemed to be of great social importance, such as essential medicines. However, care should be taken that such exceptions target only products that are critical to attain social and public health objectives.

If tariffs are important for revenue generation, uniformity implies that the overall level of the tariff should be such as to generate the revenue required. However, some products such as alcohol and tobacco, may be subjected to higher duties in order to raise revenues as long as equivalent excise taxes are imposed on domestic production.

The more dispersed are the tariffs, the greater the differences in the treatment of different sectors and segments of society are likely to be and the greater the urgency for reforms. The dispersion that is often generated by exemptions and tariff escalation will lead to highly effective rates of protection and is likely to entail significant inefficiencies.

Many countries tend to use anti-dumping as a safeguard instrument. India, for example is the largest perpetrator of anti-dumping duties (Mathur, 2001a). This is not advisable. Anti-dumping is a trade policy instrument that allows duties to be imposed on imports that are sold for less than what is charged in the exporter's home market. That is, it can be invoked to offset price discrimination across markets. Such differential pricing usually reflects economic conditions and is not detrimental to welfare. As anti-dumping is an instrument that is easily captured by industries to raise the price of imports and requires the use of scarce administrative resources, it is counterproductive to economic development and poverty reduction. If there is a need to raise protection because imports injure domestic industry, it is preferable to use WTO consistent safeguard actions as they allow the country to consider the impact of taking action on the economy as a whole, taking account of the effects on the poor as opposed to simply the industry that faces import competition.¹²

¹¹ Chile, which has had a uniform tariff structure since 1979, is a dramatic case in point. In Chile in 1998, the legislature considered a progressive reduction of the uniform tariff from 11 to 6 percent, to be accompanied by one percent per year reductions through 2003. Chilean industry groups supported a reduction of the tariff, which passed the Chilean legislature. Evidently, uniform tariffs led industrialists to conclude that a reduction was in their collective interest.

¹² Under the WTO, safeguards also require compensation to be offered to exporting countries if the action lasts more than 3 years. This is a useful mechanism to ensure that protection is temporary. See Hoekman and Kostecki (2001) for a more detailed discussion.

The best policy option from a development perspective in this area is to have no anti-dumping instruments. If anti-dumping procedures are adopted, efforts should be made to establish procedures that allow for the national interest and the impact on the poor to be taken into account prior to the imposition of an anti-dumping duty.

In addition to commercial policy instruments, there are number of trade-related institutions that can have important implications for the impact of trade reforms.

Customs clearance efficiency and transparency are important determinants of the costs associated with trade. Burdensome and redundant procedures, i.e., red tape, can give rise to substantial uncertainty and are often associated with rent seeking and corruption. Minimizing discretion by simplifying as much as possible the clearance process, including the adoption of international standards for the classification of goods, elimination of most exemptions, and providing officials with training and appropriate information technology are important dimensions of trade reform. An efficient customs clearance process with little red tape that ensures tariff-free access to intermediate imports for exporters is required.

Non-tariff barriers include mechanisms such as quotas, licenses and monopoly rights to import. When these mechanisms are in place for reasons other than health or safety, they are the most pernicious of trade barriers in terms of their harm to growth and poverty alleviation. Partly this is because non-tariff barriers encourage competing interests to lobby to obtain the valuable import licenses. Competing lobbying activities (known as rent seeking) waste valuable resources. Non-tariff barriers also lack transparency and may allow protection to go relatively unnoticed. As discussed above, the political economy of protection suggests that import controls (and sometimes export controls) are usually put in place to benefit powerful interest groups, not to help the poor.

The overall analysis of the trade regime should yield a preliminary judgement on the desirability of trade reforms. Analysis of both the impact of the status quo policy and alternative reforms on the poor is important. The tools to undertake such an analysis can be constructed for most economies; the basic requirements include detailed data on imports and exports, the trade barriers that apply to those goods, household survey information on the consumption pattern of the poor and the sources of their income, and data on the basic structure of the economy.

This judgment should be reviewed in the light of the potential short term effects of trade reforms on the poor. If there are possible negative effects, it is important to identify the relevant products and sectors early on in order to help design arrangements for dealing with adverse impacts and develop strategies for developing consensus in support of reforms.

It might appear tempting to design a pro-poor trade reform by identifying sectors that are important to the poor, either on consumption or the income side, and singling out these sectors for differentiated cuts in protection. There are at least two problems with this approach. One is fundamental and the other relates to political economy. The fundamental problem is that trade policy is a single instrument. A fundamental principle of economic policy formulation is that a single instrument cannot be expected to address multiple targets. The political economy problem is that once a highly differentiated trade

regime is adopted, it is essentially impossible to stop special interests from building a case that their sectors deserve special treatment for one reason or the other.

A better approach is to focus on developing two different sets of instruments, a trade policy focused on providing the incentives appropriate for efficient production and use of goods and services, and the other a distributional policy focused on alleviating poverty. A set of distributional instruments will necessarily have a much wider range of dimensions, including investments in expanding access to education, the provision of safety nets, a range of infrastructure investments needed to allow people in poorer regions access to markets, and other amenities to benefit relatively disadvantaged people.

Guidelines for Poverty Reduction

As discussed above the effect of trade reform on poverty in the short run hinges on the impact on incomes. The effects in the long run will depend on the growth process which in turn will depend on a variety of complementary policies and institutions. The key complementary policies are: 1) macroeconomic, microeconomic and, especially, exchange rate policy; 2) the operation of the market for labor, since the poor are often concentrated in the informal sector; 3) the operation of the markets in agriculture, from which the poor derive income and to which they direct a large portion of their household expenditures; 4) access of the poor to trade-related services, for example, credit, marketing, and transportation; and, 5) access to safety nets.

Complementary Policies to Trade Reform

1) Macroeconomic, Microeconomic and Exchange Rate Policies

To have sustained growth and contribute to an efficient allocation of resources, trade liberalization must be supported by a stable macroeconomic and microeconomic environment and a competitive real exchange rate. Trade reform works through the transmission of price signals. These can be hidden in a regime of high and variable inflation. Thus, macro-stability is a key complementary policy.¹³

In addition to a stable macroeconomic environment, it is necessary that the internal mainsprings of the growth process are present (micro-level stability). These are competent governance, technological and managerial innovations, an impartial judiciary, an efficient legal system, and improvement in the quality of human resources. The basic point is that international trading opportunities cannot benefit a given country in the absence of favorable internal factors relating to society, polity and economy.

¹³ The relative price of tradable to non-tradable (or home) goods, P_t/P_h , is typically referred to as the real exchange rate (RER) and is used as a measure of the competitiveness of the tradable sector. The reason is that several of the determinants of P_h (such as wages) affect the production costs of tradables. Oversimplifying for purposes of illustration, let us suppose that a government runs a fiscal deficit and finances it by printing money. The resulting inflation raises prices in the non-tradable sector. If tradable prices do not increase by the same amount, inflation lowers P_t/P_h and thus the real exchange rate, thereby reducing the competitiveness of the tradable sector.

A competitive real exchange rate is also crucial to creating conditions for continued support of liberal trade policies. With an overvalued exchange rate, import competing industries are at a competitive disadvantage, and this generates political pressures for protection that are difficult to withstand in the face of rising trade deficits and declining foreign exchange reserves (Shatz and Tarr, 2001 provide a more general treatment).

Initially, trade liberalization is likely to lead to a trade deficit because the rise in imports tends to occur faster than the export response. A depreciation of the real exchange rate will help to restore a balance between exports and imports since it makes imports more expensive and exports are more profitable in the domestic currency. Under a flexible exchange rate regime, the real exchange rate will adjust through market forces. Under a fixed exchange rate regime, significant trade reform should be accompanied by a devaluation of the domestic currency. The required depreciation is larger the greater the extent of trade liberalization and the greater the lags in the supply response (see section above).

Issues in Tax Policies and Tariff Reform

Policy makers in low-income countries may be concerned that reform might substantially reduce government revenues, yielding larger fiscal deficits and inducing inflation. While these concerns have some merit, trade reform need not entail diminished revenues. Many countries have implemented successful trade reform programs without significant loss of revenues. For example, in the 1990s, Ghana, Kenya, Senegal, Malawi, and India implemented trade reforms without a significant loss in revenues as a percent of GDP (Ebrill et al., 1999 and Ahluwalia, 1999 for India).

Perhaps the foremost reason why trade reform need not lead to a loss of revenues is that developing countries have traditionally relied heavily on quantitative restrictions of imports. Government revenues increase when quantitative restrictions are converted into tariffs. Reduction of tariffs should start with the highest ones. Also, where tariff rates are very high initially, they will generate little or no revenues. Reduction of tariffs to more moderate levels will increase imports and thus revenues, as the incentive to smuggle is reduced. Moreover, exemptions often are a significant source of revenue loss and their reduction increases tariff collections. Finally, an exchange rate depreciation, which should accompany significant tariff reduction, will raise the local currency value of imports and tariff revenues as well.

Box 1. Summary of Revenue Impacts of Trade Liberalization

Trade Reform	Expected Revenue Impact
Replace NTBs with tariffs	Positive
Eliminate tariff exemptions	Positive
Eliminate trade-related subsidies	Positive
Reduce tariff dispersion	Ambiguous/Positive
Eliminate state trading monopolies	Ambiguous/Positive
Reduce high average tariffs	Ambiguous
Lower maximum tariff	Ambiguous
Reduce moderate or low average tariffs	Negative
Eliminate export taxes	Ambiguous/Negative

Source: Sharer et al., 1998.

When tariffs rates are already uniform and in the moderate to low range, then further tariff reduction is likely to result in revenue loss. Only in this latter case does revenue loss represent a genuine problem for trade liberalization. Alternate broad-based and nondiscriminatory revenue sources should be sought, and trade reform sequenced to coincide with the availability of these sources. Such alternative, broad-based tax instruments will be more efficient (much less distorting) than trade taxes. For many products, such as alcohol, tobacco and petroleum, the collection of taxes on domestic production as well as imports will have very low additional administrative costs, and will reduce the incentives to develop inefficient import-substituting firms. Even very poor countries such as Cambodia have been able to introduce broad-based consumption taxes that reduce dependence on customs duties, and raise much-needed revenues for development expenditures.

Labor and other Factor Markets

Where labor market flexibility is low, reforms to improve the operation of labor markets should accompany trade reforms in order to enhance labor mobility. For instance, in Peru in the 1980s, a trade reform failed to generate any supply response because of severe labor market rigidities. Labor legislation prohibited firms to shed labor, close plants, or even change activities. This led to many bankruptcies, contributed to foreign exchange and financial crises, and to the failure of the reform (Nogues, 1991).

The poor are often concentrated in the informal sector and reforms which increase labor mobility in the formal sector can have a powerful effect on reducing poverty when combined with trade liberalization by opening up additional jobs in the formal sector for workers previously in the informal sector. This was the case in Panama, for example (see World Bank, 1999). The mutually supportive relations between trade, macroeconomic, labor market, and other policies may then serve to increase the credibility and payoffs of each.

Property rights for land (and water) are also important in coping with needed adjustments or taking advantage of export opportunities that may be beneficial to the poor. For example, Egypt could produce labor-intensive crops (fruits and vegetables) for export to the EU, as is done in other Mediterranean countries, and the rural poor could gain significantly (Barres and Vaides, 2000). But because of the lack of existence of land (and water) markets, Egypt has not taken advantage of this opportunity and continues to grow traditional crops.

In manufacturing, prices paid by poor consumers are affected by competitive conditions in the country. It is possible to increase the competitiveness of markets for manufactured goods in developing countries, that is, to reduce the mark-up over the cost of production, by lowering external barriers to international competition as well as by reducing government imposed barriers to entry against *domestic firms*. Both are important in providing goods to poor consumers with low monopoly mark-ups. In small countries an open trade regime is especially crucial, since there are fewer domestic firms contesting the market. In large countries, administrative and legal barriers against domestic entry are relatively more important than in small countries since there are more potential entrants blocked by domestic barriers to entry (Hoekman, Kee and Olarreaga, 2001).

An important sector in the context of trade reform is distribution. If there are barriers to entry into distribution, those who control this sector may be the primary beneficiaries of trade liberalization, pocketing much of what used to be collected as tariff revenues and not passing the tariff cut on to consumers. In agriculture, parastatal marketing boards often strongly restrict competition for the products of poor farmers and restrain their incomes. The elimination of these boards, while paying attention during the transition to preserving key ancillary services such as transportation and credit, should benefit the poor. Promoting competition among private firms is also important. Thus, exclusive government licenses to the private sector should also be avoided so that poor farmers do not have to pay excessive prices for their inputs or receive monopsonistic depressed prices for their outputs. The prescription applies to import monopolies and exclusive distribution arrangements.

Foreign Direct Investments and Intellectual Property Rights

FDI is an important channel of technology transfer across national boundaries. Multinational corporations account for a large share of the world's research and development, and more than 80 percent of royalty payments for technology transfers flow from subsidiaries of foreign companies to their parent firms (UNCTAD, 1997). Econometric evidence tends to support the view that developing countries receiving FDI perform better in terms of productivity than their counterparts that are not FDI recipients.

What matters from a poverty reduction perspective is whether and to what extent FDI has a positive effect on the incomes (employment) of the poor and on the prices of what they consume. As far as employment is concerned, it is important from a short run viewpoint that FDI involve labor-intensive production and result in the transfer of skills through training. Improvements in communications, transport and information technology, together with global trade policy reforms, have made it much more attractive to companies to engage in so-called outsourcing and processing trade, where the labor-intensive parts of production are located in developing countries. In the 1970s such FDI focused on textiles; more recently, it has included the electronics and auto parts sectors. Such investment can be an important catalyst for the creation of low-skilled employment, as exemplified by Mexico and the Southeast Asian economies.

Given the importance of low trade costs for such activity, policy makers should avoid offering trade protection to foreign investors since this will attract the 'wrong' type of investment from an employment creation perspective by depriving the host country of the benefits from participation in international production and distribution networks. Protection may also result in losses to the host economy by providing rents to foreign investors at the expense of domestic consumers. Lall and Streeten (1977: 172-174) studied some 90 foreign investments, using a cost-benefit methodology, and found that more than 33% *reduced* national income; this was mainly due to excessive tariff protection that allowed high cost firms to produce for the local market at very high prices, even though they could have been imported much more cheaply. Encarnation and Wells (1986) found that between 25-45% of 50 projects studied (depending on analytical assumptions) reduced national income; again the main culprit was high protection.

Intellectual property right protection can be important in attracting FDI in sectors that rely extensively on patent protection, helping to tilt the focus of investment projects toward manufacturing and away from distribution (Smarzynska, 2000). Intellectual property protection is of direct importance to the poor in developing countries, especially for products and sectors that rely heavily on traditional knowledge and culture, including activities such as writing and performing music (Mathur, 2003). The absence of effective protection of intangible assets and intellectual property can have very adverse consequences for the poor who are either producers (e.g., of handicrafts) or the beneficiaries of assets that have been built up over time (e.g., traditional designs, plant varieties). The costs of intellectual property rights include the price increasing effect of protection. This can have harmful effects on the poor by preventing access to drugs and keeping prices far above the cost of production. As discussed at greater length by Maskus (2001), intellectual property rights protection must be complemented by trade and competition policy instruments that serve to offset the market power granted to right holders.

Sector Issues

In many developing countries the manufacturing sector has been most protected as a means of promoting industrialization and longer term development. A great deal of the analysis regarding trade reform in earlier sections focuses implicitly on reforms in that sector. However, trade reforms in agriculture and services provide significant opportunities for raising the employment and incomes of the poor as well as reducing the costs of their consumption.

The Importance of Agriculture. Because the poor in developing countries are often located in rural areas and employed in agriculture, how trade reform affects agriculture will critically affect its overall impact on poverty alleviation. Sen (2003: 478) reports that "In the case of India almost all agricultural production is carried out in rural areas and agriculture accounts for about 55 percent of rural GDP. Currently, about 35 percent of India's non-agricultural GDP is also produced in rural areas, employing almost 25 percent of the rural work force or about 45 percent of all non-agricultural workers in the country. Integration with the world economy will benefit the vast majority of India's population only if it is associated with accelerated growth of rural incomes."

Higher investments and rural infrastructure is a necessary condition for increasing agricultural growth. The government's role seems to be much important for not only raising public investments but also inducing private investment.

Agricultural importables (mainly staples) are typically protected, while agricultural exportables are often subject to export taxes. Agriculture as a whole has tended to be taxed indirectly through the protection of the manufacturing sector, overvaluation of the real exchange rate (Schiff and Vaides, 1992), and the operation of marketing boards. Trade reform, which should cover both agriculture and manufacturing, will therefore typically raise agriculture's domestic terms of trade and help the rural poor. The same is true for improved macroeconomic and fiscal policies that result in a real exchange rate that is closer to a sustainable equilibrium. In other words, the rural poor will generally benefit from trade reform, even when it includes agriculture.

Some of the rural poor, however, may lose. Foremost among these to consider are those who are employed or produce in highly protected, low-productivity sectors. Examples include maize in Mexico, wheat in Morocco, cotton in India and various import-competing crops in many developing countries. If the mobility of these rural poor is limited, then a reduction in the tariffs in that sector is likely to hurt that sub-group, especially in the short term, as prices of their output fall. Over time these losses can be minimized as farmers change their output mix and produce more of the crops whose prices did not fall. In a study on the northeast of Brazil, one of the world's poorer regions, switching to more profitable crops after trade liberalization and devaluation greatly reduced negative real income effects for small farmers (Lopez and Romano, 2000). Thus, trade liberalization accompanied by devaluation (see section II.1) can help dampen the short-term effect on incomes of the rural poor.

The ability to shift to the production of new products (possibly exportables whose prices have risen) may depend importantly on necessary complementary reforms. Shifting crops may require restructured land arrangements, additional capital or access to water. If markets for these factors are poorly developed, farmers may be unable to take advantage of new opportunities. Thus, complementary reforms that focus on these markets may be necessary to help poor farmers. Given that poor farmers may be hurt in the short run, compensation policies such as improving rural infrastructure, research and development, and creating educational opportunities for children are important. These options will almost always be better than protection, for only if farmers' returns outside agriculture are increased will poverty be reduced in the longer term. As far as trade reform itself is concerned, one option to consider is to phase down tariffs in the vulnerable sector gradually following a pre-announced schedule. This is what was agreed for the maize sector in the NAFTA negotiations between the US and Mexico. Experience shows that unless a schedule of tariff reductions is pre-announced and actually implemented from the start, reforms with long transition periods (typically over five years) lack credibility and provide lobbyists with time to defeat them.

Fluctuating World Prices. The liberalization of a country's agricultural trade policies means not only adjusting to lower or higher general price levels prevailing in international markets, but also to the fluctuations in world prices of agricultural commodities. In many countries, the impact of these fluctuations on the domestic economy is a major motivation for interventions that de-link domestic and international markets. Export and import controls, government controlled parastatals or marketing boards, and variable tariffs all reduce the size of the international market in which the commodity is freely traded. This increases the sensitivity of international prices to exogenous shocks such as bumper harvests and crop failures. For example, international trade in rice is equivalent to only five percent of world production. More importantly, the extent to which some of the largest producing and consuming countries (e.g., China, India, Indonesia, and Brazil) import or export is subject to discretionary government controls. Policies by these countries aimed at stabilizing domestic prices can have a very large impact on prices in the narrow international market, in turn leading to pressures to maintain or increase border interventions elsewhere. For this reason, all countries have a common interest in reducing the instability of world prices by opening their domestic markets and removing policies which de-link domestic from world markets.

Although policies to open domestic markets, especially in large countries, both developed and developing,¹⁴ have the potential to substantially reduce the amplitude of fluctuations in world commodity prices, these prices are inherently less stable than the world prices of manufactured goods and the prices of services.¹⁵ In any case, most individual small countries cannot on their own have any perceptible effect on the level or volatility of world commodity prices, and need to find the best way to live with the price swings that they must by and large take as a given. Consequently, trade liberalization in any individual country, if fully implemented, will often (but by no means always) mean that domestic commodity prices, including prices at the farm level, will become more unstable.¹⁶ Farmers in many countries have repeatedly shown that they can adjust rapidly and efficiently to relative price changes. For there to be an overall welfare improvement from sheltering farmers from price fluctuations, the extra income of the groups that benefit from interventions must outweigh the net economic losses consequent on distorted consumer prices and changes in the government's fiscal position. If all changes in income, including government income, are weighted equally in the decision-making process, the costs of intervening will always exceed the benefits. It is generally better to target the low income groups that are hurt with actions that increase the ability of farmers and workers to switch between crops, complemented with welfare and workfare programs until a reasonable degree of flexibility and responsiveness is achieved.

In considering price stabilizing policies, it is important to recognize that once such policies are introduced, it is very difficult if not impossible to stop the politically powerful from using them to shift the average price. The commodity marketing boards and parastatal monopolies in developing countries discussed previously often stabilized prices at very low levels relative to world prices, implying heavy taxation of small farmers and resource transfers to governments and local processing interests. This may seriously retard the growth of economically efficient rural industries and slow down the contribution that their expansion could make to the alleviation of rural poverty. For import substitutes, the political economy forces generally point in the opposite direction, and intervention originally justified in the name of price stabilization (e.g., price band schemes introduced in Latin America during the 1990s) very often become de facto price support schemes that develop a momentum of their own.

Developed Countries and Agricultural Policies. Export subsidies on products such as meat, dairy products and grains, depress prices in world markets, and also in the domestic markets of developing countries. Some countries such as Japan maintain

¹⁴ For example, if the markets for rice, wheat, sugar, milk products, sugar and cotton were open in China and India, that would greatly expand the size of the world market for these products and reduce the impact of various exogenous shocks (Tyers and Anderson, 1992).

¹⁵ Abstracting from fragmented world markets, commodity price instability is associated with inelastic demand, lags in supply adjustments due to seasonal production, weather conditions, etc.

¹⁶ Prices in domestic commodity markets (e.g. for sorghum and maize in inland areas of Africa and South Asia) that are disconnected from world markets by a combination of high domestic and marketing costs and/or restrictive trade policies, may fluctuate more than world prices both within and across seasons. Linking them to world markets by opening imports could increase price stability, e.g., by cutting off price peaks resulting from crop failures. The use of measures to control imports and exports in ways that do not adjust flexibly to domestic market conditions may also lead to higher domestic price instability than in world markets, or worse still, to costly and wasteful accumulations of excess stocks held by government marketing organizations. A significant portion of such stocks often are lost to pests and weather.

very high barriers against imports of wheat, rice and other agricultural commodities. As mentioned, such policies contribute to world market price instability, constrain exports, and increase import competition. Most of the poorest developing countries produce temperate zone-products such as fruits, nuts and vegetables that do not compete with subsidized and protected meat, milk and grains. However, for some low-income countries (e.g., meat producers in Mali or Burkina Faso), and, of course, for middle income developing countries such as Argentina or Brazil, EU export subsidies are a major factor in constraining agricultural exports.

What is the appropriate response to such foreign policies? Insofar as prices are forced downward, consumers tend to gain. The impact of the policies on producers depends on whether farmers compete with subsidized imports, whether the subsidies vary significantly over time, whether farmers are on average net buyers or net sellers of the commodities concerned, the relative importance of subsistence farming, and the relative sizes of the rural and urban poor population. If there is no domestic production of the agricultural products concerned, there is no need for intervention, as subsidized prices are beneficial to consumers. Matters are more complex in instances where there is domestic production of the commodities concerned. It is important to note that households that are net buyers of the products will gain from subsidies, while subsistence farmers will be unaffected. The urban poor will generally gain insofar as the subsidies lower prices. Thus, what matters from a policy point of view is whether the gains to the non-rural poor are larger than the losses incurred by rural households that are net sellers. To answer this question requires collecting information on the number of households that are engaged in subsistence production, those that are net buyers, and those that are net sellers. Another important factor concerns the distribution of the labor force engaged in production in farms that are net sellers. Those that own the land may lose from lower prices, but the extent of such losses are bounded (as they may shift to subsistence farming). While this can imply a severe reduction in real incomes, landless laborers working for net sellers confront the most severe potential loss in that they may lose their source of income without having subsistence farming to fall back on.

In cases of agricultural sectors with significant numbers of households that are net sellers of commodities that are subsidized by OECD countries, it is sometimes argued that higher tariffs on agricultural imports are appropriate. This increases the domestic price, thus helping to offset the effect of the subsidy and allowing domestic producers to compete. This is akin to 'countervailing' the effect of foreign policies. From the viewpoint of efficiency, when subsidies are permanent, such a policy moves the structure of protection away from uniformity, and distorts producer and consumer choices. However, given the long-lasting nature of intervention by high-income countries, countries regard this as part of the external environment. The implication is that importing country governments impose countervailing tariffs.¹⁷ With the Uruguay Round, multilateral disciplines strengthened, and it is clear that there will be significant pressure on the EU and other high-income countries to substantially reduce protection and gradually eliminate export subsidies in the coming decade. Thus, over time the external environment is likely to become less distorted. Insofar as developing countries that

¹⁷ A key issue is whether the export subsidies are permanent or transitory. If the subsidies are permanent, it will be in the country's interest to ignore the subsidy for policy purposes because the economic costs of protection to the economy outweigh the benefits to domestic producers. If the foreign subsidy is permanent, then the national interest is unaffected by whether the price is low because of foreign comparative advantage or export subsidies. If the subsidies are transitory (and there are capital market or other imperfections), there is a case for temporary protection for those tariff lines subject to competition from subsidized exports so that adjustment costs can be minimized

currently maintain above average tariffs on the relevant agricultural imports, there is then a potential case not to reduce these as much or as rapidly as tariffs on other products as part of an overall trade policy reform. The reason is that liberalization could give rise to inefficient reallocation of resources if there are adjustment costs associated with the downsizing of agricultural production following liberalization and the subsequent expansion as export subsidies and OECD protection are reduced.

In practice, however, OECD liberalization can be expected to take a long time; witness efforts to do so over the past 30 years. Account should also be taken of the risk that protection may become permanent even if the foreign protection and export subsidies come off, and, more fundamentally, that trade intervention is a second best approach to dealing with the problem. The best policy is to push for the phase-out of export subsidies and OECD protection of agriculture in the WTO context, and ensure that any assistance provided to domestic farmers is designed primarily to target domestic poverty concerns. More generally, whether or not foreign countries intervene in agricultural markets should not be the focus of policy. Instead, the focus should be on determining how large is the population that may lose from trade liberalization in the short run, that is, net sellers of protected commodities.

While trade policy is not the appropriate long-term instrument through which to pursue rural poverty reduction objectives, it can play a role in three situations. The first is to deal with temporary import surges that have a significant negative impact on the livelihood of poor farmers. In such cases a special safeguard mechanism can be considered, under which temporary protection can be sought if domestic prices of products that are of importance to the poor in terms of production and employment fall significantly in a short period of time due to imports. Whether these are subsidized does not matter; what matters is that there is a serious detrimental impact on poor farmers. The general design of any such safeguard mechanism should conform to the principles set out above. The second situation is the one where the overall policy regime discriminates against agriculture, i.e., policy favors industrial production and urban consumers of food. While this can be used as an argument in favor of higher protection for poor farmers in low-income countries, the appropriate policy is instead lowering protection for industry and offsetting any prevailing policy bias against the rural poor. In contexts where this cannot be achieved, or where it is pursued gradually, there may be a case for maintaining higher rates of protection on agricultural commodities on second-best grounds. Third, in situations where complementary policies (safety nets) are inadequate and a significant number of the poor are engaged in production of commodities that are sold domestically, agricultural trade policy reform should be gradual, involving a pre-announced schedule of tariff reductions.

Potential negative impacts of reform in this sector on net sellers can be mitigated by accompanying the trade reform with a devaluation and implementing complementary reforms in markets for land, credit and water to enable farmers to take advantage of the new opportunities, adjust to changed incentives and benefit from the reform. Government has an important role to play in fostering agricultural and rural development, including the absorption of new technologies, education and the provision of infrastructure. Such complementary policies are crucial in that they can be critical in addressing the needs of the rural poor. In all cases there is a need for careful analysis of the prevailing situation before reforms are pursued. This should focus on identifying the balance between rural net buyers, rural net sellers and the urban poor, as well as determining the importance of subsistence farming.

For the least developed countries, a key challenge is meeting the standards and rule of origin requirements imposed under preferential arrangements granting duty-free access. By allowing goods produced in these countries to receive high prices in major export markets, but goods to be imported at world prices, they allow the poorest countries a double benefit. Preferential access provides a positive incentive to produce these products for sale in the highly protected markets of the OECD countries that grant such access. In effect, the preferential access provides protection to LDC producers in the developed country markets that offer preferential access. As these markets are both vastly larger than their own, and offer very inflated prices due to protection, this may allow farmers in LDCs to increase their incomes by producing more of these products for export.¹⁸

Services

Services, which include activities such as transport of goods and people, financial services (banking, insurance), telecommunications, distribution, tourism (hotels and restaurants), construction, as well as education and health care, account for a rising portion of GDP even in the lowest-income countries. The importance of an efficient service sector goes beyond the contribution of the services sector itself to the balance of payments because the efficiency of many service sectors is a key determinant of the competitiveness of firms. Key sectors that influence the ability of firms to participate in world trade are telecommunications, transportation, financial services and other business services such as accounting and legal services.

A major share of GDP for South Asian economies comes from the services sector (Table VIII). There are a lot of employment opportunities in this sector. Information and communications technology provides opportunities to improve productivity. The model implemented by economists at NCAER India, for example, implies that a 33 percent reduction of tariffs and trade barrier standards in agriculture, minerals and services would result in welfare gains to India of US \$11.4 billion or 2.7 percent of GDP (Chadha et al., 2001). Liberalization of services is responsible for the lion's share of the welfare gains. While much of these gains are generated by own policy reforms, actions by partner countries, in particular OECD nations, can do much to increase the gains (Stern, 2002). In the area of services, a key area where OECD countries must take the lead is liberalization of temporary movement of natural persons providing services.

Table VIII. Sectoral Composition of GDP

	1979 Ag.	1989 Ag.	1998 Ag.	1979 Ind.	1989 Ind.	1998 Ind.	1979 Ser.	1989 Ser.	1998 Ser.
Bangladesh	36.7	26	19.6	20.7	20.4	24.3	42.6	53.6	56.2
India	36.8	31.6	27.7	25	27.6	26.3	38.3	40.8	46
Nepal	64.3	50.4	41.7	12	16.5	21.3	23.7	33.1	36.9
Pakistan	30.4	27.9	27.2	23.6	23.9	23.4	46	48.2	49.4
Sri Lanka	26.9	25.6	20.7	28.2	26.8	27.3	44.8	47.6	52.1

Source: Sen, 2003.

¹⁸ Farmers in middle income countries may face different incentives as they will suffer a decline in demand for their products in the EU because of preferential access provided only to the LDCs.

The gains from eliminating barriers to competition in the various business services can be very large and fundamentally affect the country's comparative advantage and pattern of trade (Markusen, Rutherford and Tarr, 2000). As nations reduce barriers to trade in goods, it has become apparent that, in many countries, inefficient business services sectors have become the principal barrier to effective integration in world markets. Inefficient provision of trade-support services acts as a tax on exporters of merchandise goods, and ultimately on growth and poverty reduction. Establishing policies that encourage competitive and efficient services sectors, such as allowing entry where possible and encouraging foreign direct investment, should be a major element of global integration and poverty reduction strategies. In particular, projects that address restructuring and reform of service sectors should take into account the importance of establishing a regulatory environment that is contestable.

The liberalization of the services sector means reducing or eliminating barriers that tend to take the form of prohibitions, quantitative restrictions and regulations (World Bank, 1996). For example, such restrictions may prohibit foreign direct investment in certain sectors, limit the share of ownership of foreign firms in these sectors, limit the number of expatriates that can be employed, or restrict the amount of imports of a particular service. Frequently the restrictions apply to both domestic and foreign suppliers and result in public sector monopolies in the provision of services, e.g., in air and maritime transport (inclusive of port services), telecommunications, or financial services. In many such cases, elimination of public sector monopolies may need to be accompanied with opening up of service markets to foreign direct investment (e.g., through relaxing of provisions regarding the right of establishment of foreign firms) because it is the foreign providers that may be able to provide significant improvements in efficiency and cost reductions.

There is evidence of a positive relationship between private competitive provision of telecommunication services and the availability of telephone lines at affordable rates. This is especially true in countries where initial conditions are characterized by a low tele-density or service rationing (long waiting lists for obtaining connections). Simply letting the market work can substantially improve access in an environment where services have been traditionally provided by inefficient public monopolies, even in the poorest countries and among low income consumers.

For many internationally traded goods, the cost of international transportation is higher than the applicable tariff on imports. For a small economy confronting given world prices of traded goods, higher transport costs reduce export prices and increase prices of delivered imports. Hence, exporting industries with higher transport costs must pay lower wages or accept lower returns on capital.

Services Reform and the Poor. Although the poor spend less of their income on services than the non-poor, significant benefits can accrue to them from increased efficiency of services markets. Services such as transport, education, and access to communications and finance are vital determinants of the ability of the poor to find employment and market their goods. The incomes of the rural poor are strongly dependent on marketing and transportation costs, and on the efficiency of transportation networks. High transport or marketing costs lower the prices received by poor farmers and raise the prices of food to poor consumers. Competition in these sectors is very important to poverty reduction, as are resources devoted to "trade facilitation" to

improve the efficiency of service networks and reduce corruption and related transactions costs.

Recent research based on household surveys found that farmers' access to a public telephone is positively related to the price they receive in district markets for their farm output. Decreasing the distance to a telephone by 10 percent would lead to a 1.6 percent increase in local prices (Larson, 2000). In Bangladesh villages, women entrepreneurs provide pay phone services at a profit, using mobile cellular technology. Even though rural villagers cannot afford a phone individually, they can afford one collectively (Lawson and Meyenn, 2000). A key aspect of services liberalization is that it often involves the movement of factors of production because the services concerned cannot be traded. Given the structure of factor prices in poor countries, an inflow of capital through FDI would tend to be to the advantage of the unskilled poor by increasing employment opportunities and wages.

The liberalization of services and the resultant competition are likely to lead to lower prices, greater availability and improved quality of services. In so far as the poor are consumers of these services, they are likely to benefit. However, prices in the pre-liberalization period are often not determined by the market but set administratively, and are kept artificially low for low income end-users. Thus, rural borrowers may pay lower interest rates than urban borrowers, and prices of local telephone calls and public transport may be kept lower than the cost of provision. This structure of prices is often sustained through cross-subsidization within public monopolies or through government financial support. New entrants may focus on the most profitable market segments, such as urban areas, where the cost of service provision may be lower and incomes higher. Privatization could mean the end of government support. The result is that, even though the sector becomes more efficient and average prices decline, prices for low income households may actually increase and/or availability decline.¹⁹

Universal service or access goals are not contradictory with the liberalization of service markets (Mathur, 2001b). The handicap of providing services to low income households can in principle also be imposed on new entrants in a non-discriminatory way. Thus, universal service obligations can be part of the license conditions for new entrants into fixed network telephony and transport. However, recourse to fiscal instruments has proven more successful than direct regulation, for example, through universal service funds or subsidies for providing services in rural areas. Another effective mechanism is to fund the consumer rather than the provider through vouchers, as has been the case for education and energy services in a number of countries.

Assessing Services Policy and Performance. A careful evaluation of services trade policy requires analysis of the conditions of competition in a particular sector, notably restrictions on entry; ownership limitations, private and foreign; and regulation, especially elements designed to achieve pro-poor outcomes in competitive markets. Relevant questions for policy-makers include the following: How much greater would the benefits be if privatization were accompanied by the introduction of competition? Are there good reasons to limit entry by policy? What institutional features promote the effectiveness of a sector regulator? What should the regulator regulate? What are the costs and benefits of restrictions on foreign ownership?

¹⁹ In the case of agricultural exportables, increased domestic transport efficiency to the port will typically raise inland farmgate prices. This could worsen the welfare of low income consumers of that product in inland areas.

In many countries, an assessment of policy and performance in services is frustrated by a dearth of data. Main performance indicators include price and quality variables and measures of access and availability of services to the poor. Detailed templates for an assessment of policy and performance in services in a particular country have recently been developed by the World Bank for three key services sectors.²⁰ These can be used to benchmark countries against international experience.

Pains of Adjustment: Role of Safety Nets

One of the most important complementary policies for the poor is an efficient social safety net. It is highly recommended that a program to establish a social safety net be in place independent of the needs related to trade liberalization. The best outcomes for the poor can be expected when, as a result of the overall reform process, of which trade is a part, growth accelerates in the economy as a whole. Especially in the short run, however, there are bound to be some effects on some groups of the poor that may be incapable of sustaining even short periods with adverse adjustment costs. One needs to be especially careful regarding the effects of any reform on the poor, as they are least able to bear risks because they do not have savings.

An important issue that confronts all trade policy reforms then relates to the hardship faced by poor workers in import competing activities that lose income following import liberalization. The policy choices broadly defined are: employing general social safety nets; establishing safety nets targeted to those who are harmed by the trade reform; and selective limitation of the reforms or interventions in markets for the purpose of limiting the impact of market reforms on the poor.

One type of market intervention is based on the view that opening up to world markets will increase risk because world markets are typically unstable. However, poor countries are also subject to large domestic shocks and it is unclear whether openness to trade increases risk. Government attempts to reduce the risk of trade openness through marketing boards and similar institutions aimed to cushion the impact of international price fluctuations on producers, especially the poor, have often been counterproductive. As discussed above, many of these agencies have imposed significant taxes on the poor. Experience with these institutions reveals the risks for the poor of efforts by governments to limit the scope of market reforms, even when these limitations are intended for their benefit. A fundamental problem in using government interventions that limit market reforms ostensibly for the benefit of the poor is that these interventions are subject to political lobbying. The poor typically lack political power so that political intervention in market processes will typically result in outcomes that are even worse for them (see above). A variety of efforts are underway in many countries to replace parastatals and similar bodies with more efficient, private sector entities. In low-income countries, alternatives may not be a viable option however. As noted earlier, complementary actions may be called for, such as improving and reducing the cost of education to poor households.

²⁰ They cover telecommunications, air and maritime transport, and financial services, and are available at <http://www1.worldbank.org/lwbiiep/tradelservices.html>

Direct income support tends to be the most efficient type of social safety net, provided it can be administratively arranged. A problem is that it is very hard to identify who actually needs the money and even harder to get it to all those who need it. One approach, which was employed successfully in Jordan, is to provide a money payment to all households initially. The program was subsequently narrowed to middle and low-income families and, finally, only to low-income families. Because distinguishing the poor from the non-poor may be difficult, workfare programs may be more generally applicable, and have been proven effective under certain circumstances (Ravallion, 1999) when individuals can self-identify for these programs.

In general, as trade reforms are undertaken, the groups of the poor that may be adversely affected need to be identified as accurately as possible and provisions should be made for their enrolment in whatever safety net programs are available for as long as necessary. Clearly safety nets are needed to support the poor during a period of transition that may vary in duration and severity depending on their age, skills, mobility and other similar factors. If there are no general safety nets available, they should be installed, not because trade reform demands them, but because they should be an essential component of a sustainable poverty reduction strategy. A practical problem is that some poor countries may not be able to afford a full-fledged safety net. For the design of trade policy reform, this strengthens the need both for up front analysis of where the poor are located in terms of production (income) and consumption, assessing which groups may be seriously detrimentally affected, and determining what types of complementary reforms would best offset these potential losses.

Developed Countries Policies: Progress is Critical

There is large outstanding agenda of policy reforms that can and should be undertaken by high income countries that will generate significant benefits for ordinary people in developing countries (Stern, 2002). This includes:

- Reducing the large number of very high tariffs that restrict imports from developing countries. In part this is because of associated tariff escalation whereby tariffs increase depending on the stage of production;
- Reducing trade distorting policies in agriculture. Total OECD support for farmers is over US\$300 billion, almost one-third of total farm receipts, and recent developments, i.e., the U.S. Farm Bill and Franco-German agreement on European Union (EU) farm support, represent a retreat from needed reform;
- Disciplining non-tariff measures that restrict trade—examples are anti-dumping duties that too frequently target developing countries and food safety standards that are more stringent than is recommended internationally;
- Removing restrictions on the temporary movement of natural persons supplying services, an activity where developing countries have a clear comparative advantage.

The potential welfare (real income) gains from further global trade policy reforms are large. Although inherently imperfect, the best global trade models suggest that by 2015 developing countries stand to gain annually around US\$75 billion in real income

from unilateral liberalization of merchandise trade by OECD countries, and around US\$120 billion from own liberalization (Table 1X).

**Table IX. Gains to Developing Countries from Removing Barriers to Trade
(1997 US\$ billion, additional income in 2015 as compared
with baseline income)**

Liberalizing Region:	Agriculture & Food	Textile & Clothing	All Others	Total
High Income only	31	19	26	76
Developing only	114	7	-5	116
All Regions	142	24	20	184
Memo:				
Gains to High-Income Countries: From their own unilateral liberalization	73	-3	-25	49
From liberalization by All Regions	106	17	50	171
World Gains from liberalization by All Regions	248	41	70	355

Source: World Bank, 2002: 171.

Notes: Baseline scenario incorporates only changes to the global trading regime up to 1997. Simulations based on phased elimination of import tariffs, export subsidies, and domestic production subsidies over 2005-10. Results reported in this table do not include gains from productivity improvements, liberalization of services, and removal of non-trade barriers.

Two points are evident. One, the gains to developing countries from removing their own barriers to trade outweigh the gains from agricultural liberalization. These conclusions also hold for India, where the models suggest that some 60 percent of the total gains will come from own and developing country liberalization (Anderson et al., 2002). Most importantly, global trade reform is critical to the attainment of large-scale poverty reduction. According to World Bank analysis, more rapid growth associated with a global reduction in protection, could reduce the number of people living in poverty by as much as 13 percent in 2015 (or 300 million people). This would play a key role in meeting the Millennium Development Goals (MDGs) (World Bank, 2002).

Results from the World Bank model imply that a removal of agricultural tariffs and subsidies by all WTO members (on a subset of supported products) would generate an increase in developing country exports of 15 percent and an increase in imports of 12 percent; India would experience an increase in exports of 13 percent and in imports of 11.5 percent. World prices of wheat are expected to rise by about 10 percent and prices of rice are expected to rise by about 16 percent. As an exporter of both rice and wheat, India stands to gain significantly from terms-of-trade improvements. Another study that looks at longer run effects of liberalization finds that removal of protection by high-income countries would lead to a long run increase in prices of about 6 percent for rice and 12 percent for wheat (Beghin, Roland-Holst and Van der Mensbrughe, 2002).

Conclusions

There is unambiguous empirical evidence from economies around the globe and for some of the Asian economies included in our sample that trade openness promotes economic growth. Raising economic growth in a sustained manner reduces poverty. Further, for a cross section of fourteen Asian economies included in our study, no

significant relationship could be found between changes in inequality and poverty, and inequality of incomes with economic growth rates and trade openness. However, most of the poor in the developing economies are in the agricultural sector; raising growth in the agricultural sector is essential for making the reform process successful. As there is no convincing evidence that economic growth per se could lower income and wealth inequalities, policies such as government funded public and social services, coupled with land reform, may be the key for promoting equitable distribution of incomes.

Yet, there are several key theoretical linkages between trade, trade policy and poverty that need further attention. These linkages, although not exhaustive, are those manifested through: the price and availability of goods (consumption of goods by people), factor prices and income (production), and employment; government transfers influenced by changes in revenue from trade taxes; the incentive for investment and innovation, which affect long-run economic growth; external shocks, in particular, changes in the terms of trade and short-run risk and adjustment costs.

The paper gives a framework for the various effects of trade policy reform on the poor in the short and long runs through their impact on prices and income. A policy package of tariff reduction and currency depreciation should cushion adverse impacts for the factors of production in the importable goods sector in the short run and during the transition period, and should dampen the resistance to the reform. The impact of trade reform on the poor in the short run will critically depend on their location in terms of consumption and production (income), in particular, whether they are employed in the tradable goods or nontradable goods sectors. The best outcome is when the poor are employed primarily in the exportable goods sector and consume importable goods. The worst outcome occurs if the poor are primarily employed in the importable goods sector and consume primarily exportable goods. The long run effects of trade reform are beneficial to the poor if the labor market functions efficiently. Labor market segmentation dampens the positive effect. The overall analysis of the trade regime should yield a preliminary judgement on the desirability of trade reform. The tools to undertake such an analysis can be constructed for most economies; the basic requirements include detailed data on imports and exports, the trade barriers that apply to those goods, household survey information on the consumption pattern of the poor and the sources of their income, and data on the basic structure of the economy.

In the South Asian Region it is services that gained from the shift in the terms of trade against manufacturing, suggesting not only that skill differentials increased but also that a considerable part of the dividend from reduced tariffs was retained by trade and finance. Simultaneously, despite overall GDP growth being maintained or slightly improved, the growth of agricultural GDP decelerated throughout the region. This combination of slower output growth in agriculture with deteriorating terms of trade is the major reason why rural incomes in South Asia have tended to lag behind urban incomes. Globalization and trade reform would have had a greater positive effect if agricultural growth had not have lagged due to falling terms of trade, low technology diffusion and cuts in public investment, including investment in rural infrastructure, public irrigation, roads and power. As far as the effects of trade reform on employment in South Asian countries are concerned, the picture is complicated as employment in the unorganized sector (which employs most of the labor force in the South Asian economies) is stagnant.

Even when trade reform benefits the poor and economy broadly, it will often be resisted. The sectors that enjoy the highest protection know that their concentrated gains would be threatened and they will oppose the reforms. The diffused nature of the gains to consumers and producers explains why those who oppose liberalization often are dominant in political lobbying. In addition to inefficiency costs, protection will often transfer income toward the rich and away from the poor. Redistributive effects of trade reform can be a major factor impeding the launch of welfare-improving policy changes. In order to minimize the adjustment costs of trade reform and help make trade work more effectively for the poor, complementary policies are necessary. One important complementary policy for the poor is an efficient social safety net. Complementary actions, such as improving and reducing costs of education to poor households, are needed. Direct income support tends to be the most efficient type of social safety net, provided it can be administratively arranged. Analysis of the status quo and the likely impact of reform on the poor are very important.

The basic elements of a good trade policy regime involve predictability, transparency and uniformity. A liberal trade regime provides guidance for the direction of reforms.

An appropriate mix of trade policies, with complementary macro and microeconomic policies, is needed to benefit from integration into the global economy. Macro-economic stability and a competitive exchange rate need to be in place. The success of trade reform lies in focusing the reform agenda on the agricultural and services sectors. It is imminent from the study that these two sectors are key in poverty reduction.

Safety nets are absolutely essential to alleviate and minimize the pains of adjustment. If these pains are necessary to put the economy on a higher economic growth path, the society and polity will have to evolve credible mechanisms of cost sharing and conflict resolution. In addition, there is a large outstanding agenda that can and should be undertaken by high-income countries that will generate significant benefits for ordinary people in developing countries. These include eliminating trade distorting policies in agriculture, disciplining non-tariff measures that restrict trade, and removing restrictions on the temporary movement of natural persons supplying labor services.

References

- Ahluwalia, Montek
1999 "India's Economic Reforms: An Appraisal," in J. Sachs, A. Varshney and Nirupam Bajpai (eds.), *India in the Era of Economic Reforms*. New Delhi: Oxford University Press.
- Bagpai, Nirupam and Jeffrey Sachs
1998 "Strengthening India's Strategy for Economic Growth," *Economic and Political Weekly*. July.
- Bannister, G. and K. Thugge
2001 "International Trade and Poverty Alleviation," *Finance and Development*, 38(4) (December).

- Ben, David D.
1993 "Equalizing Exchange: Trade Liberalization and Income Convergence," *Quarterly Journal of Economics*, 108(3).
- Bhagwati, J.
1996 "The Miracle that Did Happen; Understanding East Asia in Comparative Perspective." Keynote speech delivered at the conference on Government and Market: The Relevance of the Taiwanese Performance to Development Theory and Policy in honor of Professors Liu and Tsiang. 3 May. Cornell University, Ithaca, New York.
- Bhagwati, J. and T.N. Srinivasan
1999 "Outward Orientation and Development: Are Revisionists Right?" Yale University Economic Growth Centre, Discussion Paper No 806.
- Chadha, R, D. Brown, A. Deardorff and R. Stern
2001 "Computational Analysis of the Impact on India of the Uruguay Round and the Forthcoming WTO Trade Negotiations." NCAER Mimeo.
- Coe, D and E. Helpman
1995 "International R&D Spillovers," *European Economic Review*, 39, 859-887.
- Coxhead, I. and Peter Warr
1999 "Does Technical Progress in Agriculture Alleviate Poverty? A Philippine Case Study." *Australian Journal of Agricultural Economics*, 39(1) (April): 25-54.
- Cranfield, John, A.L. Thomas, W. Hertel, and Paul V. Preckel
2000 "Multilateral Trade Liberalization and Poverty." Paper prepared for the Conference on Poverty and the International Economy organized by the World Bank and Swedish Parliamentary Commission on Global Development, Stockholm, 20-21 October.
- Datt, G.
1999 "Has Poverty Declined since Economic Reforms? Statistical Data Analysis," Special Article, *Economic and Political Weekly*, 11 December.
- Deininger, Klaus and Lyn Squire
1996 "A New Data Set Measuring Income Inequality," *World Bank Economic Review*, 10(3): 565-91.
- Dollar, D.
1992 "Outward-Oriented Developing Economies Really Do Grow More Rapidly: Evidence from 95 LDCs, 1976-1985," *Economic Development and Cultural Change*, 40(3) (April): 523-544.
- Dollar, D. and Kraay, Aart
2000 "Growth is Good for the Poor," World Bank Policy Research Working Paper No. 2587.

2001 "Trade, Growth and Poverty," World Bank Policy Research Working Paper No 2615.
- Ebrill, L., J. Strotsky and R. Gropp
1999 "Revenue Implications of Trade Liberalization," IMF Occasional Paper No 180.

- Edwards, S.
1993 "Openness, Trade Liberalization and Growth in Developing Countries," *Journal of Economic Literature*, 31(3) (September): 1358-1393.
- 1998 "Openness, Productivity and Growth: What Do We Really Know?," *Economic Journal*, 108 (March): 383-398.
- Encarnation, D. and L. Wells
1986 In Theodore Moran (ed), *Investing in Development: New Roles for Private Capital?* Washington DC: Overseas Development Council.
- Frankel, J. and D. Romer
1999 "Does Trade Cause Growth?" *American Economic Review*, 89(3): 379-399.
- Harrison, G., T.F. Ritherford and D. Tarr
2000 "Trade Liberalization, Poverty and Efficient Equity." Economics Working Paper B-81-02, Moore School of Business, University of South Carolina.
- Hertel, Thomas W., Paul V. Preckel and Jeffrey J. Reimer
2001 "Trade Policy, Food Price Variability, and the Vulnerability of Low-Income Households." Paper prepared for Meeting of the American Agricultural Economics Association, Chicago, Illinois, 6-8 August.
- Hoekman, B. and M. Kostecki
2001 *The Political Economy of the World Trading System*. Oxford: Oxford University Press.
- Hoekman, B. H.L.Kee and M. Olareaga
2001 "Markups, Entry Regulation and Trade: Does Country Size Matter?" The World Bank. Mimeo.
- Hoekman, B., C. Michalopoulos, M. Schiff and D. Tarr
2001 "Trade Policy Reform and Poverty Alleviation," Policy Research Working Paper No.2733, The World Bank. December.
- Jones, R.W.
1965 "The Structure of Simple General Equilibrium Models," *Journal of Political Economy* 73 (December): 557-572.
- Krueger, A.
1974 "The Political Economy of the Rent Seeking Society," *American Economic Review*, 64(3) (June): 291-303.
- Lall, S. and P. Streeten
1977 *Foreign Investment, Transnationals and Developing Countries*.
- Lawson, C. and N. Meyenn
2000 "Bringing Cellular Phone Service to Rural Areas," Viewpoint, Note 204, The World Bank.
- Levin, J.
2000 "Kenya-Poverty Eradication Through Transfers." Paper Prepared for the Conference on Poverty and the International Economy organized by the World Bank and Swedish Parliamentary Commission on Global Development, Stockholm, 20-21 October.

- Lopez, R. and C. Romano
2000 "The Determinants of farm revenues and factor returns of poor farmers in Brazil," Mimeo. University of Maryland, College Park.
- Maran, Murosoli
2002 Keynote address at the Annual Bank Conference on Development Economics - Europe Conference , 24 June, Oslo.
- Matusz, S. and D. Tarr
2000 "Adjusting to Trade Liberalization," in Anne Krueger (ed.), *Economic Policy Reform*, Chicago: University of Chicago Press.
- Markusen, J.
1983 "Factor Movement and Commodity Trade as Complements," *Journal of International Economics*, 14: 341-356.
- Markusen, J., T. Rutherford and D. Tarr
2000 "Foreign Direct Investment in Services and Domestic Market for Expertise," NBER Working Paper No 7700, (May); Policy and Research Working Paper No. 2413, The World Bank. August.
- Mathur, Somesh K.
2003 "Trade Related Aspects of Intellectual Property and Copyright Provisions: Some Issues With Special Reference to Developing Countries," *Journal of World Intellectual Property Rights*, Geneva, January issue.
- 2001a "Multilateral Trading System and Developing Countries: Prospects and Perspectives with Special Reference to India" *Asian-African Journal of Economics and Econometrics*, Volume 1, No. 2, December, New Delhi, India. Paper available at the Harvard University web site <http://www.cid.harvard.edu/cidtrade/issues/developmentpaper.html>.
- 2001b "Insurance Regulation: Some Issues", Geneva Papers on Risk and Insurance, January issue, Volume 26. No.1. Blackwell publishers, Oxford, UK.
- Nogues, J.
1991 "Trade, Employment and Growth in Peru since World War II," in Demetris Papageorgiou, Michael Michaely and Armeane Choski (eds.), *Liberalizing Foreign Trade*. Basil Blackwell.
- Patnaik, U.
2002 "Deflation and Déjà vu: Indian Agriculture in the World Economy," CESP, JNU, Delhi.
- Panagariya, A.
2002 "Poverty, Inequality and Trade Openness," Comments on the papers by Juan Louis Londono and Martin Ravallion presented at the Annual Bank Conference on Development Economics-Europe Conference , 24th June, Oslo.
- Pursell, G.
1998) Cotton Policies in Francophone Africa, World Bank, Mimeo.
- Ravallion, M.
1990 "Rural Welfare Effects of Food Price Changes Under Induced Wage Responses: Theory and Evidence for Bangladesh." *Oxford Economic Papers* 42: 574-585.

- Ravallion, M. and D. Van de Walle
1991 "The Impact on Poverty of Food Pricing Reforms: Welfare Analysis for Indonesia," *Journal of Policy Modeling*, 13: 281-99.
- Reimer, J.J.
2002 "Estimating the Poverty Impacts of Trade Liberalization," World Bank Policy Research Working Paper 2790.
- Rhee, Y., B. Ross-Larson and G. Pursell
1984 *Korea's Competitive Edge: Managing Entry into World Market*. Washington, D.C: World Bank.
- Rodriguez, F. and D. Rodrik
1999 "Trade Policy and Economic Growth: A Skeptic's Guide to Cross-National Evidence," Centre for Economic Policy Research Working Paper No. 2143, London.
- Rodrik, D.
1995 "Getting Interventions Right: How South Korea and Taiwan Grew Rich." *Economic Policy* 10(20): 55-107.

1998 "Why is Trade Reform so Difficult in Africa," *Journal of African Economies*, (7): 10-36.
- Romer, P.
1994 "New Goods, Old Theory and Welfare Costs of Trade Restrictions," *Journal of Development Economics*, 43(1) (February): 5-38.
- Sachs, J. and A. Warner
1995 "Economic Reforms and the Process of Global Integration," *Brooking Papers on Economic Activity*, 1-118.
- Sarel, M.
1997 "How Macroeconomic Factors Affect Income Distribution: The Cross Country Evidence," IMF Working paper/97/152.
- Schiff, M. and A. Valdes
1992 *The Political Economy of Agricultural Pricing Policy*. Volume 4. A Synthesis of the Economics in Developing Countries, Johns Hopkins University Press.
- Sharer, R. and others
1998 "Trade Liberalization in IMF-Supported Programs," IMF World Economic and Financial Surveys, Washington DC.
- Smarzynska, B.
2000 "Composition of Foreign Direct Investment and Protection of Intellectual Property Rights in Transition Economies," The World Bank, Mimeo.
- Sen, Abhijit
2003 "Globalization, Growth and Inequality in South Asia: The Evidence from Rural India" in J. Ghosh and C.P. Chandrashekar (eds.), *Work and Well Being in the Age of Finance*. Tulika Publishers, New Delhi.
- Srinivasan, T.N.
2000 *Eight Lectures on India's Economic Reforms*. Oxford University Press.

- Stern, N.
2002 "Making Trade Work for the Poor," Speech Delivered at NCAER, 28 November 2002 at National Council for Applied Economic Research, New Delhi.
- Tendulkar, S.D.
2000 "Planning and Markets in Indian Development Process," *Artha Vynana*, Vol.XLII, No. 3 (September): 191-215.
- Tarr, D.
2001 "On the Design of Tariff Policy: Arguments for and Against Uniform Tariffs," in B. Hoekman, P. English and A. Mattoo (eds.), *Trade Policy Reform and Multilateral Negotiations: A Sourcebook*. Washington: World Bank.
- Tyers, R. and K. Anderson
1992 *Disarray in World Food Markets: A Quantitative Assessment*. Cambridge University Press.
- UNCTAD
1997 *World Investment Report: Transnational Corporations, Market Structure, and Competition Policy*. New York: United Nations.
- Warr, Peter G.
2001 "Welfare and Distributional Effects of an Export Tax: Thailand's Rice Premium," *American Journal of Agricultural Economics*. 83(4) (November): 903-920.
- Wespal, L. E. and K. S. Kim
1977 *Industrial Policy and Development in Korea*. World Bank Staff Working Paper No. 263.
- WIDER-UN
2000 World Income Inequality Database, available at www.wider.unu.edu.
- Winters, L. A.
2000a "Trade and Poverty: Is there a connection?" in WTO: Special Studies#5: Trade, Income Disparity and Poverty, Geneva.
2000b "Trade, Trade Policy and Poverty." Background paper for the World Bank World Development Report 2001. Washington, DC.
- World Bank
2002 *Global Economic Prospects and the Developing Countries: Making Trade Work for the Worlds Poor*. Washington, DC: The World Bank.
1999 "Panama Poverty Assessment: Priorities and Strategies for Poverty Reduction, Human Development Department, Latin American and the Carribean Region, Washington, DC.
- Xavier, Sala-I-Martin
2002 "The World Distribution of Income," Columbia University, January.

Government and Basic Sector Engagement in Poverty Alleviation: Highlights of a Survey

VICTORIA A. BAUTISTA*

This paper presents the results of a research on the participation of people's organizations (POs) in poverty alleviation efforts and on how representatives of these organizations perform in coordinative bodies where they interface with government. This study focuses on PO representatives in the coordinative bodies that respond to the needs of the so-called marginalized groups in the Philippines. The respondents were interviewed in order to determine how they were selected, what their assessment of the engagement process was, how they provided feedback to the sectors they represented, what their track record was in working for improving the welfare of the sector they represented, what their sources of support were in the engagement process, how interfacing with government contributed to improving their situation, and what problems or facilitating factors contributed to the failure or success of the engagement process.

Introduction

The participation of people's organizations (POs) in governance is one of the important innovations that have revolutionized the management of development programs and projects. No less than the United Nations Development Program (UNDP) in its monograph, *Overcoming Poverty*, has challenged governments to consider people participation in poverty alleviation efforts (UNDP, 2000).

People participation is important because it gives community residents an active role in the development cycle, enabling them to share their expertise and resources. Their participation is designed to prevent mendicancy and dependence on government as has happened in the past.

Secondly, the development process becomes more meaningful as its supposed beneficiaries take an active part in the process. This active engagement in decision-making ensures that people come to "own the process" and that the response measures taken are relevant to their needs.

Thirdly, enabling citizens to take an active role in governance allows them to sustain the activities, even after national and local officials have completed their terms. The people can continue what was started despite changes in administration.

* Professor and Director, Center for Leadership, Citizenship and Democracy, National College of Public Administration and Governance, University of the Philippines.

The author acknowledges the National Anti-Poverty Commission for extending a research grant for the conduct of the survey portion of this study. The Center for Leadership, Citizenship and Democracy mobilized four research teams, under the author's supervision, that actually conducted the case studies.

Furthermore, citizens being part of the decision-making process ensures that the policies, programs and projects being crafted are responsive to the needs that they themselves identify. They determine what needs to be done based on their own felt needs.

On the part of government, enabling citizens to take an active role in governance helps it maximize resources. Citizens can share their ideas in formulating policies at no expense to the government and civil society. Citizens may also be able to volunteer their labor in implementing programs and projects.

Secondly, enabling citizens to take part in the development cycle spares government from having to disseminate information as it becomes available to them (the citizens) by virtue of their participation in the process. Harnessing organized members of the community can facilitate dissemination as the representatives of the POs become the bearers of information.

Thirdly, having community members as part of the development cycle increases the government's visibility and transparency, making government less prone to community pressure. Engagement spares the government from criticism and citizen protest action when PO representatives are a part of the process of decision-making.

In the Philippines, the role of POs in governance has been officially recognized through the Social Reform and Poverty Alleviation Act, otherwise known as Republic Act 8425 of 1997. The law identified fourteen basic sectors as priority groups for poverty alleviation, and gave them representation in the National Anti-Poverty Commission (NAPC). The fourteen sectors are farmers, fisherfolks, formal labor, informal labor, youth and students, women, senior citizens, persons with disabilities, victims of calamities and disasters, children, indigenous peoples, non-government organizations, cooperatives, and the urban poor.

Statement of the Problem

Considering the important role of POs in governance, this study analyzes the effects of PO participation in the poverty alleviation programs of government. It highlights the results of the survey conducted on basic sector representatives in eight coordinative bodies concerned with uplifting the condition of their respective constituents. The study delved into the origins of the representatives, looked into the selection process, examined the representatives' ability in performing their roles, and assessed their actual engagement with government.

For purposes of this study, only thirteen of the fourteen basic sectors were included. Non-government organizations were excluded because, by definition, they themselves do not come from the ranks of marginalized groups.

There are nine coordinative bodies with representation from the basic sectors. However, one, i.e., the Council for the Welfare of Children, was excluded as its sector representative was already represented in the National Anti-Poverty Commission (NAPC), a coordinative body that oversees the policies and thrusts for poverty alleviation. The eight coordinative bodies covered were NAPC, the National Council for the Welfare of Disabled Persons (NCWDP), the National Commission on the Role of

Filipino Women (NCRFW), the National Agriculture and Fisheries Council (NAFC), the Presidential Agrarian Reform Council (PARC), the National Youth Commission (NYC), the National Commission on Indigenous Peoples (NCIP), and the Presidential Commission for the Urban Poor (PCUP).

The study also conducted four case studies in order to look into the particular experiences of basic sectors in local governance. One focused on the management of a Women's Desk in a barangay (the smallest political unit in the Philippines); the Women's Desk is where victims of domestic violence and other similar abuses lodge complaints. The second covered the role of an ethnic minority in local planning processes in a municipality (the second political layer in local government) in one of the provinces (Bukidnon) in Mindanao. The third involved the leader of a cooperative and his role in addressing agrarian reform in a barangay, based in the Visayan province of Bohol. The fourth studied the role of different sectors in interfacing with local government in an integrated and participatory program on poverty alleviation called the Comprehensive and Integrated Delivery of Social Services (CIDSS). The case study was conducted in one of the poorest barangays in a province (Bataan) in Luzon.

Purpose

This study hopes to help policy-makers and program implementers by indicating how to enhance PO interface in governance and by pointing out the implications of PO participation in the poverty program of the government. It also hopes to appraise POs of feedback on how best to maximize their engagement with government. Disclosing the processes involved in the government-PO interface can contribute to a better appreciation of the importance of and the issues involved in this interface.

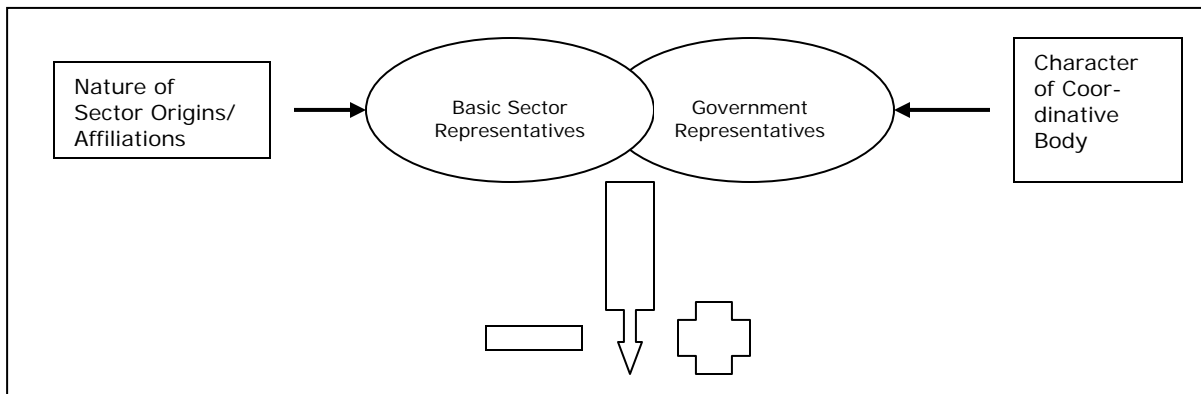
Methodology

The study drew mainly from the personal assessment and experiences of the PO representatives in the coordinative bodies who were interviewed. Supplemental interviews were conducted with PO leaders who were most active in development processes at the local level.

Analytical Framework of the Study

As this study focuses on the interface between government and the basic sectors, the character of the interaction strongly determines the result of the process. The interface could, therefore, be positive or negative. A positive interface facilitates an output that is positively viewed. On the other hand, a negative interface could make generation of the desired outcome difficult. The interface is not a smooth process and could be affected by the preparation and experience of the representatives of the basic sectors. Other constraints may affect their effectiveness as negotiators, such as the lack of resources. Additionally, the government itself could be a source of concern. Personality factors as well as the nature of the particular sector represented could also pose problems. These concerns are illustrated in Chart I.1 below.

Chart I.1. Analytical Framework of the Study



Summary

Background

Thirty-eight basic sector representatives, out of the forty-five targeted, served as respondents for this study distributed among the eight coordinative bodies engaged in poverty alleviation. Five of the eight coordinative bodies accounted for a total of twenty-five respondents, all of whom were regular PO representatives. In three coordinative bodies, the thirteen PO members interviewed served as officials and were paid salaries by the government. The former group consisted of the National Anti-Poverty Commission (NAPC), the National Council for the Welfare of Disabled Persons (NCWDP), the National Council on the Role of Filipino Women (NCRFW), the National Agriculture and Fisheries Council (NAFC), and the Presidential Agrarian Reform Council (PARC). The latter group was made up of the National Commission on Indigenous Peoples (NCIP), the Presidential Commission for the Urban Poor (PCUP), and the National Youth Commission. One coordinative body not included in the study has a youth representative who already sits in the NAPC.

Profile

A typical PO representative was male, had a college-level education, and was married with a family of five. Those who did not draw government salaries obtained their income from other sources (business, consultancy and farming were the common occupations). Moreover, five PO representatives were unemployed. A third of the representatives were based in the National Capital Region (NCR), with the rest distributed in twelve other regions. The Philippines is divided into seventeen administrative regions.

Track Record

While designated as basic sector representatives, two respondents were not currently affiliated with any PO. Most (71 percent), however, were and sometimes with more than one PO (1.7 on the average), indicating the extent of their interest and

involvement in the sector. Those with no PO affiliation were based in NGOs. In particular, the sector known as victims of calamities is largely made up of people whose status is transitory in character, and is, therefore, difficult to organize. It is represented by an NGO person working in the sector.

The respondents' sum total of period of service in the sector was eleven years. Those serving as representatives had more years of service in total (12.6 years) than those sitting as officials (8 years), indicating stiffer requirements for the former.

On average, the respondents had been previously engaged with other civil society groups an average of 2.4 times (counting distinct group affiliations). Close to two-thirds had been previously involved in sectors other than the one they currently represented (an average of two other sector affiliations per person). The sectors most often previously served were women, farmers, fisherfolks, and students.

Selection Process

The selection process for sector representatives was multi-layered for three coordinative bodies, namely, the National Anti-Poverty Commission, the National Commission for Indigenous Peoples, and the National Agriculture and Fisheries Council. Selections were conducted at the local and regional levels before the actual representatives were selected at the national level. The National Anti-Poverty Commission had the most elaborate selection process. Initially, 100 representatives from the different regions were identified by a selection committee. Twenty-five were then elected to the Sectoral Council. The Sectoral Council is the venue for discussing key policy issues that are recommended for approval by the Commission. The Sectoral Council is headed by a Commissioner, appointed by the President but selected from three names recommended by the Sectoral Council. Each basic sector is represented by a commissioner in the Commission, in parallel with the government sector representatives (from the national and local levels).

In the other coordinative bodies, selections were made directly either by a basic sector representative (two-fifths of the total without elective process) or by a person not linked to the sector.

The majority of the respondents (68 percent) were generally satisfied with the selection process. Those who were not expressed the need for more objectivity in the selection of representatives, for widening the opportunity for participation by other regions, for establishing a more democratic process in the selection of the leader, and for limiting selections to members of the sector concerned.

Commissioners received honoraria and allowances for attending meetings, but these varied widely among the coordinative agencies. For instance, the National Anti-Poverty Commission provided an honorarium of P2,000 to each commissioner per meeting, with a maximum of four meetings in a month. The National Council of Disabled Persons, however, only gave an honorarium of P450 per meeting. Representation and transportation allowances totaling P8,500 per month were also provided by the National Anti-Poverty Commission to each commissioner.

Despite this, there was general (over 50 percent) dissatisfaction with the level of incentives. The respondents did admit, however, that getting more would make them “beholden” to the government. Two commissioners had to give up their regular jobs because of having to travel frequently to Manila, and had resorted to providing consultancy services in order to supplement their income.

Key Activities in the Coordinative Body

The respondents claimed that advocacy and information dissemination were the activities that they considered to be most important. Reviewing and formulating policies was another priority activity.

PO representatives who sat as regular members devoted more than 50 percent of their working time to the work of their respective commissions, spending the rest on their regular jobs or other livelihood activities. On the other hand, those who sat as officials devoted only about 90 percent of their time to their commission work. On the average, male representatives spent 67 percent of their time attending to commission work, while female representatives did so for only 55 percent of their time.

Assessment of Preparation for Role

The qualities considered most important in commission work were being a good facilitator (with the non-confrontational skills of a diplomat), having knowledge of the sector, and being imbued with commitment and dedication. The respondents gave themselves an average score of 7.4 in terms of being properly prepared for their commission work, on a scale of 1 to 10, with 10 being the highest. The regular representatives thought themselves a bit more prepared than those who sat as officials, giving themselves an average score of 8 versus the 7.1 for the officials. The number of engagements with civil society groups was an important factor for the high scores.

Skills and Knowledge Needed

The commissioners thought that they needed to hone certain skills, with skills for relating with the bureaucracy, technical skills such as how to lobby effectively, social mobilization skills, and skills to enhance their public speaking and report writing being mentioned. A number also mentioned the need to develop good leadership skills, good facilitating skills, skills for generating resources, information technology skills, i.e., using e-mail, and gaining greater familiarity with the laws pertaining to the sector they represented.

Personal Qualities Facilitating or Hindering Engagement

Personal qualities that have proved to be helpful for respondents in their work were identified. These were: knowledge of the sector they represented (45 percent); commitment and dedication to the sector they represented (40 percent); and, being pleasant or non-confrontational (24 percent). These matched the qualities previously mentioned as keys to being good at coordinative work.

The respondents pointed to lack of finances (30 percent) as a key constraint. Close to half of those who mentioned this were apprehensive that they would not be able to sustain their commission work because of conflicts with their need to earn a livelihood.

More than one-fifth (22 percent) said that they were insecure about their capacity to articulate their views. A few mentioned problems with physical well-being (16 percent).

Sources of Information and Means for Feedback

Meetings were considered good venues for getting information on what was going on in the sector or in other organizations. Reading materials pertaining to the sector was also a good way of keeping up-to-date on the latest developments. Using cell phones and e-mail were other ways of getting feedback.

The same means were used to provide feedback to the sector. Four coordinative bodies held regular consultative meetings: the NAPC (quarterly, with some sectors meeting more often); the NAFC (bi-monthly); the PARC (monthly); and, the NYC (every two years). Close to one-third of the respondents also mentioned that they relied on secondary forms of feedback such as newsletters and circulars, radio programs, letters, and the general media.

Accomplishments/Hopes to Accomplish

Respondents cited their top accomplishments as steering the implementation of bills for the sector, raising public awareness on the sector, and advocating for good policy. However, they generally wished that the government would implement more projects directly benefiting their sectors rather than merely raising expectations with unkempt promises (*"kulang sa gawa, puro salita"*). They also wanted better mechanisms for ensuring more participation by the basic sectors in government processes.

Level of Participation in Coordinative Work

In terms of their participation in the work of their respective coordinative bodies, the respondents gave themselves a relatively high mark of 7.4. However, a difference can be seen in how the regular representatives marked themselves on this attribute (7.05) and how those who sat as officials saw their own performance (8.4). A contributing factor to how they scored themselves was their perceived level of preparation for this kind of work. Those who felt they were adequately prepared for their role were also those who were deeply engaged in their work (correlation test=.320, $p=.03$).

Expectations from Government

Seven out of ten respondents expected the government to keep its promises and to respond to the needs of the basic sectors (71 percent). They also hoped that

government would not use them merely to “validate” decisions (29 percent). They called on the government to appoint officials based on merit (21 percent).

Government and Sector Support

PO representatives considered the provision of office space (56 percent) as the best type of support they got from the government. Office space provided a venue for meetings and discussions. Another 52 percent regarded the budgetary allocation for their sector’s concerns as the best way for government to support their work. Others cited secretarial staff and technical support. Some 16 percent could not provide resources to support their work in the commissions as they were too poor to do this. Otherwise, the only support that could best be expected was entirely of the moral sort. A number (44 percent) said they provided data while a quarter claimed putting in manpower support.

Weaknesses of Government

Many felt that the government’s greatest weakness was its lack of resources for turning its plans into concrete action (40 percent), while others (24 percent) thought that weak enforcement of policies was the biggest drawback. Still others thought that government was being too legalistic (24 percent) or that too much politics was involved (16 percent).

Effect of the Interface

The respondents said that their participation in the coordinative bodies enabled them to broaden their point of view from the narrow NGO perspective they used to have. Some said they had developed a better appreciation for the difficulties faced by government, while others claimed becoming more disappointed with what they perceived to be government’s lack of seriousness in doing its job.

Nevertheless, 47 percent claimed that the experience allowed them to develop skills in dealing with people, learning to do this “on the job.” Furthermore, the work allowed them to enlarge their networks, exposing them to other persons and institutions that may be able to help them with solutions to the problems their respective sectors faced. There were those who thought that their position allowed them to become better known within their sector as well as among other civil society groups, raising their status in society.

The respondents generally gave their interface with government only a middling satisfaction score (6.3 on a ten-point scale). Those with official positions were generally more satisfied (7.3 score) than the regular representatives (5.6 mark). On the other hand, those from the National Capital Region were less satisfied than those coming from other regions (5.8 vs. 6.3).

Apprehensions in Dealing with Government

A quarter of the respondents feared that the government may be trying to co-opt them. Some felt frustrated that the government was not taking them seriously and that it (the government) had failed in turning programs into action. Asked to quantify their level of satisfaction with the way government related to them, the respondents only gave a 6.1 score, although again, officials appeared more satisfied than their regular representative colleagues.

It appears that level of satisfaction is positively related to level of participation. Those who were more deeply engaged had a higher regard for how government treated them.

Recommendations

To improve the relations with the basic sectors, the government must step up the process of engagement at both national and local levels. The government needs to be more open to dialogue and partnership with the most disadvantaged groups and seek to broaden their participation in governance processes. In order to gain the confidence of the basic sectors, government officials must set themselves up as role models and show their own commitment and dedication to making this engagement an effective way of raising the welfare of marginalized groups.

On the part of the basic sectors, each group needed to define how it wanted to participate in this process and what it expected to accomplish by doing so. This means being willing to learn to engage government in ways other than with protests and demonstrations. To be effective, however, the basic sector groups have to be oriented with how government and the bureaucracy work.

Summary of the Cases

Case Study Areas

The cases demonstrate how POs engage government in different phases of governance at the local level. Four case studies were conducted. One focuses on the interface of an indigenous people's (IP) group (through its tribal leader) in the Impasugong Development Council in Bukidnon. The development council is the local government planning body. This was the first instance of an IP group participating in the local development council (Briones and Jarin, 2003).

The second examines the role of women crisis workers in the Women's Desk of Barangay Mapulang Lupa in Valenzuela City. This service was a pioneering effort in the city and was given due recognition by the NCRFW (Cabotaje and Sajo, 2003).

The third studies the participation of a cooperative in the barangay development council of Barangay Mahayag and in other coordinative bodies in the municipality of San Miguel, Bohol. The cooperative was recommended by the Department of Agrarian

Reform for inclusion in the study based on its structural maturity (Nicolas and Cariño, 2003).

The fourth case deals with how multi-sectoral groups were involved in CIDSS, a program of the Department of Social Welfare and Development, in Barangay Sta. Rosa in Pilar, Bataan. This area has been named a candidate for a regional award for Best CIDSS area (Juan and Prieto, 2003).

Facilitating Factor

Experience shows that the participation of a people's organization in local governance processes is usually facilitated by a key person or "mobilizer." In Impasugong, the mayor played this key role, while advocacy by a trade union paved the way for the Women's Desk in Mapulang Lupa. In Barangay Mahayag, the Municipal Agrarian Reform Officer (MARO) was the advocate for a local cooperative's participation in the development council, while a local CIDSS worker paved the way for multi-sectoral groups to be involved in the CIDSS in Barangay Santa Rosa.

Selection Process

The selection of PO representative largely depends on identifying existing local leaders. In Impasugong, the IP representative was picked by the traditional tribal leaders or *datus*. For the Women's Desk, the crisis workers who participated in the training program conducted by a trade union council were drawn from members of the Couples for Christ, a religious group that advocates family-oriented issues. In the CIDSS area, representatives were local PO leaders who were actively participating in the program, mostly women, farmers and senior citizens. The Mahayag case was unique in that the leader of the multi-purpose cooperative presented himself to become a member of the local development council.

Phases of Governance

The cases highlight the depth and quality of participation of the POs in the local development councils. Engagement was most complete in the case of the CIDSS participants; POs participated in all phases of the management cycle. The complete cycle starts with the gathering of information about the community's quality of life using 33 indicators (situation analysis phase). This is followed by such activities as identifying key problems, identifying projects that would address these problems, participating in resource generation, being involved in the implementation of projects, and assisting in the analysis of problems in implementation.

Participation of both the cooperative and the women crisis workers in their respective local development councils was limited to the planning, implementation, and monitoring and evaluation phases. Between them, however, the women crisis workers were in a qualitatively deeper engagement as they were part of the barangay political structure.

The indigenous people's representative was allowed only a limited engagement in the work of the local development council, contributing only to the planning phase.

Contribution to the Sector

Engagement at the local level has increased the appreciation by the basic sectors of how the government arrives at its decisions. This experience apparently confirms that of the national representatives. Furthermore, interfacing with government has given the basic sectors a certain leverage for obtaining resources.

Contribution to Their Personal Life

Basic sector participants cited certain personal gains garnered from their experiences in the local development councils. They claimed to have obtained psychic rewards in the form of moral support, to have developed their skills in relating with people, to have fostered unity and camaraderie in the sector, and to have broadened the worldview of volunteers. These gains, however, were possible only where the political culture was conducive to doing so, a condition not met in the Mahayag case.

Difficulties

The basic sector representatives attributed certain difficulties they encountered to the government's tendency to be bureaucratic, to be engrossed in politicking, to its lack of receptiveness to the plight of the sector, and to its lack of appreciation of the principle of people participation in governance.

On the other hand, the basic sector representatives also identified weaknesses on their part, stemming mostly from their failure to update themselves on changing social and sectoral needs. They also pointed out that poverty limited the basic sectors' ability to effectively participate, even as there was a need to broaden participation to other members of the community. Ensuring effective interfacing between the government and the basic sectors, therefore, required making changes on both sides.

Conclusions

The study shows that interfacing with government has not been an easy undertaking for the basic sectors. While engagement has broadened their views about how to deal with the government bureaucracy and other civil society groups, personal constraints have prevented their representatives from being more effective advocates for their respective sectors. Personal finance has been a critical factor as representatives have found themselves dislodged from their day jobs because of the time demands of their duties. In addition, the representatives have felt frustrated about working with government, which they regard as being too bureaucratic, constantly engaged in politicking, and more interested in talk than work.

In spite of these apprehensions, national and local basic sector representatives agreed that their experience has had benefits for their respective sectors as well as for themselves personally. Such engagement has opened the sectors' eyes to the workings of the bureaucracy—and the factors that make government work not as easy as they had imagined. However, this close-up view of the inner workings of government has also confirmed the inefficiency and ineffectiveness that some had suspected all along. On the other hand, engagement has allowed the basic sectors to broaden their contacts and networking within their own ranks and has allowed them to consider the value of negotiations as an alternative to protest demonstrations.

On the personal level, the PO representatives found that having previously done similar coordination work within their respective sectors was good preparation for their current roles within the commissions. Such experience gave them the confidence to take on their new roles. Furthermore, being part of a national coordinative agency raised the representatives' prestige within and without their sectoral groups. It also allowed them to hone their facilitation, social mobilization and advocacy skills although skills in other areas, i.e., facilitation, policy advocacy and resource mobilization, needed improving as well. Studying the cases of basic sector representatives working at the local community level confirmed the issues raised by the national representatives.

Lastly, it was commonly held that government had to improve its process of selecting sectoral representatives to the national and local coordinative bodies. Specifically, government had to consider better regional representation, allow individual sectors to nominate representatives from their own ranks, and ensure that representatives actually came from the sectors that they represented.

Recommendations

On the Part of Government

Mechanisms have to be improved to ensure regional participation in the selection of representatives, to ensure that representatives are drawn from the sectors they are supposed to represent, and to enable sector involvement in the identification of their representatives. As NAPC provides the broadest base for sectoral participation, it may also serve as the pool for selecting nominees to the other coordinative bodies.

The special requirements of a number of the basic sectors need to be considered in order to anticipate the support they need to be able to participate in an effective way. For instance, differently abled persons have special requirements for accessibility. Some sectors may need special security arrangements because of threats engendered by their participation, e.g., the women crisis workers.

There is a need to devise ways for sectors that are plagued by transient problems, such as victims of natural calamities and disasters, to organize themselves in a more permanent way. One possibility is to base membership on the vulnerability of affected areas, that is, those localities that are prone to disasters such as mining areas, provinces susceptible to devastating typhoons, etc.

There should be a conscious effort to involve basic sector representatives in local technical bodies. Currently, representation in such bodies has been limited to non-

government organizations even though the basic sectors are the ones directly affected by special problems that arise. The local *Sanggunian* (local legislative assembly) should take the initiative in crafting rules that would widen the base of participation in these local special bodies.

Newly installed representatives should be given an orientation on the operations of the bureaucracy and how they can access resources and incentives from the government and other sources.

Incentive packages should be standardized across the different coordinative bodies for equity considerations.

Skills training on social mobilization work and policy advocacy should be provided.

Government should ensure that the participation of the basic sector representatives is “meaningful,” and is not merely for show or merely a “stamping pad” for pre-approving government decisions.

On the Part of Basic Sector Organizations

There is a need to strengthen the ranks from where the basic sectors draw their representatives to the coordinative bodies. PO leaders need to work at strengthening their community groups and put this at the top of their agenda.

Sectoral organizations need to be able to provide for the daily sustenance of their members, instead of depending on government for such needs. They need to develop more creative ways of generating resources on their own.

They should see to it that the nominees they select as representatives are able to withstand the physically demanding rigors of their engagement with government.

Theory on Government-Basic Sector Interface

Developing the interface between the basic social sectors and the government is not a task to be taken lightly. Many factors need to be considered when designing the interface and in determining who would be best to represent the sectors, how representatives should be selected, and what kind of support would be required to allow the representatives to work in the most effective manner. Background information on the representatives, the particular circumstances of the sectors that they represent, and the institutional arrangements under which the engagement process is to be conducted can all contribute to determining the quality of PO participation in governance.

References

- Briones, Garie G. and Rodillo S. P. Jarin III
2003 Participation and Representation: The Case of Indigenous Peoples in the Municipality of Impasugong, Bukidnon. In Victoria A. Bautista, ed. *Participatory Governance in Poverty Alleviation*. Quezon City: Center for Leadership, Citizenship and Democracy, UP-NCPAG.

- Cabotaje, Charlie E. and Trina Joyce M. Sajo
 2003 The Women's Desk: A Pioneering Effort in Volunteer Crisis Work. In Victoria A. Bautista, ed. *Participatory Governance in Poverty Alleviation*. Quezon City: Center for Leadership, Citizenship and Democracy, UP-NCPAG.
- Institute on Church and Social Issues
 n.d. Rationalizing Basic Sector Participation in National Sectoral Bodies. For the National Anti-Poverty Commission.
- Juan, Lilibeth Jovita J. and Napoleon Allan R. Prieto
 2003 PO interface in Poverty Alleviation Program: The CIDSS. In Victoria A. Bautista, ed. *Participatory Governance in Poverty Alleviation*. Quezon City: Center for Leadership, Citizenship and Democracy, UP-NCPAG.
- Nicolas, Eleanor E. and Rhea Marie Cariño
 2003 Government-PO Interface in an Agrarian Reform Community: Making a Multipurpose Cooperative Work for Poverty Alleviation in Barangay Mahayag. In Victoria A. Bautista, ed. *Participatory Governance in Poverty Alleviation*. Quezon City: Center for Leadership, Citizenship and Democracy, UP-NCPAG.
- United Nations Development Program
 2000 *Overcoming Poverty*.

Private Sector Participation in Education Services

MALATHI SOMAIAH*

The participation of the private sector in providing educational services has been limited to running schools and offering college-level education programs. "Deemed" universities (i.e., schools of religious and linguistic minorities given the status of universities) have only been in existence in the last few decades. Recently, private universities with no geographical jurisdiction were started in Chattisgarh by an act of the state legislature. This paper looks at the role of the private sector in higher education. The crucial issues to be examined include the creation of a social infrastructure, the organizations managing these institutions, quality control both in terms of teaching and learning processes, and certification. In the present context of globalization, and with India being a signatory to the GATS agreement, several foreign universities are looking to set up operations in India. The implications of this development in terms of the quality aspects, the cost of education, and the issues of equity and justice are also examined in this paper.

School Education

Education For All (EFA) has been one of the tenets of development in India. The judiciary has declared that education is a fundamental right. The Government of India, through a number of schemes, is working towards attaining universal elementary education (UEE) for all children 6-14 years old. The National Education Policy of 1992 stipulated that providing education to all children in this age group was to be achieved by 2000. Due to the vast numbers of children in this age group and to the lack of any social infrastructure, the country did not achieve this target. The census of India in 2001 revealed that the illiteracy rate was 35 percent. India spends 3.4 percent of its GNP on education. *Sarva Siksha Abhiyan* (SSA), a scheme for UEE, recently launched by the Ministry of Human Resource Development, Government of India is hoping to achieve UEE by 2010. SSA is trying to improve the performance of the school system through community participation. While the primary objective is to provide free and quality education, it is also making special efforts at the elementary school level to make education useful and relevant by improving the curriculum and by advocating the use of effective teaching methods. In November 2001, the 93rd amendment to the constitution was passed, conferring on all children 6-14 years of age the right to a free compulsory education. Whether or not this is going to be an achievable goal can only be determined by taking into consideration the role of both private and public sectors in promoting elementary school education.

* Professor, Centre for Public Policy, Indian Institute of Management, Bangalore, India.

Role of State Governments

Most of the state governments have a language policy on school education. In states like Karnataka, the government has taken the responsibility to create an infrastructure for primary education in which schooling is provided through the mother tongue or the state language. As a result, all government-run primary schools provide education in the state language. On the demand side, the need for English has tremendously increased in the last two to three decades driven by parents' aspirations for their children whatever the socio economic background. A number of lower and middle class communities have demanded an English education. This has resulted in the creation of a number of English-medium schools managed by the private sector in many parts of the country, increasing the participation of that sector in school education. As a policy, many state governments do not encourage this but the increase has been palpable nevertheless.

Performance of Schools

Another crucial factor is the performance of these institutions. According to an unpublished report of the Government of Karnataka there are 76 secondary schools that are listed as zero performance in the secondary examination board results. Needless to say, these institutions are in the government sector. There has been no accountability whatsoever by the teachers and principals. They and officials of the education department feel no responsibility to explain why not even a single student was able to clear the board examination. Does this mean that all those who reached the 10th grade have had poor teaching inputs in the last 9 years? If so, what mechanisms are built into this system as a check on this unsatisfactory performance? Another secondary school, run privately and within a radius of one or two kilometers of these same government schools, gets students with similar backgrounds and still gets at least 50% of their students to pass the board examination, putting them (the students) above the state average (ranging from 38-45%) in any given year. The point to be noted here is the absence of any system of performance and accountability on the part of the government-run schools.

In a free market economy everyone, be it a parent or student, must have the option to choose educational services, just like buying any other commodity. In order to make this happen, the increased participation of the private sector is necessary and inevitable. The question is, how far should state education policy support and encourage private sector participation? How will the government ensure that these schools also cater to the socially disadvantaged groups? Should there be any control mechanisms to ensure equity and justice? What would be a reasonable cost per student? How should this be worked out? What would be the policy issues in terms of compensating the cost of education of the socially disadvantaged groups?

Education of Girls

Another important issue is the education of girls, both at the elementary and secondary levels. There have been policy statements and political manifestos in which every state government has made promises to promote the education of females. These promises remain mostly on paper with the state governments hardly making any effort

to even provide access to girls coming from rural and tribal areas. When the access itself is not made universal, retention and achievements remain distant dreams. Another policy perspective for female students is the commitment of the government to provide women teachers in all the elementary schools. If one looks at the data, it is very clear that this commitment has not been fulfilled in even 30 percent of elementary schools. In the educationally backward states of Rajasthan and Bihar the high rate of drop-outs among girls indicates the lack of women teachers. When girls attain the age of puberty, many parents do not like to send them to school because of the distances involved as well as the lack of women teachers. This has been documented by a number of studies and reports.

A number of girls' primary schools and secondary schools are run by private agencies. They are strategically located, which make them accessible to girls coming from the different strata of society. This very accessibility has increased the participation of girls in school education run by the private sector. The state government, parents, NGOs and philanthropic organizations should take up the cost of education of girls. The important issue here is that, even though state governments are not able to establish such institutions, they can not even provide a minimum of support and encouragement for these private schools. The schemes of the state government in Karnataka, such as *chinnara angala* and similar programs to bring children back to the mainstream, have not been very effective. In addition, the bridge schools run by the labor department and with the same objective have not been successful either. There are instances when children who enroll in the mainstream schools remain only for short periods (from a few days to a few months) and then drop out again. More important is the lack of any information system either at the village level or at the district or state levels. In monitoring these students, the state government only provides a number, which is of no use in monitoring the *chinnara angala* program. They do not conduct any cohort studies. To illustrate, the state government provides figures stating that a few thousands have dropped out, but what exactly happened to students A, B, and C cannot be determined by any agency. In the absence of a well-designed and implemented educational information system, achieving education for all would perhaps take a few more decades.

Even though there have been studies looking into the reasons why a state like Kerala is doing extremely well in elementary education, no other state government is able to replicate this experience in their educational programs. Centrally sponsored schemes such as operation black boards have not been able to reduce the number of single teacher schools in a state like Karnataka. Similar other schemes sponsored by the central government get terminated as soon as the funding comes to an end. The issue is how to sustain such schemes. Resources are obviously constrained when 98 percent of state funding goes to teachers' salaries alone. This leaves hardly any resources for school buildings, maintenance and equipment.

The related issue is how the private sector has been able to raise resources for education. The time has come to create corpus funds (this is a fund created out of the surplus funds in order to save for a rainy day. Institutions could use this fund when there is a resource crunch) and endowment with the participation of the private sector, industries, businesses and private philanthropy groups. This fund needs to be efficiently managed and to cater to the specific needs of economically weaker sections of society. By implementing this, any state government will be able to balance its commitment to social equity and justice, and at the same time provide quality education at reasonable cost to all sections of the society. While its role and involvement directly in elementary

education gets reduced to a greater extent and the government can use the same resources effectively elsewhere.

Performance Among the States

Though drop-out rates have decreased in the last two decades, the disparity across different states in India is highly disturbing. States like Tamilnadu and Kerala achieve almost 90 percent enrolment rates while states like Bihar and Rajasthan present a dismal picture. The question is, with the amount of resources at the disposal of the government, is it possible to achieve the target of 100 percent enrolment? Related to this question is the issue of providing free education to all socially disadvantaged groups, including girls in the relevant age groups. Another issue is whether the required political will to implement the UEE is present. School enrolment in classes 1 to 5 in various states has been increasing over the years. At the primary level, 94 percent of the rural population has access to a school within 1 kilometer, while 84 percent have access to an upper primary school within three kilometers of most communities. Some of the latest statistics regarding educational performance indicates that the country has a long way to go to provide free compulsory education to all children.

In terms of literacy rates in 2001, boys have reached 75 percent while girls are at 54 percent. The overall literacy rate for both is 65 percent. There are more than 64 lakhs primary schools, about 2 lakhs middle schools and 12 lakhs high schools. The following table provides the number of children enrolled in 1999-2000:

Table 1. Number of Children Enrolled, Enrolment Ratios and Dropout Rates 1999-2000

Children enrolled in 1999-2000	Male	Female	Total
6-11 years	64,103,289	49,509,252	113,612,541
11-14 years	25,082,351	16,982,874	42,065,198
Total enrolment ratio (%) 1999-2000			
6-11 years	104.08%	85.18%	94.90%
11-14 years	67.15%	49.66%	58.79%
Gross drop out rates (%) 1999-2000			
6-14 years	51.96%	58%	54.53%

Source: The Indian Child: A Profile MHRD, GOI.

Disparity Across States

Even though the school enrolment ratio has increased over the years, disparity across the states has remained. While the literacy rate of the population aged 7 years and above was 91 percent in Kerala in 2001, it was only 57 percent in UP and 48 percent in Bihar. The proportion of children aged 11-14 years old who were in school in 1998-99 was 96.8 percent in Kerala whereas it was 52.7 percent in Rajasthan, 52.6 percent in Bihar and 54.6 percent in Andhra Pradesh. During 1997-98, while the pupil-teacher ratio was as low as 30 in Kerala and 19 in Goa, it was as high as 57 in West Bengal and 49 in Andhra Pradesh. The gross dropout rate in class levels 1 to 5 in 1997-98 was 7.05 percent in Kerala but was as high as 56.64 percent in Uttar Pradesh, 54.07% in West Bengal, and 57.27% in Bihar. These facts show the glaring disparities, using any performance indicator, in elementary education. Retention in school is related

to the perceived importance of education by parents and the quality of the education offered. When classes are large, teachers are not available, and classrooms and toilets are not built, the quality of education suffers. The dropout rates for girls are consistently higher than for boys at the primary, middle and secondary levels. The dropout rate for classes 1 to 10 was 68 percent combined. However, the dropout rate for boys was 66 percent whereas for girls it was 70 percent during 1999-2000.

Expenditure on Education

The ratio of public expenditures on education to total public expenditures increased from 2.7 percent in 1980-81 to 3.9 percent in 1998-99. The ratio of public spending on education to Gross State Domestic Product was between 2.5 percent to a little over 3 percent in the period 1991 to 1999. In some northeastern states, the ratio was even higher, between 8 to 10 percent. The share of private expenditures on education to total private consumption expenditures increased from around 2.5 percent in the early 80's to over 3.5 percent in the late 90's.

In order to be able to assess the practicality of achieving UEE, it is important to look at the history of how school education has been provided in this developing economy. Private participation began when a number of privately-run organizations set up elementary schools in rural and tribal areas in order to supplement the education efforts of the government. People with a high level of commitment and social responsibility headed these civil society organizations. These private sector initiatives had only one intention—to support the government's education program and serve the needs of society. There were no expectations of Returns on Investment (ROI) as the initiatives were conceived and delivered in response to a sense of social responsibility.

Role of Private Sector

The role of private sector participation in educational services changed focus and direction when private organizations moved to provide higher education services. Individuals and trusts started acquiring huge tracts of land in order to put up these enterprises. Both liberal arts colleges and professional colleges were established by the private sector in order to increase their scope of coverage. Unlike primary school education, however, providing educational services at the college level has certain economic implications. The quality of education and the cost of education are inseparable dimensions. Demand for college education, both general and professional, has increased due to the raised aspirations of the people as the country opened up to liberalization and also due to the growth of population. With quality control agencies such as the All India Council for Technical Education (AICTE), the Medical Council of India (MCI), and the Dental Council of India (DCI) assuming statutory roles, making available the necessary social infrastructure became a key issue for acquiring both recognition and certification. While these agencies have set up a number of physical norms for infrastructure, they also look at the sustainability of these private organizations to provide educational services in terms of their financial stability.

The increase in the cost of education is due to several reasons. Although inflation is the main cause, setting up colleges in remote rural and tribal areas can be expensive undertakings. In the developed economies of the US, Canada and Europe, about 55 to

70 percent of the relevant age group population (18 to 22 years old) attend college. However, this figure has not exceeded 6 to 7 percent in India. There is a large number of students knocking at the doors of higher education. This huge demand has pushed the private sector to regard their participation as a commercial venture rather than a welfare activity. It should be noted that philanthropy in India has declined sharply over the years.

This scenario leads to some very important questions. Who should pay for higher education? Is the private sector justified in looking at education as an area of investment? If so, what should be the allowable rate of return on that investment? How should the private sector raise resources for meeting the institutional costs? What should be the tuition cost for both general and professional higher education? Who should decide the cost of education? How much should the tuition fee be? Who should pay the tuition, the direct beneficiary, the parents, the potential employers or the government? If all of them are the stakeholders, what should be the role of each one of them in investing in higher education?

Quality Control Agencies

The quality control agencies see to it that certain facilities are provided on college campuses. They define what these facilities should be based on the number of students that a college has enrolled. It may be the size of the land, the number of classrooms built, the presence of audio-visual facilities, the number of laboratories and workshops, the number of teaching hospitals, and the ratio of teaching and non-teaching staff as well as their qualifications and remuneration. The crucial question that needs to be addressed is this: for a defined infrastructure, what should be the per student cost of education for each type of professional or general education provided? How much of this cost should come from the tuition fee? How can the ability to pay be determined? How should government subsidize or compensate for the socially disadvantaged groups? If institutions are opened by the government to all categories of aspirants, it may perhaps be spreading the limited resources too thinly and thus compromise the quality of education.

Education as Investment

This issue needs to be addressed separately for primary school education and higher education. As far as primary school education is concerned, considering it as still a welfare activity in this age of liberalization does not seem to go with the times. The Indian educational system has certainly reached a level of maturity to be able to take the position that quality of school education and cost go together. While providing access to school education for all sections of the society is a constitutional obligation of the government, providing quality school education is an equally important obligation. In order to achieve the latter, looking at education as an investment becomes inevitable. Given this paradigm, one has to examine the role of the private sector in providing school educational services. Perhaps it is the right time for government to leave school education entirely to the private sector and limit itself to ensuring equity and justice. There are several strategies that educational thinkers and researchers have been putting forward on how to achieve this social obligation of justice and equity. One of the widely debated issues is the voucher system through which government decides what cost of

school education it is willing to bear for the socially disadvantaged groups. The private sector puts up and maintains the schools and the government compensates it for the cost of providing such services through vouchers.

As a result of this, it is expected that the private sector would look at the entire process from a quality perspective. To illustrate, a government school set up in a rural, backward or tribal area may be able to provide mere access to children of the relevant age group living in that proximity. This does not ensure that reasonable physical and social infrastructure, such as usable classrooms, toilet facilities and qualified teachers, are made available. In addition, the lack of community participation may restrict enrolment and result in a high dropout rate and in low levels of retention and achievement. The government may continue to provide the physical infrastructure called 'school' and thus justify its social commitment. Thinkers on education, especially those who encourage private sector participation, have to ask a relevant question: Is it sufficient to provide mere access or is ensuring enrolment, reducing the dropout rate, and increasing the levels of retention and achievement equally important concerns of school education in India today?

Policy-makers have to look at school education very differently based on the above argument. It is high time to regard school education as an investment rather than a welfare activity. Consequently more and more encouragement for private sector participation becomes inevitable in order to achieve education for all at least by 2020. However, the regulatory mechanisms to be used in order to ensure a minimum level of learning and reduce the disparity among the different states of India need to be thought of. Experts on the economics of education have to evolve methodologies of determining the unit cost of primary education and determine the exact role of the private sector in raising resources to meet this national demand.

Private Sector in Higher Education

The next section of this paper looks at the role of private sector in higher education. Higher education in India can be broadly categorized into three groups: (1) Art, Science and Commerce colleges affiliated with their respective universities; (2) Universities providing affiliation and post graduate education, and maintaining constituent colleges; and, (3) Professional colleges that are either affiliated with the respective universities under whose geographical jurisdiction they (the professional colleges) exist or that are affiliated to specialized universities such as Agricultural, Medical and Technical Universities.

Among universities there are also several categories: the state universities created by an act of state legislature; the new state university created by an act of state legislature without defining any geographical jurisdiction (meaning that it can affiliate any college located anywhere in India); central universities set up by an act of parliament and deemed as universities—among those deemed as universities are institutions such as the Indian Institute of Science Bangalore and the School of Architecture and Design that have been declared universities by the University Grants Commission because of the superior quality of the programs that they offer; and, other deemed universities created under article 30 of the constitution, usually managed by a committee whose members belong to either a minority religion or a minority language group in a given state.

Given the varied range of institutions offering higher education, the question that arises is how to ensure a minimum teaching-learning process so that the graduates of these institutions have some kind of parity when they enter the job market. One of the strategies currently practiced by the government is to set up quality control agencies such as National Board of Accreditation (NBA), AICTE, National Assessment and Accreditation Centre (NAAC), etc. After the National Education Policy of 1992 another statutory agency to oversee quality control of teacher education in the country was set up, namely the National Council for Teachers Education (NCTE). The University Grants Commission is expected to oversee quality issues in general, non-professional higher education programs.

When the government encourages increased private sector participation in higher education, it has to take proper care to ensure that the teaching-learning process, as defined by the respective regulatory bodies, are complied with. As already mentioned, cost and quality are highly integrated in the education process. If one examines the role of statutory bodies, they are rather defining the conditions to be present for a desirable teaching-learning activity to occur. In other words, while quality indicators are becoming much more detailed and focused, education cost issues are ignored by the same regulatory bodies. If the private sector has to borrow resources from the public or other stakeholders, a day will come when private educational institutions become corporate entities. The future will see medical colleges, engineering colleges and polytechnics managed by the private sector as corporations or private limited companies. While investors try to work out the ROI, there should be a way to optimize the use of resources without compromising on quality. The important question is, how willing are state and central governments to accept this reality and activate the existing statutory bodies to face these challenges?

Impact of Globalization

The onset of liberalization and globalization has made India a signatory to the General Agreement on Tariffs and Trade (GATT). One of the implications is that foreign universities would like to set up universities providing either undergraduate education, professional education or post graduate education in areas where demand exists. It is assumed that these foreign institutions would certainly try to reduce their costs in order to increase their competitive advantage. Existing private sector education providers in India are not geared to costing their services based on any time tested scientific method. Hence, they may be unable to meet the type and level of competition coming in and posing a challenge to their survival. A related issue is how far the statutory bodies of the government are able to handle the situation and provide the needed flexibility for the private sector to cost their educational services.

Twinning Programs

A recent development is the twinning programs offered by a number of affiliated colleges across the country. They are basically of two types. The first consists of programs in which the affiliated universities in India provide two years of college and then let the students finish the last two years in the foreign university with which they are affiliated. The degrees are awarded by the foreign universities. In these programs, the cost of education is very high, even for the first two years compared to a wholly

domestic program run by the same college. This highlights the fact that the high cost for the first two years of a twinning program is not properly justified. Besides, only the elite sections of society can afford to use this facility. The graduates come back to India and enter the pool of potential employees seeking jobs here. There is no mechanism by which an employer is able to distinguish between candidates, who may have gone through two different streams of college education, for relevance and competence.

The second type of twinning program is the one offered by private training institutions such as those involved in computer training. Such institutions have no legal basis for awarding degrees given the regulatory mechanism in India. However, these training institutions tie up with a foreign university and provide part of the curriculum in India. The students then either go to a foreign university or take courses through the Internet (in virtual class rooms) in India. The degree is then awarded by the foreign university through the local tie-up. These students then enter the job market with a degree awarded by a foreign university. Who is regulating the syllabus, courses of study and the quality of the teaching faculty in these arrangements? What is the cost of these programs? The potential employer has absolutely no clue as to the relevance of the degree or the competence of the graduates.

Issues and Concerns

All these raise a number of questions for Indian education. Since most of these questions are directly related to higher education, especially the professional side of it, the paper raises these questions in the following sections: NAAC is looking at the process of accreditation of a number of universities. While some of the universities have asked to be accredited, a large number have opted to stay out. It is not clear what the current and future role of NAAC is in improving its process of accreditation based on changing conditions. Should other regulatory bodies such as AICTE, MCI, and NCTE change their emphasis and methodology in providing recognition to professional colleges? What about the process of giving permission to start new professional colleges? What should the role of the state governments be? Who should determine the limit on enrolment and cost of such education? What should be the government policy so as to ensure professional education at a reasonable cost to the economically poorer section of the society and disadvantaged groups?

Given the changes in the national and international scene in terms of both school and college education, it is important that policy-makers, political leaders and academicians apply themselves to finding answers to the questions raised above. A desirable balance would be to allow the private sector to play a crucial role in balancing between quality and cost in education. At the same time, it would be desirable also to allow highly reputable institutions from across the world to provide educational services to Indians on Indian soil.

References

- Chanda, Rupa
2002 *Globalization of Services, India's Opportunities and Constraints*. New Delhi: Oxford University Press.

- India Planning Commission
2002 *National Human Development Report 2001*. New Delhi: 215.
- Ministry of Human Resources Development
1992 New Delhi, National Policy on Education, Program of Action, Government of India.
- 1966 New Delhi, Education Commission's Report, 1964-66, Government of India.
- Ministry of Human Resources Development, Department of Education
2000 *Annual Report 1999-2000*. New Delhi, India.
- 2001 *Annual Report 2000-2001*. New Delhi, India.
- Ministry of Human Resource Development, Department of Secondary Education and Higher Education, Planning Monitoring and Statistics Division
2001 *Selected Educational Statistics 1999-2000*. New Delhi, India: 31.
- Register General and Census Commissioner
2001 Provisional Population Totals: Paper 1 of 2001. New Delhi, India: 143.
- The Carnegie Commission on Higher Education
1973 Government of Higher Education – New Jersey, McGraw-Hill Company. April.
- United Nations Development Programme (UNDP) New Delhi
2003 *Human Development Report 2003*. Oxford University Press.

Enhancing Public-Private Sector Collaboration in Public Service Delivery: The Malaysian Perspective

VASANTHA DAISY RUTH CHARLES*

Malaysia embarked on public-private sector collaboration in 1983 with the implementation of the Malaysia Incorporated Policy. The rationale behind this policy is to get both sectors to collaborate with each other in developing the nation. The private sector is the engine of economic growth, while the public sector is responsible for drawing up the working framework for major policies and providing the direction for the private sector to carry out its responsibilities effectively. The success of the private sector translates into increased profits. This will lead to increased investment and consequently the expansion and growth of the nation's economy. Economic growth will invariably enable the creation of more job opportunities. All this contributes towards increasing government revenues through the collection of taxes. Increased government revenues means that the public sector will be able to finance more socio-economic development projects for the good of the nation. As such, the policy represents a smart partnership, as the benefits are shared not only between the public and private sectors but also with the entire nation.

Since its introduction in 1983 by the Rt. Hon. Prime Minister, the Malaysia Incorporated concept has developed from a strategic intent into an operational reality and has been incorporated into the nation's development plans. Currently, the concept is all the more crucial considering that the two sectors have agreed that the private sector will be the nerve center for spurring the nation's economic growth.

The success of this partnership depends heavily on the capability of the two sectors to create and maintain links based on the spirit of cooperation, understanding and mutual collaboration. The private sector needs to understand the various policies, objectives, laws and regulations as well as the systems and procedures of the government agencies that it deals with constantly. The public sector on the other hand has to be sensitive to the needs and objectives of the private sector. Government officials and agencies will have to ensure that there are no obstacles to hinder the functioning of the private sector.

To promote this partnership the public sector has introduced various initiatives to support the private sector in playing a more active role in development. The major objective is to establish a conducive environment for economic growth while enhancing the nation's competitiveness. The focus is on strengthening the consultation mechanism and improving the quality of services and facilities that are essential for the private sector to perform effectively and efficiently.

* Deputy Director, Malaysian Administrative Modernization and Planning Unit, Malaysia.

For this purpose the following programs have been implemented:

- strengthening collaboration with the private sector;
- upgrading the quality of services provided by the government agencies;
- enhancing facilities to enable the private sector to have ease of access to public sector information for its use; and
- increasing the understanding of public sector personnel about the goals, direction, and operational strategies of the Malaysia Incorporated Policy.

The forging of strong and cooperative relations between the public and private sectors is a pre-condition to realizing the Malaysia Incorporated Policy. In pursuing this objective, the public sector has established appropriate mechanisms to encourage consultation as well as cooperation between the two sectors. These mechanisms are the consultative panels, dialogue sessions and jointly-sponsored activities.

Consultative Panels

Consultative panels represent the major mechanism for implementing the policy. The basis of this mechanism is the creation of a formal institution to enable both sectors to discuss and exchange views about matters of common interest. This mechanism was further strengthened with the setting up of consultative panels at the state, district and local authority levels. These are in addition to consultative panels that have been established at the federal, ministry and department levels.

The Malaysian Business Council chaired by the Prime Minister is the highest formal consultative mechanism between the two sectors. This council comprises political leaders, senior government officials and selected corporate leaders, and provides a forum for discussing national challenges and the desired direction for the country.

At the official level, the highest-level consultative committee is the Malaysia Incorporated Officials Committee. This panel is chaired by the Chief Secretary to the Government, while its members consist of selected senior officials from ministries and government departments, as well as representatives of the private sector such as the various chambers of commerce, trade associations, non-governmental organizations and the mass media. This committee meets at least three times a year.

The public sector members of this committee are as follows:

1. Ministry of International Trade and Industry;
2. Ministry of Domestic Trade and Consumer Affairs;
3. Ministry of Finance;
4. Ministry of Home Affairs;
5. Ministry of Entrepreneur Development;
6. Ministry of Primary Industries;
7. Ministry of Energy, Communications and Multimedia;
8. Ministry of Housing and Local Government;
9. Ministry of Human Resources;
10. Economic Planning Unit;
11. Small and Medium Industries Development Corporation;

12. Malaysian Industrial Development Authority;
13. Malaysian External Trade Development Corporation;
14. Royal Customs Department;
15. Public Services Department; and,
16. Immigration Department.

The private sector members include representatives from the following:

- 1) National Chamber of Commerce and Industry;
- 2) International Chambers of Commerce and Industry;
- 3) Industrial Sector and Trade based groups:
- 4) Manufacturing Industry;
 - a. Banking Industry;
 - b. Housing and Construction Industry; and,
- 5) Information, Communications and Telecommunications Industry;
- 6) Media Representatives; and,
- 7) Non-Governmental Organizations.

The focus of deliberations is on various aspects of service delivery related to commerce, trade and investment. The issues discussed include the following:

- 1) matters related to amendments of the Housing Developers Act 1966—rate of fees and payments for tender documents;
- 2) private sector development in the context of the knowledge economy;
- 3) issuance of strata titles for high rise buildings;
- 4) coordination among government agencies in decision-making and policy implementation;
- 5) training workers for the construction industry; and,
- 6) development of an electronic housing services portal by the real estate and housing development industry.

In the past, issues relating to the following aspects were discussed. These issues were as follows:

- a) efforts to streamline the systems and procedures for processing of applications for expatriate posts and work permits;
- b) the implementation of recommendations of the report on “The Study on Licensing and Permits Pertaining to Business and Investment;” and,
- c) efforts to overcome the problem of delays pertaining to land matters.

Other consultative panels also provide a forum for public-private sector collaboration. These include the following:

- i. The National Economic Consultative Council (NEAC) was set up to recommend a long term development plan—the National Development Policy (NDP);
- ii. The National Economic Action Council was established to steer the country out of recession arising from the 1997-1998 Asian financial crisis; and,

- iii. The National Economic Action Council Strategic Thrust Committee that was set up to deal strategically with the economic difficulties arising from the Iraq war and the more recent Severe Acute Respiratory Syndrome (SARS) outbreak.

In addition, several consultative panels set up at the Ministry, Federal department, State Governments and Departments, District offices, and local authorities also played an important role in fostering public-private sector collaboration. These panels provided the forum for the two sectors to discuss and exchange views at the relevant levels. In short, the panels have been critical channels for public-private sector interface.

Dialogue sessions between the private and public sectors have been very effective in seeking feedback from, as well as providing feedback to, the private sector. These include those organized by the Ministry of Finance and the Ministry of International Trade and Industry. Dialogue sessions of both these Ministries are chaired by the respective Ministers. The Ministry of Finance Annual Dialogue is aimed at getting information and feedback from the chambers of industry and commerce, trade associations, social and professional bodies, and representatives from various sections of the private sector as input for the annual government budget. The Annual Ministry of International Trade and Industry Dialogue, on the other hand, is geared towards overcoming various issues and problems faced by the private sector pertaining to matters on investment, trade and industry.

Various other agencies also hold their own dialogue sessions. For example, the Ministry of Entrepreneur Development hold dialogue sessions with the private sector to discuss current issues related to transportation and the licensing of commercial and public service vehicles. The Ministry of Domestic Trade and Consumer Affairs holds dialogue sessions with the private sector to discuss a variety of issues related to distributive trade and consumer affairs. The Ministry of Housing and Local Government holds dialogue sessions with the private sector on housing sector issues affecting the public.

Information dissemination is an important aspect that is given due consideration by the public sector. These efforts are undertaken with the awareness that widely disseminated information will assist the private sector in better understanding the various aspects related to public sector policies and approaches such as legislation, regulations and procedures; the processes involved; the types of services available and the government agencies that provide such services. This dissemination is carried out in various ways such as through the publication of pamphlets and guidebooks on processes; requirements of public sector agencies; the relevant application forms; laws and regulations; and, the rates for obtaining the relevant service. The launching of the book "Dealing with the Malaysian Civil Service" further helped in the dissemination of government information, by providing a directory of public services to the private sector and how they could obtain these services.

Databases and web sites have been developed by government agencies to provide current information to the private sector. These are linked to the Malaysian Civil Service Link, a single information gateway to government information. Currently the government is undertaking the development of the Public Service Portal that will not only provide online information access but also interactive services including online submission of applications and payments.

Another means of enhancing collaboration between the two sectors is through the system of recognition and awards. In sum, there are at least four areas of such collaboration where the two sectors work very closely. They include the Prime Minister's Quality Award for the private sector whereby a recipient is selected to receive the award. The evaluation committee is headed by the public sector with representation from both the public and private sectors.

The Joint Innovation Award is another area where the two sectors have collaborated in terms of research and development to come up with a viable, commercially applicable innovation. For example, the Institute of Medical Research and a private company have collaborated to control mosquito carrier diseases.

The premier Information and Communications Technology (ICT) Award promotes best practices in the use of ICT to enhance service delivery to the public. The evaluation for this award is jointly undertaken by the Malaysian Administrative, Modernisation and Management Planning Unit (MAMPU) and the Association of the Computer and Multimedia Industry of Malaysia. Similarly, the private sector too awards recognition to public sector agencies that reflect excellence in their services through the Efficiency Award.

All the above-mentioned mechanisms have enabled the public sector to obtain inputs from the private sector when deciding on policy options that affect the business community. The Malaysia Incorporated Officials Level Committee have deliberated on the following issues:

- the economic recovery package for overcoming the business slowdown after the 11th of September 2001 incident in New York;
- the decision on strategic thrust measures to contain the fallout of the Iraq war and more recently the problem of SARS;
- deciding on the government's strategies in the light of the opening up of the economy under the ASEAN Free Trade Area;
- reviewing the extent of readiness for e-commerce;
- legislation regarding heritage protection;
- anti-piracy and intellectual property protection;
- building local intellectual property especially in the information and communications technology; and,
- recruitment of foreign workers.

Partnering with the private sector has opened up new avenues for service delivery particularly in the context of alternative service delivery. One major area of partnering in Malaysia has led to an effective privatization program where the government has allowed the private sector to undertake functions that were previously provided by the public sector (e.g., utilities, infrastructure like building of roads). This has been undertaken through the Privatisation Action Plan that identifies viable projects that will bring benefits to the public. Various approaches such as Build-Operate-Own (BOO) and Build-Operate-Transfer (BOT) have been adopted depending on the type of service or function involved.

Outsourcing has been increasingly utilized for alternative service delivery. In many instances, the private sector has the necessary expertise and resources to carry out

tasks that the government has been previously providing. Private sector consultancy has also played an important part in terms of planning for service delivery. The implementation of the electronic government (e-government) is one such example.

At another level, the interaction with the private sector has enabled the public sector to improve its own internal processes by streamlining systems and procedures. For example, over the years, based on inputs from the private sector, the public sector has conducted licensing studies on various licenses issued by government agencies. Such studies have resulted in improvements as:

- i. the use of composite application forms, licenses and permits;
- ii. extending the validity period of licenses;
- iii. setting up of one-stop investment centers;
- iv. setting up of one-stop licensing centers;
- v. simplifying procedures; and,
- vi. abolishing obsolete requirements.

All the above improvements have helped the private sector to reduce the cost of doing business and enhance competitiveness. The partnering with the private sector and the alternative service delivery has brought about the urgent need for public sector personnel to acquire new skills and competencies. These include:

- i. skills to evaluate proposals made by the private sector agencies on service delivery and ensuring that the public interest is protected;
- ii. skills in performance management and contracts management where the performance of private companies has to be monitored to ensure compliance with established standards of service delivery;
- iii. personnel involved in such programs will also need to understand the legal issues involved; and,
- iv. as partnering with the private sector can result in the introduction of new knowledge and new work practices, there is a need to upgrade information and knowledge in these areas in order to undertake all these new skills.

In most of the above cases, the acquisition of skills can be obtained through training of trainers and transfer of knowledge programs that can be provided for on a contractual basis.

Apart from skills there is also a need to consider the systems needed when engaging in partnership with the private sector. Systems here include processes, rules and interactions that are transparent and effective while ensuring equal opportunity. In this respect the public sector could use the approach of requesting for proposals whereby the private sector offers solutions against clearly defined requirements of the public sector. In the case of the electronic government projects, the "Request for Proposal" approach was used; the government provided the broad parameters as requirements and the private sector were required to come up with innovative proposals. This provided an opportunity for the government to obtain creative solutions through the private sector to re-engineer business processes in the public sector.

Conclusion

In short, the Public Sector–Private Sector collaboration framework as implemented in Malaysia is not a one-way process. The mechanisms and collaboration in service delivery involve a two-way communication process, i.e., both sides learn from each other. The public sector has access to the views and services of the private sector while the private sector can have a better understanding of the processes of government. The Malaysia Incorporated concept has been very effective in ensuring that good governance is implemented both in the public, private and community-based organizations. Finally, the public sector-private sector partnership as envisioned by the Malaysia Incorporated Policy has enabled the country to remain competitive in the international market place in today's globalized world.

References

- Government of Malaysia, The Civil Service of Malaysia
- 1996 "Towards Excellence Through ISO 9000," Improvements and Development in the Civil Service of Malaysia.
 - 1999 "Moving Into the New Millennium," Highlights of Administrative Improvements and Development in the Civil Service.
 - 2000 "Strengthening the Administrative Reform Agenda," Highlights of Administrative Improvements and Development in the Civil Service.

Public-Private Collaboration in Public Service Delivery: Hong Kong's Experience

JERMAIN T.M. LAM*

In consonance with the global transformation of public administration, a New Public Management (NPM) has been adopted that aims to re-engineer the delivery of public services. The NPM has brought in corporate concepts and private business practices into the domain of public sector management. The NPM initiatives include innovations in delivering services, refining performance measurement, managing programs, improving efficiency, managing public finances, managing human resources, managing support services, decentralizing administrative structures, and developing a new culture of service. These changes have emerged from both the introduction of business practices into public administration and the takeover by private business of certain public services.

The aim of the paper is to evaluate public-private collaboration in public service delivery in Hong Kong. The Hong Kong government believes that the public and private sectors complement each other in providing services to the public. On the one hand, the public sector brings (a) experienced and dedicated staff, (b) significant public policy knowledge and skills, and (c) commitment to public interest. On the other hand, the private sector contributes (1) experience and innovation to the provision of services, (2) a culture of identifying and managing risks and efficiency, and (3) a strong awareness of expanding markets. Based on this belief, the Hong Kong government builds close public-private relationships for the delivery of certain public services. These include the sales of shares in government enterprises, contracting out projects, trading funds, provision of services through the market, and withdrawal from providing public services. Looking closely at how these practices have been implemented, the paper will discuss: (a) how the government and private sector have worked together to achieve economy and efficiency in the provision of public services; (b) what positive or negative outcomes have resulted from these practices; and, (c) what important insights might be gained from these experiences.

Introduction

In consonance with the global transformation of public administration, New Public Management (NPM) has been adopted that aims to re-engineer the delivery of public services. The NPM has brought in corporate concepts and private business practices into the domain of public sector management. The NPM initiatives include innovations in delivering services, refining performance measurement, managing programs, improving efficiency, managing public finances, managing human resources, managing support services, decentralizing administrative structures, and developing a new culture of service. These changes have emerged from both the introduction of business practices into public administration and the takeover by private business of certain public services.

* Department of Public and Social Administration, City University of Hong Kong.

The aim of the paper is to evaluate public-private collaboration in public service delivery in Hong Kong. The Hong Kong government believes that the public and private sectors complement each other in providing services to the public. On the one hand, the public sector brings (a) experienced and dedicated staff, (b) significant public policy knowledge and skills, and (c) commitment to public interest. On the other hand, the private sector contributes (1) experience and innovation to the provision of services, (2) a culture of identifying and managing risks and efficiency, and (3) a strong awareness of expanding markets. Based on this belief, the Hong Kong government builds close public-private relationships for the delivery of certain public services. These include the sales of shares in government enterprises, contracting out projects, trading funds, provision of services through the market, and withdrawal from providing public services. Looking closely at how these practices have been implemented, the paper will discuss: (a) how the government and private sector have worked together to achieve economy and efficiency in the provision of public services; (b) what positive or negative outcomes have resulted from these practices; and, (c) what important insights might be gained from these experiences.

New Public Management: A Synergy Between the Public and Private Sectors

The paradigm of NPM has existed for more than a decade and its principles have been widely practiced in both developed and developing countries (Kaul, 1997). The notions of reinventing government (Osborne and Gaebler, 1992) and pursuing managerial reforms (Pollitt, 1990) have taken government leaders and administrators by storm. NPM has not only become a dominant paradigm in the academic field but also a fashionable practice in the public sector. Eight elements are nicely summarized by Armstrong (1998: 13) to encompass the major practices of NPM:

1. cost cutting, capping budgets and seeking greater transparency in resource allocation;
2. disaggregating traditional bureaucratic organizations into separate agencies;
3. separating purchaser and provider, i.e., the functions of providing public services from those of purchasing them;
4. introducing market and quasi-market-type mechanisms;
5. decentralizing management authority within public agencies;
6. introducing the idea of performance management in which staff are required to work with an eye to achieving performance targets, indicators and output objectives;
7. instituting new personnel policies that shift the basis of public employment from tenure and standard national pay and work conditions towards term contracts, performance-related pay, and local determination of pay and work conditions; and,

8. increasing the emphasis on service quality through standards setting and with a new focus on customer responsiveness.

The above NPM practices signify the change from the traditional Weberian theory and practice of public administration based on hierarchical order and bureaucratic neutrality to an NPM emphasis on a post-bureaucratic model that is anticipatory, strategic, results directed, based on executive leadership, market oriented, customer driven, and entrepreneurial (Massey, 1995).

A fundamental principle behind the theory and practice of NPM is the synergy or interface between the public and private sectors. Recognizing the merits of private business practices, the NPM brings business values into the public sector and collaborates with the private sector to deliver public services. Under the NPM, the boundaries between the public and private sectors become blurred. Administrators become managers, routine administration formulates into business plans, financial resource management means value for money, human resource management means productivity gains, division of labor transforms into contracting out, and resource allocation means self-financing.

As governments increasingly adopt a more business management culture in the delivery of public service, a broader range of choices is available for intervention in or withdrawal from areas of social and economic activity. Broadly speaking, the public-private synergy is achieved by a tactical choice of three strategies and actions: (a) market-testing; (b) contracting out; and, (c) forming partnerships in the private and non-governmental organization (NGO) sectors (Kaul, 1997: 22). Market-testing entails placing the activity or service in question up for competitive tender, with internal and external bids assessed against the same set of criteria (Kaul, 1997: 22). The approach can help determine the most efficient way of carrying out public service activities that clearly need to remain the ultimate responsibility of government (Kaul, 1997: 22). There are three principal benefits to be gained from the market-testing process. Firstly, when considering whether to accept an in-house bid or give the work to an outside contractor, the evaluation can look at potential improvements in the quality of service available from innovative methods of service delivery.

Secondly, there may be cash savings involved; it is axiomatic that when an activity is market-tested, and an external bid is successful, it will be because that alternative offers greater overall long-term value for money than the current method of provision. Where an in-house bid succeeds, the process of opening up that public sector activity to competition in itself often will create opportunities for greater effectiveness.

Thirdly, experience suggests that market-testing will lead to raised standards by making expectations explicit within contractual arrangements. Greater clarity about standards of service and better monitoring of performance against those standards are vital features of public sector reforms (Kaul, 1997: 22).

Contracting out is now a common practice in the public sector as specialist services have always been purchased from the private and non-government sectors. It is the development of contracting out that is providing the strategy for assessing the ability of the market to provide goods or services historically considered to lie at the core of government. Significantly, contracting-out is showing considerable potential as a

technique for stimulating change through the assessment of internal efficiency (Kaul, 1997: 22).

The development of partnerships with the private sector and NGOs has emerged as a key element in implementing public policies and programs. Opening up areas of public service to private or NGO suppliers, while maintaining standards in their delivery, is believed to result in efficiency and productivity gains. The collaboration of the private sector to deliver public service can take the form of liberalizing or commercializing of activities that remain within the public sector. This can be done through trading funds, asset sales to an established private organization, and offering a public float after listing on the stock exchange. Public-private partnerships bring benefits to both the public and private sectors. On the one hand, these practices assist governments in their desire to reduce budget deficits, pay off debt, and fund schemes designed to attract voters (Wettenhall, 1998: 146). The public sector can also benefit from the experience and techniques of the private sector in the delivery of public services. On the other hand, the private sector can expand their markets and activities into the public sphere. Public-private collaboration is perceived as a win-win strategy for both sectors.

The use of the above three strategies in the public-private synergy essentially means improving and measuring public sector effectiveness using private sector methods. Effectiveness is defined as the comparison of output to standards or expectations (Hedley, 1998: 251). Private sector output effectiveness is measured based on the ability to achieve the planned targets and to cover all operating expenses, stated in terms of surplus or deficit. Also, an important measurement of private sector effectiveness is the notion of "going concern," something that includes negative trends, possible financial difficulties, and unfavorable internal and external factors affecting production (Hedley, 1998: 254). All these measures are transferred to the public sector to measure public service effectiveness as well as to foster public-private collaboration.

Public-Private Collaboration: Overseas' Experience

Government-private sector partnering has caught the world's attention and has been tried out in both developed and developing countries. Australia has sold its commercial bank, domestic and international airlines, naval dockyard, defense-related aircraft factories, satellite communications system, engineering-consulting enterprise, natural gas pipeline system, railway service, serum laboratories enterprise, the management of the superannuation fund for public sector employees, and the housing network for ex-servicemen to private business (Wettenhall, 1998: 145). Australia was second only to Britain in the value of privatizations from 1990 to 1997 among the OECD countries (Wettenhall, 1998: 145). In Australia, apart from asset sales, there are three other ways to transfer business to the private sector: management contracts (where the property remains in public ownership but a private firm is contracted to provide the management service), private provision of infrastructure, and lease-back (Wettenhall, 1998: 147).

In Singapore, the public enterprise system had a strong network of statutory boards, government holding companies, and a broad conglomerate of government-linked companies. In providing new directions for the Singapore economy, a high-level Economic Committee was formed in 1986 and recommended that the government reduce its dominant role, encourage more initiatives from the private sector, and divest

its equity holdings and control (Tan, 1999: 22). A Public Sector Divestment Committee was also formed to identify public sector operations for disposal and to structure the timing and manner of disposal. The Committee recommended which companies should be privatized, the amount of shareholdings that should be reduced, and the time frame for these actions. It also suggested the eventual privatization of statutory boards such as Singapore Telecom, the Port of Singapore Authority, and the Public Utilities Boards.

Privatization is emerging as a new trend of public administration in Thailand. Many forms of privatization have been implemented, ranging from the sale of state enterprises, either in part or whole, to public-private joint ventures, to liberalization (Chandarasorn, 1996: 183). Major privatizations were taken in the three areas of banking, insurance, and telecommunications. The liberalization of the banking industry was aimed at increasing competition in the banking business, providing more options and benefits for consumers, and improving the capability of Thailand's financial sector to cope with growth in trade, industry and other businesses (Chandarasorn, 1996: 183). Insurance liberalization was believed to contribute to increased competition among insurance firms, with consumers benefiting as a result. The telecommunications industry witnessed the privatization of a public monopoly and its transfer to private firms (Chandarasorn, 1996: 187).

In the Philippines, considerable attention has been given to government-private sector partnerships in the delivery of public services. NGOs, People's Organizations (POs), and co-operatives emerged as catalysts in promoting the interest of the marginalized sectors of society, as alternatives to the public bureaucracy in the delivery of essential public services (Rosario, 1996: 191). The option of privatizing some basic services is a pioneering dimension in local administration in the Philippines. The *Local Government Code of 1991* called on local government units to promote the establishment and operation of NGOs and POs that could become active partners in the delivery of public services. It was based on the assumption that the private sector can provide certain services more efficiently and at less cost. Under the Code, local government units may sell, lease, encumber or otherwise dispose of public economic enterprises owned by them in their proprietary capacity. Local government units are likewise allowed to enter into joint ventures and other cooperative arrangements with NGOs and POs to engage in the delivery of certain basic services, to initiate capability-building and livelihood projects, and to develop local enterprises designed to improve productivity and income.

The Hong Kong Model

The Hong Kong government has been transforming its public services delivery system since the publication of the document *Public Sector Reform* in 1989. The Efficiency Unit was created in 1992 to pursue the government's objective of improving its services to the community. The Efficiency Unit (1993) has embarked on four reform areas in the delivery of public service: (a) policy management reform; (b) financial and human resource management reform; (c) institutional reform, which introduced the practice of trading funds, contracting out, and "corporatization;" and, (d) operational reform, which involved publication of performance pledges and the establishment of a business center. The new management framework is composed of four core principles that the Hong Kong government applied in its work (Efficiency Unit, 1995a). The first

principle is "being accountable," the second is "living within our means," the third is "managing for performance," and the fourth is "developing our culture of service."

Underlying these four principles is the integration of the public and private sectors through the introduction of business values into the delivery of public services for productivity gains. Private sector involvement in public service and public-private collaboration have become the norm in the provision of social services. The Head of the Efficiency Unit, Colin Sankey, said there are three basic principles that apply with regard to private sector involvement in public service (Sankey, 2001). The first is to presume that the private sector can also provide certain public services. The second is that if the service can be provided by either the private or the public sectors, then the private sector will be considered first. The third is that the public sector will be chosen to provide public service when necessary.

There are four broad approaches for private sector involvement in Hong Kong (Sankey, 2001). The first is public-private partnerships, which cover creating (a) wider markets, (b) private finance initiatives, (c) joint ventures, (d) partnership companies, (e) partnership investments, and (f) franchises. The second is private sector provision, which covers (a) market provision of services and (b) withdrawal of government from public services delivery. The third is privatization, which covers (a) asset sales, (b) sales of shares in government enterprises, and (c) management buy-outs. The fourth is purchaser/provider agreements, which cover (a) contracting in, (b) contracting out/outsourcing, and (c) grants and subventions. It is believed that the public and private sectors complement each other in providing services to the public. On the one hand, the public sector brings experienced and dedicated staff, significant public policy knowledge and skills, a unique source of data and intellectual property, and a range of brands trusted in Hong Kong and beyond (Sankey, 2001). On the other hand, the private sector brings experience and innovation to the provision of services, a culture of identifying and managing risks, and strong awareness of expanding markets. At present, there are six service delivery agents in Hong Kong, namely, government departments, trading fund agencies, municipal services departments, non-departmental public bodies, public corporations, and the private sector. The details of their operations are summarized in Table 1 as follows.

Table 1. Service Delivery Agents

Agent	Departments	Trading Fund Agencies	Municipal Services Departments	Non-Departmental Public Bodies	Public Corporations	Private Sector
Funding	General Revenue	Government equity/loans	Rates	Government subventions	Government loans/equity, private loans	Private capital/loans
Charging	Free, subsidized, cost recovery	To achieve agreed rate of return	Free, subsidized, cost recovery	Subsidized, cost recover, profit making	To achieve agreed rate of return	Market price
Staff	Civil servants	Civil servants	Civil servants	Civil and non-civil servants	Non-civic servants	Non-civil servants
Program Areas	Social, Public Order	Companies Registry	Cultural, Recreational	Hospital, Welfare Bodies	Rail Transport	Road Transport

Source: Efficiency Unit, 1995b: 16.

Apart from creating more trading fund agencies and non-departmental public bodies to deliver public services, the Hong Kong government is determined to invite the private sector to participate in public service provision through contracting out or hiring service where it is more cost-effective. For instance, the Government Supplies Department abolished 13 delivery teams and contracted out the service to a commercial operator. The Social Welfare Department closed Kowloon Kitchen and adopted a more cost-effective arrangement for providing hospital meals. The Fire Services Department hired private contractors to provide catering and cleansing services at fire stations and ambulance depots. The Offices of the Chief Secretary for Administration and of the Financial Secretary hired private security service for the Central Government Offices. The Intellectual Property Department outsourced a number of activities to the private sector, including information management, development and administration of computer systems, and office operation. The Leisure and Cultural Services Department contracted out supporting services in leisure services venues. The Housing Authority also planned to sell its 130 shopping malls and 100,000 car parking spaces (*South China Morning Post*, 21 July 2003).

The recent major initiative of this public-private collaboration is the government plan to float part of the Airport Authority as the Hong Kong government seeks to accelerate its privatization program. Financial Secretary Tang said he would present the necessary legislation to the Legislative Council in the first half of 2004. Tang announced that "the government has decided to commence work immediately in preparation for the privatization project" and that "privatization of the Airport Authority will be conducive to maintaining and further developing Hong Kong International Airport as a centre for international and regional aviation. When successfully listed on the Hong Kong stock exchange, shares of the privatized Airport Authority will also help enhance the attractiveness of our stock market to investors" (*South China Morning Post*, 7 August 2003). It is the government's second major privatization since listing the Mass Transit Railway Corporation in October 2000. The airport is believed to be worth more than US\$13 billion. Analysts said that the government would raise US\$4 billion through a partial privatization of the Airport Authority, which has made a profit for each of the past three years, including a net profit of US\$63 billion for the year ending 31 March 2003 (*South China Morning Post*, 7 August 2003).

Achievements and Concerns of the Public-Private Collaboration

Economic gains and higher service quality have resulted from these collaborations. In view of the huge fiscal deficit in Hong Kong in recent years, privatization and the commercialization of public services seem to provide a quick fix solution. Hong Kong is facing an unprecedented fiscal deficit (in 2002-03) estimated to be US\$10 billion, to 5.5 percent of the gross domestic product (GDP) (*Budget*, 2003-04). Hong Kong has had consecutive operating deficits over the past five years, increasing from US\$4 billion in 1998-99 to US\$8.8 billion in 2002-03. At the same time, the government's fiscal reserves have decreased from US\$60 billion in 1997-98 to US\$40 billion in 2002-03 (*Budget*, 2003-04). In seeking to reduce the operating deficits, the government has decided to lower public expenditures from 22.3 percent of GDP to 20 percent or lower. The government has also set a target of reducing operating expenditures by US\$2.5 billion, to US\$25 billion by 2006-07. The stated objective is to attain a balanced operating account and to restore balance in the consolidated account by 2006-07.

Under the principle of "Big Market, Small Government," the government has adopted the "3R1M" approach. That acronym stands for "Reprioritizing the provision of services, Reorganizing the structure of government departments, Reengineering procedures, and Making full use of the market, so as to optimize resources and provide better services for the public" (*Budget*, 2003-04: 8). Over the past year, some government bureaus and departments have been merged and more services have been outsourced. The government stated clearly that "it will also continue to encourage private sector participation in the provision of services and infrastructure projects" (*Budget*, 2003-04).

The achievements of the public-private collaboration in the delivery of public services can be partially gleaned from the productivity gains that the government recorded through the Enhanced Productivity Programme (EPP) in the last few years. Under the EPP, the government required departments to achieve best value-for-money in government expenditures while maintaining and improving the quality of public services. The EPP measures included an invitation to the private sector to provide public services through contracting out, privatization, and commercialization. The government recorded a 5 percent cumulative savings in the government's baseline operating expenditures from 1999 to 2003. In 1999-2000, government bureaus, departments, and sub vented organizations had delivered total productivity gains of US\$102 million (*Enhanced Productivity Programme*, 2003: 21). In 2000-01 and 2001-02, the government delivered savings of US\$143.5 million (equivalent to 1.2 percent) and US\$281 million (equivalent to 2.1 percent) respectively, amounting to 3.3 percent of baseline expenditures (*Enhanced Productivity Programme*, 2003: 21). In 2002-03, the government has identified savings of US\$254.5 million (equivalent to 1.9 percent) (*Enhanced Productivity Programme*, 2003: 21). Overall, this brought cumulative savings from 2000-01 to 2002-03 to HK\$ 5.4 billion, or 5.2 percent of baseline expenditures (*Enhanced Productivity Programme*, 2003: 21). The five trading fund agencies (the Companies Registry, Electrical and Mechanical Services, Land Registry, Office of the Telecommunications Authority, and Post Office) and the Housing Authority also recorded savings in 2002-03 amounting to US\$29 million (*Enhanced Productivity Programme*, 2003: 21).

Based on this successful experience, a leading consultant, Michael O'Higgins, has advised the Hong Kong government to adopt the British-style public-private partnerships (PPPs) to further create a smaller government. Higgins said, "PPPs are not just contracts. The emphasis is long-term partnerships that put the onus on the service provider to establish the framework of the partnership" (*South China Morning Post*, 21 July 2003). Under the PPPs, the government sets the benchmarks for what it wants and the private sector partner decides how best to achieve this. Payment is based on the outcome. Higgins said that the biggest difference from traditional methods of privatization was that "the private sector under the PPPs model has to be willing to take on more risk than they would normally do with a government contract" (*South China Morning Post*, 21 July 2003). Whereas in the traditional model of privatization, providers are paid for providing the service, in the PPPs they are paid by the transaction. In the United Kingdom, this is called "gain sharing" (*South China Morning Post*, 21 July 2003). The advantages of the PPPs are at least two-fold: (a) gains in efficiency would be properly priced into the partnership, and (b) there tends to be lots of transparency in the process (*South China Morning Post*, 21 July 2003). As a result, it forces the two sides to think about the level of service desired and how much it would cost to provide it, resulting in more realistic pricing practices (*South China Morning Post*, 21 July 2003).

Taking a more cautious approach to public-private collaboration in the delivery of public services, Chapman and O'Toole (1995: 4) has warned against "the intricate implementation of proposed changes motivated by the fashionable pursuit of apparently new approaches to public service." The public-private collaboration under the NPM has been criticized for promoting profits over public interests, business values over social values, and managerial accountability over political responsibility (Chapman and O'Toole, 1995: 5-17). Hood (1995: 113) has argued that "public management changes could produce unintended side-effects and reverse effects." According to Hood, there are two possible unintended outcomes arising from the NPM private-public collaboration. The first is the emergence of a "headless chicken" state—a structure of no-one-in-charge management in which everything is up for grabs at every stage and there are no clear rules of the road or demarcation of responsibilities (Hood, 1995: 113). The second is the emergence of a "gridlocked contract" state—a structure in which public service provision is a matter for private corporations or organizations operating in a business-like style (Hood, 1995: 113). This is neither to belittle the contribution of the NPM public-private collaboration nor to call for a stop in its implementation, but to treat the application with caution. Governments and managers should be aware of the concerns and difficulties in the process of involving the private business into the public sector. Public service is not purely an administrative and business matter, but it is also a political and social matter. All these concerns are visible in Hong Kong and other developing and transitional societies.

Balance Between Business and Social Values

An important concern is the proper balance between social and economic values in making strategic planning decisions on public services. The NPM public-private collaboration puts a lot of emphasis on economic and business considerations such as cost recovery and even profit maximization in the provision of public services. The principle of pay-per-use is now widely practiced in the Hong Kong public sector, such as in the medical and housing sectors. Trading funds are now injected into the Electrical and Mechanical Services Department, the Land Registry, the Companies Registry, the Office of the Telecommunications Authority, and the Post Office for generating their own income. Efficiency initiatives take the form of business reviews and value-for-money studies in government departments and corporate bodies. The Mass Transit Railway and the Airport Authority are also sold to private business. The entire government is now being run like a business with cost and measurable output identified as the most important considerations in the provision of public services. The public-private collaboration in the delivery of public service emphasizes the core values of self-financing, privatization, public-private partnership, efficiency, effectiveness, cost recovery, user pay, and value for money. However, none of these is related to the social values of justice, fairness, and equality.

The indiscriminate use of business and economic values in the provision of public services began to attract criticisms from various sectors. For instance, the International Air Transport Association (IATA) in Hong Kong issued a cautionary statement. The industry is concerned that it could face higher charges after the Airport Authority is privatized, and comes under pressure to maximize returns for shareholders (*South China Morning Post*, 7 August 2003). IATA Director-General Bisignani said, "Where governments were greedy with a short-term vision, there have been some spectacular failures. Privatization of Hong Kong airport must benefit the general public, travelers,

airlines, and shippers – not just the operators of the airport and the government” (*South China Morning Post*, 7 August 2003). Bisignani pointed out that “the privatization of the airport goes well beyond the 45,000 airport jobs. Privatization is far too important to be viewed as a quick fix to the government’s current budgetary difficulties. Long-term vision is needed” (*South China Morning Post*, 7 August 2003). Bisignani suggested that the government must ensure that after the listing, the airport maintain just charges and timely infrastructure development. He warned that “privatization must not give a private monopoly a license to print money at the expense of the greater economy” (*South China Morning Post*, 7 August 2003).

As the Hong Kong economy is facing a serious downturn with an unprecedented high unemployment rate of 9 percent recorded in August 2003, the issue of affordability of privatized public services becomes an increasing concern. Seriously hit by the Asian financial crisis and the government’s failing economic policies, the consumption confidence index dropped from a peak of 60.5 in 1997 to a low of 13.9 in 2002 (*Apple Daily News*, 11 July 2003). In a survey conducted by the Chinese University of Hong Kong, 42 percent of the respondents predicted that their personal financial situation in the coming year would decline; 55 percent thought that the economic environment in Hong Kong would be further worse, and 62 percent said they would reduce their expenditures (*Apple Daily News*, 11 April 2003). Ignoring the dominant social values and the need to keep public services affordable could be dangerous, resulting in social unrest and political instability. On 1 July 2003, 500,000 citizens took to the streets to protest against the government. The Chinese University of Hong Kong survey showed that 91.9 percent of the respondents who participated in the mass rally were very disappointed with the overall performance of the government, and that 91.5 percent felt that the performance of the government was intolerable (*Ming Pao*, 7 July 2003).

As the Hong Kong economy is deteriorating during a painful process of economic restructuring, a careful balance between business and social values has to be drawn in the provision of public services. In times of economic prosperity, the public sentiment against the use of business practices in public services may not be visible. Yet, in a time of economic depression, when most citizens cannot afford expensive public services based on economic calculations, the entrepreneurial approach will be problematic. This scenario could be extended to a wider context in developing societies where there is a wide gap in income distribution. If most of the people could not afford to buy the expensive public services formulated according to the private business model, social problems can be aggravated and stability disrupted. It is worrying that the government has planned to sell assets of US\$17 billion over the next five years (*South China Morning Post*, 7 August 2003).

The Need for Political Accountability

The NPM public-private collaboration aims to enhance public service performance through privatization, “corporatization,” decentralization, contracting out, and commercialization. However, this also raises the concern of political accountability of public services. As more responsibilities and functions are delegated to independent and private business bodies, it becomes important that these privately run bodies, rather than the central government, be made answerable for their policies and decisions to elected politicians and legislatures. To some politicians, privatization and “corporatization” are perceived as ways to evade political responsibility and accountability by the central government. There is a belief among politicians that the

government intends to shift the political burden and responsibility of providing public services to independent and corporate bodies. Consequently, it is feared that the government will be held less politically accountable for public policies and decisions. As there are constitutional constraints and legal limits for controlling and monitoring corporations, private business bodies, and non-departmental public bodies, public control and political accountability will diminish.

The accountability system of public service in Hong Kong was severely criticized by the politicians and legislators in Hong Kong. The President of the Hong Kong Legislative Council said the ministerial system had not improved the relationship between the government and the Legislative Council (*South China Morning Post*, 15 July 2003). The Democratic Party even launched a motion debate in the Legislative Council on 10 July 2003 to denounce the accountability system. The Democratic Party chairman, Yeung Sum, said the Hong Kong government under Tung Chee-hwa was out of touch with the public (*South China Morning Post*, 11 July 2003). Although the non-binding motion by the Democratic Party was rejected by a vote of 27 to 22, many pro-government legislators criticized the system for failing to live up to public expectations and called for a review (*South China Morning Post*, 11 July 2003). Eric Li of the pro-government group said, "Everyone can see that the accountability system has not been working" (*South China Morning Post*, 11 July 2003). The vice-chairman of the pro-government Democratic Alliance for the Betterment of Hong Kong, Ip Kwok-him, conceded that the system was below public expectations (*South China Morning Post*, 11 July 2003).

However, the Hong Kong government rejected those claims, saying that top officials had been decisive and flexible in dealing with public demands (*South China Morning Post*, 11 July 2003). The government issued a report on the accountability system in July 2003, saying that the "government is prepared to heed public sentiment, to adjust its position in the light of public opinion, and to take into account the views of the Legislative Council members" (*South China Morning Post*, 19 July 2003). The Secretary for Constitutional Affairs, Stephen Lam, said that "the principal officials have been prepared to stand up and be counted and to assume political responsibilities. The government had also been decisive and responsive" (*South China Morning Post*, 19 July 2003). However, the government's claim is inconsistent with the results of a survey conducted by the policy think-tank SynergyNet that found that Hong Kong people were unhappy at the refusal of ministers to take responsibility for their policy failures (*South China Morning Post*, 21 July 2003). Respondents in the survey gave the officials less than 30 points out of 100 on their willingness to accept responsibility for social problems and policy mistakes (*South China Morning Post*, 21 July 2003). Respondents also gave the lowest mark (23 out of 100) for government's willingness to listen to criticism (*South China Morning Post*, 21 July 2003). The need for the Hong Kong government to improve political accountability in view of increasing public-private collaboration is therefore evident.

The Need for Legitimacy

Increasing public-private partnership through privatization and "corporatization" without a proper system of accountability leads to another concern. As more decisions on public policies are made by corporate and private bodies, the general public and elected politicians may not accept these policies, believing that the government is retreating from its commitment and responsibility. There is a concern that the

government intends to shed its social commitment and to shift social responsibility to the private sector and corporate bodies.

A more serious worry is that the private sector and corporate bodies may not invite public participation in the decision-making process. Elected politicians and ordinary citizens are not involved in business board meetings that may make important decisions regarding public policies. As a result, recognition and acceptance of these policies among the general public may be low. Further, these private and corporate bodies are not subject to close scrutiny, neither by the government nor the Legislative Council. Consequently, both the public policies and the government may be subject to a crisis of legitimacy.

In Hong Kong, the government has already been suffering from such a crisis. There were 3 large demonstrations against the government held on 1 July 2003, 9 July 2003, and 13 July 2003. The 1 July demonstration attracted 500,000 people, the second 50,000, and the third 20,000. A survey conducted by the Chinese University of Hong Kong showed that 91.5 percent of the respondents among the demonstrators in the 1 July demonstration found the government performance intolerable; 91.9 percent felt the overall performance of the government was disappointing; 82.6 percent wanted the Chief Executive of Hong Kong to step down; and 83.5 percent thought that Hong Kong citizens should use people's power to force the Chief Executive to resign (*Ming Pao*, 7 July 2003). The second demonstration held on 9 July mainly called for the resignation of the Hong Kong Chief Executive. Rally organizer Richard Tsoi said, "If Mr. Tung continues to ignore people's aspirations, he will face greater pressure" (*South China Morning Post*, 10 July 2003). The third demonstration held on 13 July demanded the speedy introduction of full democracy in Hong Kong and called for universal suffrage in the election of the Chief Executive and the whole Legislative Council (*South China Morning Post News*, 14 July 2003). These three demonstrations were the largest anti-government protests the city has ever seen. Tung's ability to govern has been seriously questioned and the legitimacy of the government has dropped to the lowest levels.

Currently, the Chief Executive of Hong Kong is elected by a small group of 800 members who are not directly elected by citizens. Only half (30 members) of the Hong Kong Legislative Council are directly elected by citizens from geographical constituencies, while the other half are indirectly elected by business and professional groups from functional constituencies. According to a Chinese University of Hong Kong survey, the popularity rating of the Chief Executive dropped to a new low of 38.9 out of 100 (passing mark is 50) in July 2003 (*Apple Daily News*, 22 July 2003). Among the 14 ministers of Tung's Executive Council, only 4 ministers received a rating above the passing mark of 50. These ratings and the three demonstrations cited show that the legitimacy of the current Hong Kong government is low and that the demand for a more democratic political system in Hong Kong is strong. As the Hong Kong government is facing such a low degree of legitimacy, further privatization can only deepen the current legitimacy crisis of the government.

Conclusion

The experience of public-private collaboration in Hong Kong shows productivity gains but also raises concerns over the balance between economic and social interests, the need for accountability, and the need for legitimacy. The success stories of public-

private partnership in the delivery of public services have actually occurred in countries like the United Kingdom, the United States, Australia, and New Zealand with strong economies, democratic political systems, and well established welfare systems. Besides, there are pre-conditions for successful privatization. Property rights, an independent judiciary, efficient processes for the sale of enterprises, and the existence of a more-or-less efficient financial market must be in place before any NPM public-private partnership can be pursued (Ariff and Iyer, 1995: 340-341).

Moreover, it is pointed out that employing business-type operating standards is replete with problems, the most significant of which is the seeming incompatibility of efficiency and effectiveness controls (Hedley, 1998: 257). Fiscal conservatism and controls are often necessary, but they can be in dysfunctional tension with the basic intention of social improvement (Hedley, 1998: 257). It is warned that "when public administrators modify their managerial controls to conform to business standards rather than concentrating on basic legislative intent, they will continue to make little headway towards increasing the effectiveness of public services" (Hedley, 1998: 257). Wettenhall (1998: 155) succinctly pointed out that "privatization should be in the public interest." The inevitable outcome of improper privatization is drastic weakening of the public sector and of the collective social spirit, hence a drastic weakening of government itself (Wettenhall, 1998: 155). In conclusion, the public-private partnership in the NPM context is an important idea and tool to enhance the performance of the public sector. However, careful analysis and implementation are required if a program of public-private collaboration is to be successfully launched. As shown by Hong Kong's experience, concerns for maintaining social values, accountability, and legitimacy should be properly addressed.

References

- Ariff, M. and T. Iyer
1995 "Privatization, Public Sector Reforms and Development Strategies of Developing Countries," *Asian Journal of Public Administration*, 17(2): 322-344.
- Armstrong, A.
1998 "A Comparative Analysis: New Public Management – The Way Ahead," *Australian Journal of Public Administration*, 57(2): 12-24.
- Budget*
2003-04 Hong Kong: Government Printer.
- Chandarasorn, V.
1996 "Privatization as an Alternative Service Delivery Mechanism in Thailand," in S. Kurosawa, T. Fujiwara and M. Reforma, eds. *New Trends in Public Administration for the Asia-Pacific Region*. Tokyo: EROPA.
- Chapman, R. and B. O'Toole
1995 "The Role of the Civil Service: A Traditional View in a Period of Change," *Public Policy and Administration*, 10(2): 3-20.
- Efficiency Unit
1993 *Outlook*. Hong Kong: Government Printer.
- 1995a *Serving the Community*. Hong Kong: Government Printer.

- 1995b *A Management Guide for Civil Servants*. Hong Kong: Government Printer.
- Enhanced Productivity Programme
2003 Hong Kong: Government Printer.
- Hedley, T.
1998 "Measuring Public Sector Effectiveness Using Private Sector Methods," *Public Productivity and Management Review*, 21(3): 251-258.
- Hood, C.
1995 "Contemporary Public Management: A New Paradigm," *Public Policy and Administration*, 10(2): 104-117.
- Kaul, M.
1997 "The New Public Administration: Management Innovations in Government," *Public Administration and Development*, Vol. 17: 13-26.
- Massey, A.
1995 "Civil Service Reform and Accountability," *Public Policy and Administration*, 10(1): 16-33.
- Osborne, D. and T. Gaebler
1992 *Reinventing Government*. Reading, M.A. Addison Wesley.
- Pollitt, C.
1990 *Managerialism and the Public Services*. Oxford: Basil Blackwell.
- Rosario, A.
1996 "Alternative Service Delivery Systems," in S. Kurosawa, T. Fujiwara and M. Reforma, eds., *New Trends in Public Administration for the Asia-Pacific Region*. Tokyo: EROPA.
- Sankey, C.
2001 "The Success and Challenges of Public Sector Reform in Hong Kong," Presentation to Department of Public and Social Administration, City University of Hong Kong. 13 November.
- Tan, C.H.
1999 "Government-Business Relations and Shaping the Economy: The Case of Singapore," in V. Venida, ed., *Times of Change: Government Society Relations and the Asian Crises*. Manila: Asian Institute of Management.
- Wettenhall, R.
1998 "Privatization in Australia: How Much and What Impacts," *Asian Review of Public Administration*, X(1-2): 144-158.

Gender Policies and Responses Towards Greater Women Empowerment in the Philippines

PROSERPINA DOMINGO TAPALES*

In keeping with United Nations initiatives on women's empowerment, the Philippines has been coming up with policies on gender in the form of laws, executive orders, memorandum circulars, and local ordinances. The most important of these are the Women in Development and Nation Building Act, and the Gender and Development budget. Many programs are embarked upon by gender-sensitive policy makers themselves, women and men. Non-governmental organizations oriented towards women's needs, economic as well as welfare, have been active advocates for gender policies. International donor agencies have also been actively involved in gender programs in the Philippines. All these have helped, in no small measure, in advancing the status of women in the country.

The high status of women in the Philippines can be gauged by its high Gender Empowerment Measure (GEM); its high Gender Development Index (GDI) shows the relatively good standing of men and women. However, more have to be done to achieve gender equality; these include greater women's representation in governance and more equal sharing of incomes between men and women.

Introduction

The United Nations (UN) started focusing the world's attention on the plight of women in 1975 when it declared the Decade of Women through an international conference in Mexico City. That conference led to another one in Copenhagen in 1980, in Nairobi in 1985, and in Beijing in 1995. Those conferences were complemented by more UN initiatives, such as the UN Convention against All Forms of Discrimination Against Women (UNCEDAW), the Beijing Platform of Action, and the Beijing Plus Five Women Outcome Document. In fact, one current UN thrust is gender and governance—to ensure that women are able to participate actively in policy-making. The latest UN actions are summits of women local elective officials, starting with a regional conference in Phitsanulok, Thailand, and now, with country summits; the first one was held in the Philippines in May 2003. Others followed in Pakistan, India, Sri Lanka, and Thailand.

Another UN initiative is the annual Human Development Report starting in 1990 which measures the human development index (HDI). It evolved to include the gender development index (GDI) and in 1995, the gender empowerment measure (GEM). Defined as “the process of enlarging people's choices,” human development looks at improving the quality of human life. Strategies geared for human development include availability of and access to basic services, such as health services, education, welfare,

* Professor of Public Administration, University of the Philippines, Diliman, Quezon City.

clean environment as well as livelihood. It targets sectors previously neglected in development efforts; women is one such sector.

These all square well with the theme of the UN social development summit held in Copenhagen in 1995.

Human Development

HDI measures the quality of life using four main categories: life expectancy at birth, adult literacy rate, combined primary, secondary and tertiary gross enrolment, and gross domestic product per capita. In earlier years, infant mortality was also a main indicator. Country comparisons are then made after computing for these indicators.

The GDI compares the status of males and females in each country using these indicators. The GEM uses indicators that measure seats in parliament held by women, the number of female legislators, senior officials, managers, and female professional and technical workers, and ratio of estimated female to male earned income. When the United Nations Development Program (UNDP) first introduced the GEM in 1995, it said in its Report:

The recognition of equal rights for women, along with men, and the determination to combat discrimination on the basis of gender, are achievements equal in importance to the abolition of slavery, the elimination of colonialism, and the establishment of equal rights for social and ethnic minorities (UNDP, 1995: 1).

It added:

Moving toward gender equality is not a technological goal—it is a political process... (Thus), the human development paradigm, which puts people at the center of its concerns, must be fully engendered (UNDP, 1995: 1-2).

It introduced the “engendered development model” which aimed to widen choices between women and men.” What is important, according to that Report, “is that equal opportunities to make that choice exist for both women and men” (UNDP, 1995: 2).

Each annual report looks at other factors in assessing human development such as poverty, economic performance, technology, consumption, or people’s participation. However, the GDI and GEM are always part of the computed tables.

It is always interesting to note that the HDI, GDI and GEM measures do not always correspond in the comparison of country performance, except in a few areas. For instance, the top HDI countries in 2002 were Norway, Sweden, and Canada; the three countries with the highest GDI were Australia, Belgium, and Norway. The highest GEM indexes were found in Norway, Iceland, and Sweden. The disparities are more glaring if we look at Asian countries. For instance, in 2002, Malaysia ranked 59th in the HDI, Thailand 70th, and the Philippines 77th. Malaysia ranked 54th in GDI, Thailand was 60th, and the Philippines 63rd. These meant that women were not really far from the men in terms of health, education, and livelihood opportunities. For GEM, however, Malaysia ranked 43rd, Thailand 50th, and the Philippines 35th. This index shows how much women are able to participate in decision-making. It can be seen that the Philippines has a much higher GEM index than its HDI. (See Table I.)

**Table I. Philippine HDI, GDI, GEM
1995-2002**

Year	HDI	GDI	GEM
1995	100	64	28(Partial)
1996	95	70	39
1997	98	81	35
1998	98	82	46
1999	77	65	45
2000	77	64	44
2001	70	62	46
2002	77	63	35

All three Southeast Asian countries seemed to rank higher in GDI and GEM than in HDI. On the other hand, there were countries whose HDIs were high but their GEMs were lower; for instance, the Republic of Korea ranked 27th in the HDI and a close GDI rank at 27th, but ranked 61st in the GEM. Japan ranked 9th in HDI, 11th in GDI and 32nd in GEM. (These were indeed high ranks; we only want to show the discrepancy between HDI and GEM.) Many countries with low HDIs did not even have data with which to be ranked on their GEMs.

The following table shows changes in indicators for HDI, GDI and GEM for the Philippines, using 1995 (the year GEM was first computed) and 2002 data. (See Table II.)

As shown in Table II, the Philippines' HDI rank improved from 100 in 1995 to 77 in 2002. Its GDI rank improved only by one place, from 64th to 63rd. While its GEM rank went down from 28th to 35th, it can be explained by the fact that not all countries had GEM ranks computed at that time; GEM was only computed for 116 countries, while GDI was computed for 130 and HDI for 174 due to lack of gender disaggregated data for some countries. While not all countries had complete data for 2002, there were more countries reporting so the Philippines' rank of 35th is still high. Moreover, the discrepancy between 1995 and 2002 data may also be due to the sinking value of the Philippine peso, which suffered a decline in the Asian financial crisis of 1997.

**Table II. Human Development Indicators for the Philippines
1995 and 2002**

Indicators	1995	2002
HDI Rank	100	77
Life Expectancy	66.3	69.3
Adult Literacy	94.0	95.3
Combined Gross Enrollment (<i>Elementary, High School, Tertiary</i>)	77	82
Real GDP per capita	\$2,550	\$3,971
GDI Rank	64	63
Life Expectancy		
Female	68.2	71.3
Male	64.5	67.3
Adult Literacy		
Female	93.7	95.1
Male	94.4	95.5
Combined Gross Enrollment		
Female	78.2	84
Male	76.6	80
Earned Income		
Female	21.1(share)	\$2,933
Male	78.9(share)	\$4,994
GEM Rank	28	35
Seats of women in Parliament	11.2	17.2
Administrators and Managers	27.7	35
Professional and Technical Workers	63.2	66
Earned Income Share	29.9	.59

Historical and Cultural Barriers

What makes the Philippines rank medium in the HDI and high in the GEM? Is it the oft-repeated stereotype that women in the Philippines enjoy a higher status than their sisters in other parts of the world? Although the Philippines has had two women presidents, this characterization is not necessarily true. Like women in other Asian countries, historical, cultural and other barriers have prevented Filipino women from obtaining a more equal status with men. Nonetheless, the activism of its women in leadership positions in government and the community, as well as the support of some of its enlightened male leaders, have brought about policies and programs which have improved gender balance in the country.

Historically, the native women of the Philippines enjoyed high socio-economic status. They could own property, contribute to the economy, even serve as priestesses, or ascend to the tribal throne (Salazar, 2000). Spanish colonization, which began in 1521 and ended in 1898, relegated the native women to the home and (the Catholic) church. On the other hand, American colonization (1898-1946), which opened the public schools as well as the professions to women, was not able to raise the social consciousness of the Filipinos which trapped women in a double standard of morality. It took many years of effort from more gender-conscious women and gender-sensitive men who were in decision-making positions or in influential organizations to gradually peel off the barriers to greater women's emancipation.

The suffragettes during the American regime succeeded, after a long battle, to get the vote for the women in the Philippines in 1937 (Aquino, 1994). But while women got the vote, and more registered women than men actually voted, there has not been a woman's vote in the sense that they have not really gotten certain candidates elected (Tapales, 1993). Nor did the women run for office. Very few have, such that Congress has only had 10% women (the Senate has slightly more now at 12.5%) (Aguilar, 1992; Naz, 2002). The party list system has enabled more women to be represented in Congress. At the local level, the percentages of women city and municipal mayors (2001 election figures) are 13.54% and 13.8%, respectively. Women governors account for 16.4% of the 79 governors (Tapales, 2002). My own study also showed that women local chief executives belong to the political economic elite; they are relatives of local or national politicians. (See Table III.)

**Table III. Elected Women Governors, City and Municipal Mayors
1992, 1995, 1998 and 2001**

Position	No. of Female LCEs	No. of LGUs Reporting	% of Female LCEs to Total
1992			
Governors	5	75	6.67
City Mayors	2	67	2.99
Municipal Mayors	117	1,536	7.62
1995			
Governors	8	75	10.7
City Mayors	4	68	5.9
Municipal Mayors	125	1,536	8.14
1998			
Governors	12	75	16.0
City Mayors	7	77	9.0
Municipal Mayors	220	1,525	14.4
2001			
Governors	13	79	16.4
City Mayors	13	96	13.54
Municipal Mayors (Partial)	200	1,495	13.4

However, women are active in the bureaucracy where 35% of the highest ranked civil servants are women. Like the elected policy-makers, these women make policy

decisions or the rules implementing policies. Technical and professional ranks in the civil service are female-dominated with 72% of such personnel being women. While not initiators of policy, personnel in second level positions are the actual implementers and deal directly with the clientele of public institutions (Tapales, 2003). Women do not numerically dominate the lowest ranks in the bureaucracy (third level). (See Table IV.) A third category of non-executive career personnel was added in the last decade. Figures show that the women in that level are grossly out numbered as they make up only 11% of the total.

**Table IV. Number of Government Personnel in the Career Service
by Sex and Level of Position, 1999**

Level of Position	Both Sexes	Male	Female	%
Total	1,250,510	556,146	694,364	55
First Level	521,428	340,775	180,653	35
Second Level	709,429	199,028	510,401	72
Third Level	4,981	3,247	1,734	35
Non-Executive Career	14,672	13,096	1,576	11

Outside of government, there are very active women leaders of NGOs who push for gender-oriented policies. We can also count on enlightened male legislators who have initiated gender-responsive laws (Naz, 2002), or gender-sensitive male local chief executives and bureaucrats who are supportive of gender programs.

Executive Initiatives

The EDSA social upheaval in 1986 (now called EDSA I) spawned a populist Constitution drafted by representatives of different sectors. The multi-sectoral nature of the Constitutional Commission placed provisions in the 1987 Constitution upholding the "equality before the law of women and men" and recognizing the role of women in nation building. It also provided protection for working women. EDSA I and the Constitution became the cornerstones for government policies on women after 1986.

Early in the term of the first woman president of the country, the staunch Catholic Corazon Aquino issued Executive Order 209. Called the Family Code of the Philippines, the order corrected the double standard of morality in the Civil Code as far as marital issues of adultery and concubinage were concerned, and dealt on issues of adoption and the legitimacy of children. Moreover, the EO provided for the annulment of marriages in a country which could not (and still cannot) pass a divorce law.

It must be emphasized that the Philippines under Marcos already established the National Commission on the Role of Filipino Women (NCRFW) in 1975, through Presidential Decree 633; therefore, the Philippines' response to the gender issue is as old as the UN's Decade of Women. Its creation was pushed by women NGOs under the umbrella organization of the Civic Assembly of Women of the Philippines (now the National Council of Women of the Philippines). Under the leadership of the First Lady, Imelda Marcos, NCRFW conducted programs following the UN's Global Program of

Action. The Commission patterned its actions after the Women in Development (WID/WAD) framework (NCRFW, 2000)

EDSA I brought NGO leaders and some from the private business sector into government. A staunch woman NGO leader, Remedios Rikken, became Executive Director of NCRFW. With a Commission led by then Undersecretary of Foreign Affairs and later Senator, Leticia Ramos Shahani, and other women NGO leaders, the NCRFW embarked on new directions. Working with the Canadian International Development Agency (CIDA) and the United Nations, NCRFW went into strategies for gender mainstreaming following the 1980 Copenhagen Plan of Action and the Forward Looking Strategies drawn up in Nairobi in 1985. It conducted gender sensitivity training in government agencies, established gender focal points, and worked to address gender issues in policies and programs in government following the UN's Gender and Development (GAD) framework (NCRFW, 2000). With women in the academe and NGOs, NCRFW crafted the Philippine Plan for Women (PDPW) for 1989 to 1992, which was adopted through the president's Executive Order No. 348.

During the term of President Fidel Ramos, NCRFW doubled its efforts to sustain strategies using the GAD framework. Again with its partners in the academe and NGOs, NCRFW came out with the Philippine Plan for Gender Responsive Development for 1995 to 2025. This was adopted through Executive Order No. 273. These resulted in "policy imperatives addressing gender concerns, development planning for women, setting up GAD institutional mechanisms, GAD focal points, GAD training for national agencies and offices, GAD data base and gender statistics, and the strengthening of partnerships with women NGOs" (Barua-Yap, 2003). NCRFW also spearheaded the writing of the country's Beijing Plan of action.

Under President Joseph Estrada, the executive branch drafted the GAD Plan for Action: Philippine Agenda for Women Empowerment. Among its provisions was the opening of a P3 billion lending window in government lending institutions for women entrepreneurs. This was broadened as the Framework Plan for Women under the current administration of the country's second woman president, Gloria Macapagal Arroyo.

For its part, the Civil Service Commission issued an anti-sexual harassment policy in government agencies, complete with guidelines for implementation in each agency.

Gender Reforms from Congress

Through the initiative of the first sectoral representative of women in Congress, Republic Act 6949 declared March 8 as a special working holiday in consonance with International Women's Day. The Philippines actually celebrates March as women's month.

Assistance to mothers was provided by RA 6972, which established a day care center in every barangay (village). RA 8505 called for the establishment in every province and city of a crisis center for the care and safety of rape survivors.

Protection to women workers was given during the early part of the Republic; RA 679 laid down rules for the employment of women and minors, later to be expanded by RA 6237 and RA 6725. RA 1584 granted maternity leave privileges to women working in the government. In 1960, the Bureau of Women and Minors was established in the

Department of Labor. Women in the micro and cottage industries were provided protection by RA 7882. A law exists which prohibits lesser compensation for women as against male employees for work of equal value. RA 7655 also prohibits favoring of male employees with respect to promotion, training, study, and scholarship opportunities.

The most comprehensive law on women is the so-called Roco-Rasul bill (named after its sponsors, then Rep. Raul Roco and Senator Santanina Rasul), the Woman in Development and Nation-Building Act (RA 7192). On the economic aspect, it provides equal rights for wives entering into contract and loan agreements. It opened military schools as well as the police academies to women. Furthermore, it allowed women equal access to social and cultural clubs. Passed in 1991, the law led to the acceptance of the first batch of women into the Philippine Military Academy, and the increase in the number of women in police service. Moreover, with the implementation of the act, borrowing for livelihood assistance became easier for women, who could now obtain credit on their own.

There is now a pending bill in Congress which calls for gender balance in policy and decision-making government positions, elective or appointive, sponsored by Rep. Loretta Ann Rosales (*Pananaw*, April-July 2003).

The Women in Development and Nation Building Act also provided that a percentage of foreign assistance be earmarked for programs for women. This was followed through in the General Appropriations Act (GAA) which, in 1995, set aside 5% of funds for gender and development (GAD) projects. Recently, the Department of the Interior and Local Government (DILG) and the Department of Budget and Management (DBM) issued a joint memorandum circular requiring local government units to also set aside funds for GAD projects. However, the mandatory requirement is only 5% of the local government's development fund, which is only 20% of its IRA (Internal Revenue Allotment).

There are many more laws and policies affecting women, but these are the most significant. Within these parameters, however, creative agency heads and local chief executives have come up with their own programs on GAD.

Agency and Local Government Initiatives

Gender issues seem to have caught the attention of policy-makers such that a higher level of consciousness for these concerns is now seen in national government agencies and local government units.

Before the anti-sexual harassment policy of the Civil Service Commission, other policy initiatives were introduced by the CSC. The CSC was the first government agency to open a day care center. It was opened in the early 90s by then Chair Patricia Sto. Tomas (now Secretary of Labor). She provided funds for the caregivers and a room for the children. Parents pitched in for other expenses. As she narrates, the day care center within the office premises minimized absenteeism from the employees who were mothers and who would otherwise be absent when they had no one to care for their children at home. She also discovered that her women lawyers, particularly, became more productive because they did not have to check on their children constantly as they were assured of their children's safety (Interview by the author).

After the success at CSC, the Department of Labor and Employment (DOLE) followed suit. Other agencies followed as well such that there is now a day care center in most government offices. At the local level, some cities have also established day care centers at their city halls. Quezon City Councilor (later Vice-Mayor) Connie Angeles opened the YAKAP (embrace) center in the city hall premises for children of city employees.

Quezon City, through then Vice-Mayor Charito Planas, was also the first local government to establish a woman's desk at its police station. Now, every police station has a woman's desk. The policewomen staffing these desks are able to elicit more complaints of domestic violence and rape from women and children who are able to trust them. Previously, it was observed that women had a hard time telling of their ordeals to male police officers. With a woman's desk in every police station, more cases of rape and domestic violence are being filed.

The province of Bulacan is the first local government unit to establish an office for women. Its Panlalawigang Komisyon para sa Kababaihan (Provincial Commission for Women) was established by then Governor Roberto Pagdanganan in the early 90s. The current Governor, Josefina de la Cruz, has continued to support the Commission. Other provinces with gender offices are Cebu and Misamis Occidental.

Other local government units have also followed suit. The first cities to establish gender offices are Davao in Mindanao, Angeles in Luzon, and Bacolod in the Visayas. Probably the first municipality to do so is Balayan, Batangas, which has won a Galing Pook (outstanding local government unit) award for its integrated gender sensitive health program. In northern Luzon, Mayor Mary Jane Ortega has an active gender program. In Metro Manila, Quezon City and Marikina were the first to establish offices for GAD, with Quezon City establishing its Gender Resource and Development Office in 2001, and Marikina its Women's Council in 2002. With the creation of its GAD Office under the Office of Mayor Feliciano Belmonte, Jr., there is also a corresponding GAD Council which maps out projects for women (Palma, RWS, 2002). For its part, Marikina City under Mayor Marides Fernando is hosting an international conference of women mayors late this month.

Davao City and Misamis Occidental province have GAD Codes. These are models used for similar efforts in other local government units.

Without formal offices established for gender concerns, many mayors have initiated or supported gender programs. For instance, Mayor Betty Verzola of Kalinga uses 5% of her internal revenue allotment (IRA) to support a livelihood program to further develop the weaving skills of women in the community. Quezon City has established a Grameen-type banking scheme in which indigent women can avail of no-collateral livelihood loans from a Bulacan rural bank (Almario-Zabat, 2003). The women borrow through their cooperative. A study has shown that the repayment rate is almost 100% and families have been assisted in establishing small entrepreneurial projects. In Sta. Maria, Bulacan where NGOs are active, then Mayor Reyлина Nicolas (now congresswoman) counted on women as partners of the municipal government in many projects.

Among women mayors and barangay captains, health and family concerns seem to be priority programs. Some women mayors have won awards for their health service

program; among these is movie actress-Mayor Vilma Santos Recto of Lipa City. Two women barangay captains in Quezon City have been enthusiastically sponsoring awareness workshops on violence against women in which the police women's desk officers and prosecutors tell women residents of incidences of violence against women and how victims can bring cases against perpetrators. In another Quezon City barangay, the local village head added three day care centers to the one co-funded by the city government; the barangay pays for the three new centers. Two Quezon City barangays have healing centers for survivors of violence in intimate relationships.

A pioneering effort is night care for children of working mothers, piloted in Taytay, Rizal, an industrial area where women work in night shifts. The national government's Department of Social Welfare and Development (DSWD), its local counterpart, the municipal government of Taytay, the Catholic and Protestant churches in the town, and the factory management combined efforts to provide the service. Mothers who are off work some nights volunteer their services to assist the caregivers (Review of Women's Studies, 2002).

Women Outside of Government

NCRFW has been able to succeed in many of its endeavors through effective cooperation between itself and its partner NGOs, academic institutions, and international funding agencies. Consultations for many of its policy proposals are held in cooperation with NGOs. Members of the academe have ably assisted in writing some of its publications, providing technical support, or acting as facilitators and resource persons in training programs.

The most recent NCRFW-academe collaboration is the Summit of Women Local Chief Executives and Legislators held last 13-15 March in Manila. The program was designed by the two institutions with the collaboration of the women involved in the Lady Local Legislator's League, the League of Lady Municipal Mayors of the Philippines, and active women members of the League of Cities and the Philippine Councilors League. Also involved were politically oriented women NGOs—the Women in Nation-Building, the Ugnayan ng Kababaihan sa Pulitika (Union of Women in Politics), and the Center for Legislative Development. With NCRFW as convenor, the secretariat was composed of the University of the Philippines Center for Women's Studies and the Center for Local and Regional Governance of the National College of Public Administration and Governance, University of the Philippines. The Summit produced the Manila Declaration, which called for gender responsive local governance, a complement of the Asia Pacific women's conference output in 2001, the Phitsanulok Declaration. NCRFW will soon embark on a pilot trainers' training for new women local officials elected in 2004.

Probably the most impressive collaboration between government and women in the community is the Mother's Clubs of Surigao City, Mindanao. A midwife who worked in the city health office organized mothers in the community into health clubs. The Mother's Clubs undertake nutrition and health activities, and have expanded into cooperatives for mutual assistance for health and funeral insurance. They also got their husbands organized into sanitation groups called BESIG, and the children into clubs (Celestino and Ilago, 1998).

At the national level, many women-oriented NGOs are involved not only in bringing issues to the attention of decision-makers, but also in undertaking activities to bring about reforms to solve or improve the condition of Filipino women. For instance, GABRIELA has been known for providing legal assistance and moral support to the so-called “comfort women” of the Second World War. The Women’s Legal Bureau assists women victims of domestic violence and other forms of injustice. Some groups help prostituted women—BUKAL and SINAG are just two of them. Other active groups of women include IGOROTA, IMA, Pilipina, and Kalayaan. Peasant-led women’s groups are KBP and AMIHAN; labor groups include *Sentro ng Manggagawang Pilipina*. There are also mainstream women’s organizations like the Soroptimists and the Zonta Clubs which provide assistance to women in livelihood, health and environmental protection projects; they also assist villages in human rights activities. These combine the functions of socio-civic organizations, religious and professional groups.

Then of course, we have the international donors who have increased efforts in looking at issues affecting women—the UN, CIDA, ADB, World Bank, AusAID, USAID, SIDA, Ford Foundation, and other funding agencies. They either have special programs for women, or make sure that in their program assistance, there are components on women, or that the impact of their programs on women are assessed. The UN and CIDA have especially been helpful; for instance, the recently concluded Summit of women local officials was jointly funded by UNESCAP, UNDP, and CIDA. UNESCAP will also fund the training of women local officials elected in 2004.

Empowering the Filipino Women

Culture is either a reinforcement or a stumbling block to women’s empowerment. In the Philippines, the relative independence of native women, which was corroded by Spanish colonization and gradually reformed by American colonization and Philippine independence, has shown that the inherent spirit of the Filipino woman has been able to help her through conflicting values and experiences. Yet, the more recent focus on women which the UN started, and the more open attitude which have evolved from socio-cultural changes in the country have helped promote greater empowerment for Filipino women.

There are still obstacles that must be hurdled. For instance, while laws provide opportunities for improvement, some of these are not really implemented. The provision in the Local Government Code for sectoral representation (for women, workers, and other special groups) has not been implemented because of the reluctance of national legislators to provide funds for sectoral elections; such petulance is influenced by the parallel reluctance of local government officials to open the gates for those sectoral representatives in local government.

In the communities, village day care centers serve as pre-schools, keeping the children for only a few hours a day; there should be more of the day-long day care centers like those that exist in the government offices.

On a larger scale, the so-called GAD budget is not really set aside for agency or local projects. As reported by an Asia Foundation study in 2001, only 133 of 344 agencies (40%) reported GAD budgets in 1999 (latest available figures), and their GAD budgets covered only an average of .05% of their appropriations for the period.

(Budlender et al., 2001) At the local government level, lack of information, confusion on the interpretation of the 5% rule, as well as the lack of technical knowledge in gender planning have hampered GAD budget implementation (Ibid.). Nonetheless, creative local chief executives, like Mayors Verzola and Fernando (cited above) have done much within what they appropriate for gender programs—5% of the internal revenue allotment only. It will be very useful to monitor compliance of the local governments with the new (but less in amount) GAD budget.

The current global emphasis on gender in governance by the UN is a significant step towards greater gender empowerment. However, culture remains a hindrance to achieving its full intent. Studies I cited above show the reluctance of Filipino women to run for political office, even as they accept positions of covert power (e.g., the higher civil service). My latest study on women local politicians shows that, since 1998, there have been more women entering local politics but many of them consider themselves only as “breakers,” sitting in posts temporarily vacated by their husbands who have reached the mandatory end of term limit of nine years (Tapales, 2002). What will be interesting is how many of them are able to stay after serving as temporary “breakers.”

In the bureaucracy, as previously mentioned, 35% of the career executive service officers are women, as are 53% of the technical/professional personnel. This should be impressive were it not for the fact that the figures 20 years ago showed that women already occupied 26% of the top positions in the bureaucracy (Tapales, 1984). Therefore, it means that the proportion of women at the highest level increased by 9% in 20 years. Moreover, the non-executive career posts opened in recent years have not been penetrated by women. Filipino women really need the bill on equal representation passed.

As for the economy, census figures for 2001 show that the labor participation rate of women is only 52.8% whereas the LFPR of men is 80.3%. Moreover, women’s income share remains only .59 of that earned by men. Women’s unemployment rate has continued to increase, from 9.2% in 1999 to 9.9% in 2000 to 10.4% in 2001. More women college graduates are unemployed compared to men (22.1% as against 13.4%); the figures are slightly reversed for unemployment rates for female and male high school graduates at 27.7% for women and 29.4% for the men (NCRFW, 2000). Some policy interventions are needed in this area.

Be that as it may, the discussions above have shown that: (1) Filipino women enjoy a high status as decision-makers, as manifested by their high GEM index; (2) many policies through law, executive order or local ordinance have provided more opportunities for women in the economy, in politics, as well as services for their welfare; (3) male as well as female national and local policy-makers have initiated gender policies and programs; (4) government, the community and the private sector have been working together to bring about better conditions for Filipino women; (5) on their own, women-oriented groups have been working singly or together to assist in empowerment efforts for women; and, (6) development assistance has been an important impetus for gender programs.

We may look forward to even higher GDI and GEM scores for the country in the future. However, unless we see overt changes in the socio-economic-political conditions of women in the country, we cannot really correlate those improving indexes.

Lastly, while we increase women's political participation, we hope to see more of the quality performance exemplified by our dynamic women leaders as discussed earlier. For the women who make it in policy-making positions in government, Ms. Remedios Rikken of CAPWIP (Center for Asia-Pacific Women in Politics) calls upon them to be transformative leaders who will serve as models for other women to follow in their footsteps. Training and orientation on gender awareness and programs will be most helpful.

Filipino women have indeed come a long way, but they have some more distance to go to be truly empowered. Nonetheless, there are clear signs that they are indeed moving forward.

References

- Aquino, Belinda
1994 "Philippine Feminism in a Historical Perspective." In Nelson and Choudry, eds. *Women and Politics Worldwide*. New Haven: Yale University Press.
- Almario-Zabat
2003 "Quezon City's Sikap Buhay Program." *Review of Women's Studies*. UP Center for Women Studies. January-June.
- Barua-Yap
2003 "Engendering Development: An Overview of the Philippine Experience." *Review of Women's Studies*. UP Center for Women Studies. January-June.
- Budlender, Buenaobra, Rood and Sadorra
2001 *Gender Budget Trail: The Philippine Experience*. Asia Foundation.
- Celestino, Alicia and Simeon Ilago
2002 "The Primary Health Care Program in Surigao City." In Prosperina D. Tapales and Alex B. Brillantes, eds. *Local Government in the Philippines: A Book of Readings*. Vol. III. Quezon City: UP National College of Public Administration and Governance.
- Honculada, Jurgette and Rosalinda Pineda Ofreneo
2000 *Transforming the Mainstream: Building a Gender Responsive Bureaucracy in the Philippines*. UNDP Fund for Women.
- Naz, Antonia C.C.
2002 "Womens' Participation in Congress." *Review of Women's Studies*. UP Center for Women Studies.
- National Commission on the Role of Filipino Women (NCRFW)
n.d. *Making Government Work for Gender Equality*.
2001 *Information Resource Facts and Figures*.
- Palma, Ruby
2002 "Engendering Quezon City." *Review of Women's Studies*. UPCWS.
- Salazar, Zeus
2000 "Women in Pre-Spanish Philippines." *Women's Role in Philippine History*. 2nd. Ed. UPCWS.

Tapales, Proserpina Domingo

2003 "Women in the Middle: Empowering Women in the Philippine Bureaucracy." In Turner and Pertierra, eds. *The Philippine Middle Class*. Canberra. forthcoming.

2002 "Engendering Local Government," *Review of Women's Studies*.

1993 "Is there a women's vote?" *Review of Women's Studies*.

1984 *Women in the Philippine Bureaucracy: Toward an Alternative Approach to the Study of Political Participation*. Ann Arbor: University Microfilms.

United Nations Development Programme (UNDP)

1995-

2002 *Human Development Reports*. New York.

Modalities and Limiting Factors in Public-Private Collaboration in the Delivery of Social Services: A Case in Philippine Public Education

JOEL T. SAN LUIS*

Collaboration in the delivery of public services between government and private business comes about on account of a sense of corporate social responsibility and societal demands for strategic partnerships in development efforts. This paper attempts to describe three emerging modalities of public-private collaboration in public education, which is one of the social development concerns of the business community. These modalities differ in: a) program funding mechanisms, b) project management and administrative processes, c) patterns and frequency of interaction, d) formalizing procedures, and e) documentation.

The first modality, Multi-Sectoral Partnerships (MSP) is designed, brokered, and managed by a non-government organization working together with a business donor, the local government, parent and community associations, and public educational officers. The second modality, Business-Sector-Led Initiatives (BSLI), is a collaboration between business and recipient beneficiaries initiated through corporate public relations or community affairs units. A more pronounced collaborative undertaking between private business and public enterprise is through a company's Corporate Foundation Engagement (CFE) as the third modality. This serves as the resource and development center of the enterprise for corporate giving that can access local and international funds. Detailed examples of these efforts will amplify the presentation.

Circumstances that hinder collaboration efforts, as perceived by operational level executives and public school administrators, from the onset of project planning and during actual implementation, behaviorally and structurally, will be discussed. These factors rang from information access and communication systems, appropriateness and adequacy of expertise and resources, transparency and accountability issues, legal or regulatory frameworks, sectoral goals and objectives, management process, and the involvement of stakeholders.

Introduction

Lessons from the past have markedly shown the limited capability of government to confront the issue of public education resource-wise. Despite increasing budgetary allocations, the traditional structure cannot effectively meet the requirements of a burgeoning pupil population and fast-paced technological changes. Taking note of the overall socio-economic context, it is generally felt that resources are limited, government does not have funds, fiscal resources are restricted, and tax resources are never enough.

* OIC-Assistant Schools Division Superintendent, Division of City Schools, Quezon City, Department of Education, Philippines.

As the Philippine public education system incessantly experiences budgetary stress over time and starves for much needed finances, an alternative major resource—private business—and the vital role it can play to assist public education attain its goals, deserves recognition. As Davies and Ellison prophesied, the multi-faceted scenario of public education funding will be anchored on “tight linkages” and new strategic alliances between schools and the corporate sector with an ever expanding role for the latter. They believed that only through the aforementioned alliance could the crisis in funding for public education be addressed. This advocacy to open up possibilities for broader collaborative efforts was sounded off in the 2000 Trisectoral Conference on the area of educational reform.

Until recently, corporate philanthropy or corporate giving has been practiced by many companies with the desire to give back to the community where the corporation operates—workers and their families, clients and product users, suppliers and raw materials sources, and its environs. This took the form of donations to support the local community’s projects in sports and health, promotion of arts and cultural events, disaster relief, charitable undertakings, and company projects in local schools. Oftentimes this practice goes beyond the concept of pure dole-outs as businessmen are motivated by a heightened awareness that business is part of society and is likewise responsible for contributing directly to social development.

Social development initiatives in education were showcased during the Corporate Social Responsibility (CSR) Expo 2003. Highlighted in various fora were business investments in teacher development, pupil development, school infrastructure and facilities, multimedia, and information technology. The three-day event affirmed that collaboration in the delivery of public services between public education and private business comes about on account of a corporate social responsibility and societal demands for strategic partnerships in development efforts.

Corporate Social Responsibility

For us to fully appreciate this expression of social responsibility and private support to public education that helps bridge critical social needs and the available corporate sector resources, an overview of the underlying business principle of corporate social responsibility espoused by the business sector as they respond to social problems will be scrutinized.

Corporate Social Responsibility or Corporate Citizenship is a business principle that proposes that the long-term interests of business are best served when its profitability and growth are accomplished alongside the development of communities, the protection and sustainability of the environment, and the improvement of peoples’ quality of life. The basic tenet is that business has one purpose—“to make life good for all.” In the moral realm, it is about a fundamental concern for the common good as recently stressed by CEO Manuel V. Pangilinan of the Philippine Long Distance Telephone Company as he wrapped up the Corporate Social Responsibility Expo.

Corporate Citizenship is manifested in many different ways and takes on many different forms. The recurring and consistent themes revolve around:

- **Social Investment.** Companies make strategic contributions to support programs directly addressing social issues such as education, health, and housing in view of the shrinking role of government in effective and efficient delivery of social services due to budgetary constraints.
- **Corporate Community Partnerships.** Companies are redefining their relationship with communities from the “donor-donee” mode to one of partnership in both local development and business.
- **Managing Workplace Concerns.** Management provides an enabling working environment characterized by programs on health and safety, compensation, rewards and working hours, family welfare, disciplinary practices, equal opportunity, and others.
- **Environmental Stewardship.** Companies take responsibility and assume accountability for any adverse impact their operations have on the environment, driven by the communities’ demand for a better living environment, and by the awareness that a sustainable environment allows sustainable business operations.

These business principles can best be applied and understood within the context of corporate goals. Forming relationships with the communities where business operates becomes a traditional concern for corporate social responsibility. As the company creates a prosperous and self-sufficient community, corporate leaders are assured that they would have secured their communities from any possible social dislocation in the future.

Invariably coined as enlightened self-interest, this principle of contributing to social development is a win-win approach because businessmen align the needs of the community (stakeholders) with corporate goals. Strategic provisions of resources for social development through partnerships with the non-business publics raise personal satisfaction among managers, enhanced company reputations, widened the customer base and heightened motivation among staff to raise the quality of work. Partnerships give expression to an individual’s commitment to philanthropy.

In effect, corporate social responsibility is about a fundamental concern for the common good and having the common good transcend narrow self-interest. It is about broadening corporate purpose from serving shareholders to serving stakeholders.

Corporate Giving to Education

Corporate giving is the voluntary contribution in cash or in kind to charity or social development purposes that is usually considered distinct from the public relations or marketing functions of a corporation but may serve its long-term interests. It is one major mode of assistance given by private business to education. It was reported in 1993 that the preferred forms of assistance to education were cash, other forms of donations, sharing of technical expertise, product donations, and facilities usage.

The same report revealed that 58.8 per cent of 65 companies surveyed said that they had a corporate giving vision for getting involved in education. Common to the

corporate visions given were the concepts of building human resources for progress, service to the community, and corporate citizenship and responsibility. In terms of motivation, the most highly ranked reason given was that corporate giving was in line with the mission of the corporation, the company's concern with overall educational standards, the vision of the Chief Executive Officer (CEO), requests of the community, existing relationships with the schools, the image of the corporation, the relationship of beneficiaries to the product services of the corporation, and employee or dependent-related concerns.

Another report presented at the National Conference on Corporate Citizenship, which sought to identify strategic areas where certain interventions could be made by private business towards improving the quality of education, emphasized the need to direct more private resources to the curriculum and the overall management of the system as major priority areas. Two themes dominated the discussions: a) science, mathematics and english competency as requisites for a competitive economy; and b) quality education consistent with a national manpower development plan. The consensus group on business and education, which prepared the report, also considered helping individual institutions manage the education process for the students as a priority concern deserving of investment from business.

These contributions to support public services were viewed as beneficial to private sector investors in the long run because:

- it promotes goodwill and enhances a company's reputation in society;
- it boosts corporate name awareness and product recognition;
- it provides a matrix for developing a continuing relationship with community officials and leaders;
- it enhances customer loyalty;
- it improves employee commitment and productivity; and,
- it qualifies the corporate donor for tax benefits.

A survey of development activities undertaken by private business in collaboration with government from July 1993 to December 2001 identified critical areas in public education assisted by the business sector, as follows:

- staff development – scholarships for teachers, short-term trainings for upgrading teaching capabilities, seminar-workshops on curriculum writing, and materials improvisation skills trainings;
- pupil/student development – scholarships to indigents and out-of-school youth, financial grants to expand literacy programs among ethnic and marginalized groups, computer skills trainings, and provisions for study kits;
- facilities development – school building programs, construction of computer and science laboratories, provisions for science tools and equipment, computer units with printers, rehabilitation of classrooms, and construction of deep water wells;
- curriculum and instructional materials development – provision for textbooks and reference materials, assistance to teachers developing teaching modules, courseware for computer classes, donations of television sets and videotaped lessons in various subject areas;

- research development – conduct of a Diagnostic Review and Systems Audit of the Department of Education, prepared assessment reports based on surveys and research grants to teacher scholars writing their thesis; and,
- capacity building – conduct of business fora on education, coalitions building for improvement of education.

Business has shown that it has the resources to invest in education and considers education as one major factor in making the economy competitive in the long run. The question is how to make that investment generate the greatest returns to society.

Emerging Modalities of Collaboration

In the course of evaluating social development assistance given by the private sector to 113 public schools both in the elementary and secondary levels nationwide within the period from July 1993 to December 2000, three modalities of collaboration, which brought about private-business investment to public education, were noted. These collaboration efforts exhibited differentiated modalities in terms of funding mechanism or resource provision, project management and administrative processes, patterns and frequency of interaction, formalizing procedures, and documentation. These investment efforts or modalities of collaboration were classified and encoded as: a) multi-sectoral partnerships; b) business-sector-led initiatives; and, c) corporate foundation engagements.

Multi-Sectoral Partnerships

Companies usually come together for joint social development ventures and organize themselves into a coalition or as a business organization. These business associations manage and administer pooled funds and resources contributed by the members for implementation of social programs and projects jointly identified by the organization and member companies as worthy of support and assistance.

These associations or coalitions of businessmen and companies secure a “donee institution status” certification from the Bureau of Internal Revenue, Department of Finance. Being certified as legitimate, viable, and deserving of support and funding, the groups partner with government and non-government organizations to be able to pursue a social development agenda. This practice has been observed in the collaboration efforts undertaken by the Business Software Alliance, Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc., the Makati Business Club, and the Philippine Business for Social Progress.

Business Software Alliance (BSA). The members of this organization represent the fastest growing industry in the world. Their programs foster technology innovation through education and policy initiatives that promote copyright protection, cyber security, trade and e-commerce. The Alliance is the foremost organization dedicated to promoting a safe and legal digital world.

BSA members include Adobe, Apple, Autodesk, Avid, Bentley Systems, Borland, Cisco Systems, CNC Software/Mastercam, EDS PLM Solutions, Entrust, HP, IBM, INTEL, Internet Security Systems, Intuit, Macromedia, Microsoft, Network Associates, Novell,

PeopleSoft, Robert McNeel and Associates, SeeBeyond, SolidWorks, Sybase and Symantec. The group has developed a social commitment to foster technology innovation.

In line with the BSA campaign in educating computer users on intellectual property rights and the importance of using licensed software, donations of computers and software programs to selected public high schools have been pursued. This project is being handled by Perceptions, Inc., which is the public relations and advertising firm of the group in the Philippines and initiates negotiations by securing a list of prospective eligible recipient-beneficiary schools from the Department of Education. Resources are coursed through and accounted for by the PR team while the school and its parents-community association works on completing specified requirements

As soon as the specifications have been complied with, the donation is finalized and the turn-over program is prepared by the school in collaboration with the PR team, the parents-community association, and local government officials. The school also prepares the Deed of Donation to be signed during the turn-over ceremony. All those involved in project implementation are invited to come and be signatories to the documents, i.e., officers, including business donors, school officials, local government officers, the parents-community association representatives, and a non-government organization representative.

Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII). FFCCCII has a nationwide network of close to 170 chambers of commerce, trade and business associations and is the largest ethnic-based business organization in the Philippines. The Federation not only diligently serves the needs of its members but also implements major programs and projects which contribute to the country's economic, social, political and cultural development. It has been a major provider of fire-fighting equipment to local communities and has volunteered assistance during disasters through relief operations, provisions of food and medicines, and needed supplies.

The flagship project of the Federation is the "Operation: Barrio Schools" which involves the donation of two-classroom buildings in areas where classrooms are needed. This has been the longest-running and biggest private-sector-led development program that focuses on addressing the classroom shortage, which has been a perennial problem of public education. As of May 2003, 2,644 FFCCCII-donated buildings distributed in practically all parts of the country have been constructed.

In support of the "PCs for Public High Schools" program of the Department of Education, the Federation donated Php5 million worth of computers to secondary schools nationwide. An educational subsidy totaling Php1.5 million annually has also been extended to Chinese-Filipino schools or schools which had ethnic Chinese clientele. Textbooks were also distributed to far-flung and remote public elementary schools.

A school, to avail of this project, is recommended by a member of the association or any local official to be the recipient-beneficiary of a two-classroom building. This is then communicated by the association officers, through a Committee, to the school officials of the recommended schools, who in turn are expected to assign a lot site for the project.

The association secures the necessary building permits, electrical and water connections for the new building, and underwrites construction of the two-classroom building. Upon completion of the building, the FFCCCII plans and elects an auspicious date for the turn-over ceremonies. Signatories to the deed of donation include the school principal, officers of the FFCCCII, local government officials, and higher school officials.

Collaboration, in this regard, is managed by the Federation through its officers. Funding is sourced from its members as donors or accessed funds. Stakeholders include school officials, the Federation, local officials, and the businessman donor.

Makati Business Club (MBC). Composed of over 800 chief executives and corporate executives representing almost 450 of the largest and most dynamic corporations in the Philippines, the MBC operates special projects in social development areas which members feel require special attention. Organized as a Forum for Constructive Ideas, the association's main thrust is to foster and promote the role of the business sector in national development efforts.

In support of public education, the MBC adopted the "Invest in Education Program" whereby individual corporate members are urged to address the needs of public elementary schools. In partnership with the International Youth Foundation, the MBC funds and hosts the "Children's Hour," a fund raising campaign to sustain programs for abused and disadvantaged children of the world. Its major public education support program is the ConnectEd.ph which encourages its corporate members to donate computers and software to public high schools with packaged training for teachers, local area networking, and internet or e-mail connections.

Under the ConnectEd.ph project, high school computer laboratories are equipped with 10 to 20 Pentium computers for use as learning tools for students and teaching aids for teachers. The project is managed by a consortium of private corporations and foundations, each one of which is responsible for providing one of the six key components of the project: personal computers, LAN servers and peripherals, software, training and education, internet connectivity, and domain names. It connects and unites the efforts of various partners to ensure that a complete package is made and donated to public high schools. By pooling resources, packages are completed and ready for awarding to a qualified school.

In turn, the public school and local community is required to provide counterpart support and funding for such items as: air conditioning, wiring, proper lighting, and uninterrupted power supply; an annual maintenance budget; a monthly appropriation for lighting, telephone, and internet connections; and equipment for a computer laboratory.

Only after a potential recipient school has undergone thorough review as to its capability to provide the counterpart support and maintenance funding requirement is the package delivered and turned-over to the school.

Philippine Business for Social Progress (PBSP). A classic example of a business-led social development aggrupation, which serves as a vehicle for collective corporate social response, the PBSP came into being in the 1970's. From among the largest business corporations in the country, a modest 5.5 million peso combined contribution was initially collected and used to conceptualize and pursue the involvement

of the corporate community in social development and the formation of PBSP as a foundation.

PBSP derives its principal operating funds from its 185 incorporated member companies or corporations who commit and pledge to allocate 20 per cent of one per cent of their income before taxes to the foundation's social investment. Programs are carried out through cooperative agreements, management contracts, training, and proceeds from business as well as recoveries of financial advances.

In 1992, PBSP founded the Center for Corporate Citizenship to promote the practice of corporate citizenship among chief executives and managers in the Philippines. Four critical issues were addressed, i.e., education, countryside development, local government, and environment.

As of the period from 1993 to 2001, the following development projects were implemented by PBSP in collaboration with public education: a) staff development— 68 graduate scholarships; b) pupil-student development—student scholarships, education support to ethnic groups, assistance to out-of-school youth; c) facilities development— 18 computer laboratories, 23 science laboratories, 50 classroom buildings, 45 other classroom facilities, 31 water systems; d) curriculum and instructional materials development—19 projects for audiovisual resources, 30 schools as recipients of books and instructional materials; e) research on DECS Key Systems, and 3 surveys on business-education partnership; and f) 36 capacity building fora organized and hosted to tackle issues and concerns of public education.

PBSP emphasizes multi-sectoral partnerships by bringing together government, business, NGO donor institutions, and poverty groups to expand the impact and relevance of its projects.

Business-Sector-Led Initiatives

Philippine corporations, either de facto or registered with the Securities and Exchange Commission (SEC), may engage in corporate giving for any purpose that is not contrary to law, public morals, public order, or public policy. In this regard, many companies directly make a contribution as a response to requests for donations and can choose to contribute amounts the donee actually requests and needs but are within the company's discretionary budget and fiscal policies.

The Adopt-A-School Act of 1998 (R.A. 8525) is a special law that provides tax benefits to corporations for actual expenses incurred for adopting and assisting a school, including donations, through 50 per cent deductions from taxable income. This boosted corporate giving to public schools and was taken as an opportunity for business corporations to have a personal involvement in managing what they give to public education.

Requests from schools for company assistance and donations are immediately attended to by the public affairs or community relations unit of the company. More often than not, requests from public schools, which are operating within the area of operations of the company, are the one's adopted. It was notable, however, that the business

sector initiated “adoption” of these schools and programmed activities based on what the company feels as a good business move or aligned to its corporate goals.

Citibank, N.A. (Philippines). The Citigroup, principally through Citibank, has a long and unrivaled history as a provider of financial services throughout the world. Advantages of local banking, lending, investment, and insurance services are geared towards providing services to the needs of individual consumers as well as small and large corporations.

Consistent with the government’s thrust of providing and intensifying IT training in Philippine public high schools and preparing students for the jobs of the future, Citigroup has committed its support to the educational development of communities where its affiliate—Citibank, N.A (Philippines), operates. It has assigned 20 brand new units of desktop computers for the exclusive use in computer education in public high schools, including funds for the maintenance of the same.

After securing counterpart assistance from other community partners of the school, school officials apply for eligibility to be a recipient-beneficiary of this project. It is up to the local Citibank to screen the application and select the school beneficiary from among the schools within the community where it operates. With this scheme, Citigroup has already donated 20 units of computers each to 35 public high schools nationwide under the PCs for Public High Schools Project of the Department of Education.

ING Barings, Philippines. The ING Group is a global financial institution of Dutch origin offering banking, insurance, and asset management to corporate and institutional clients in 60 countries. The group seeks a careful balance among the interests of its stakeholders: customers, shareholders, employees, and society at large. With such a principle of corporate concern, the group has engaged in providing social development assistance to various institutions.

The public relations activities of ING are managed by the Virtusio Public Relations, Inc., which identifies and brokers social investment activities of the company in the Philippines. The PR team has focused the investment of ING in public education and launched its computerization program for public high schools in 1997. Computer laboratories were equipped with 20 central processing units, computer tables with chairs, electrical converters, one printer, and four air conditioning units of 1.5 HP.

The phases of collaboration start with a listing of possible recipient schools provided by the Department of Education to the PR firm of ING, which conducts a feasibility inspection of the school focusing on how the school performs and how the school officials manage plant and property. Interviews with teachers and pupils serve as background information on the capabilities of the school to maintain and sustain the project. The school provides the needed space for conversion into a laboratory, underwrites electrical bills, and secures the laboratory from possible theft.

The corporate accounts of ING in social investment are documented and managed by this PR company. Corporate giving is done directly to the school authorities.

San Miguel Corporation (SMB). Founded in 1890 as a brewery, the company has over 100 facilities in the Philippines, Southeast Asia, China and Australia. It is the largest publicly listed food, beverage and packaging company in the Philippines.

Because of its presence in practically all communities in the Philippines, the company has maintained social investments, and centralized such endeavors in its Social Development, External Relations and Corporate Affairs Office. In education, SMB has been a respected business donor of Science Laboratories Packages, which included construction of chemistry and physics laboratories, provision for science tools and equipment, and teacher training on improvisation of science instructional materials.

Requests for funding assistance by schools in its areas of operations or in communities where company facilities are located are coursed to the public affairs unit. Collaboration starts upon the exchange of communications and culminates in a turn-over ceremony.

Corporate Foundations

As a means of expressing their social responsibility, several companies have created corporate foundations for a more active and sustainable involvement in social development activities. These foundations serve as the companies' social investment arms and development vehicles. As such, social development projects envisioned by the companies are implemented and managed by these foundations. At the same time, ownership of the project by the corporations is affirmed and commitment to social responsibility strengthened. Through these foundations, companies are able to reach beneficiaries that may not necessarily be confined to areas directly affected by company operations but are special sectors that companies feel needs their attention and assistance.

Corporate foundations are legal entities separate from their mother firms with their own by-laws and governance structures. At the onset, a company gives a seed grant or substantial endowment for its foundation's initial operations. Most companies have set aside a percentage of their net income, which guarantee funds for the foundations' operating costs over a period of time. Several corporations support their foundations in the form of personnel, facilities, and equipment but require the foundation to raise its own project funds. As non-government entities, corporate foundations also access international donors, philanthropic groups, and government funds for various projects.

Aboitiz Group Foundation Incorporated (AGFI). Public education remains the main thrust for social development of the AGFI since its launching in 1998 by eleven (11) subsidiary companies of the Aboitiz group. The public school system is supported through an infrastructure building project, which includes the construction of classrooms, science laboratories, and Home Economics buildings. The Foundation has also launched its computerization program for public high schools in areas where Aboitiz companies operate and supplemented the donation of computers and printers with skills training for the teachers and students.

For the year 2002, 67 per cent of the foundation's total budget was allocated for education-related projects including scholarship grants, textbook donations, cultural-development, and non-formal education for pre-school street children. Although infrastructure has been the longest-running education-related program of the foundation, it has initiated formation of the Coalition for Better Education to promote responsive quality education by addressing issues on teacher's training and

development, curriculum development, academe-industry-government linkage, leadership, and governance in the educational community.

Ayala Foundation Incorporated (AFI). A major program that impacts on public education, which the AFI supports, is the Centex Schools which give promising children from economically disadvantaged families the opportunity of a superior education. The Foundation was able to access a \$15,000 grant from the First Credit Suisse Boston Bank and another Php12 million grant from Senator Ramon Magsaysay Jr. for the Foundation's computerization projects in various high schools.

It has also spearheaded the text2teach project in the Philippines, a local counterpart of the BRIDGEit global program of the International Youth Foundation. The project was conceptualized with the support of NOKIA, which donated the satellite equipment and the Media Master satellite signal recording devices, television sets, and mobile phones to forty public elementary schools. PEARSON, a publisher of educational materials, provided the video and printed lesson plans written by the public school teachers. The United Nations Development Program (UNDP) serves as the process documenter of the program while the Department of Education provides the base of public schools, science teachers and pupils. GLOBE TELECOM participates in the project by providing free texting services.

Satellite transmissions of the video-taped lessons are provided by DREAM-PMSI, while Chikka Asia developed the text message applications coordinated by the SEAMED Center for Innovative technology.

Bato-Balani Foundation Inc. (BBFI). Established in 1991, the BBFI engaged in the conceptualization and management of education development programs for its corporate benefactors—AFreight Asia Pacific Ltd., Diwa Learning Systems Inc., Belgosa Media Systems Inc., Fastech Synergy Ltd., First Asia Institute of Technology and Humanities, and First Asia Venture Capital Inc.

For the year 2002, the Foundation donated more than Php30 million in school assistance for teacher training in over 400 schools nationwide, distributed Php15 million worth of books to 222 beneficiary schools, another Php15 million worth of brand new textbooks to 196 elementary schools, and subsidized educational assistance grants to public schools. The Philippine President extended a Php15 million grant for provision of textbooks by the Foundation to public schools nationwide.

Coca-Cola Foundation, Philippines, Inc. (CCFPI). In 1994, CCFPI executives had the opportunity to observe multi-grade teacher training activities conducted jointly by the UNICEF and the Department of Education. This was coupled by a visit to multi-grade elementary schools in the Province of Masbate where the group observed the sad plight of multi-grade public elementary schools housed in dilapidated temporary classrooms with earthen floorings, staffed by untrained teachers handling combination classes, furnished with makeshift desks, and lacking comfort rooms and drinking water. Borne of a desire to leave a permanent legacy of quality education to the Filipino youth, the Little Red Schoolhouse Project (LRSP) was conceived by the Foundation.

The LRSP supports the Philippine Multi-Grade Education program by building and equipping 3-classroom buildings for public multi-grade elementary schools in remote and underserved areas throughout the country. Within a five-year period (1998-2002), fifty Little Red Schoolhouses in 37 provinces fully equipped with lavatories, toilets and

drinking facilities were turned-over to local communities. Complementary to the project is an institution building component which provides training to parents and community leaders to enable them to manage and sustain the project in the years to come. Teachers, too, were provided specialized multi-grade teaching skills training to maximize their potential.

Reading materials and references are also being donated by the foundation to depressed area elementary schools in a continuing effort to support reading programs and further enhance the elementary school libraries. Storytelling activities are likewise scheduled in far-flung communities. Coca-Cola Foundation (USA) provides additional funding support for the project.

Tan Yan Kee Foundation, Inc. (TYKFI). A Foundation of the Lucio C. Tan Group of Companies established in honor of the Tan family patriarch, the TYKFI committed itself to support education, culture and sports, research, health and social welfare, and manpower development. For the past 17 years, member-firms of the Lucio Tan Group generously supported the foundation's avowed mission. It has donated hundreds of millions of pesos to finance scholarship grants, training of teachers and doctors, and construction of buildings, hospitals, churches, and houses for the homeless.

Through its partnership with the Foundation for Upgrading the Standard of Education, Inc. (FUSE), teacher training activities were conducted in the subjects of english, science, and mathematics. Likewise, the partnership replicated and distributed 40,000 teacher-training videotapes to almost 2,000 schools in various parts of the archipelago. The Foundation also allocated Php100 million for five-year scholarships for undergraduate students in mathematics, natural science, information technology, engineering and other technical courses as well as medical grants. To date, more than 70 scholars have been sent abroad for further studies in their fields of specialization.

The biggest share of the Foundation's budget goes to major school infrastructure projects, multi-purpose gymnasias, training centers, fully furnished classroom buildings, science laboratories in public schools, and a state-of-the-art library for the Filipino ethnic Chinese at the Chiang Kai Shek University.

The Foundation's institutions include Fortune Tobacco Corporation, Allied Banking Corporation, Tanduay Distillers Inc., Asia Brewery Inc., University of the East, Foundation for Upgrading the Standard of Education Inc., Asia Brewery Medical Specialty Scholarship Program, and UE Ramon Magsaysay Memorial Medical Center.

How Modalities of Collaboration Differ

These three modalities of collaboration between private business and government in the case of public education exhibited variations in the program funding mechanism employed, project management and administrative processes pursued during project conceptualization up to project completion, patterns and frequency of interaction, formalizing procedures, and documentation requisites. These differentiations are indicated in the following frames:

Frame 1. Project Funding Mechanism

Mode of Collaboration	Funding Source	Fund Manager
MSP	Pooled funds contribution of business/corporate members and accessed funds	Association Officer or NGO as project Implementor
BSLI	Company Funds	Community or Public Affairs Unit
CFE	Endowment/Grants/Accessed Funds	Foundation Officers

A variation in funding source is quite evident between and among the three modalities of collaboration treated in this presentation. Multi-sectoral partnerships utilize pooled funds from contributions of private businesses or members of the coalition or association. Funds are provided by a private company for business-sector-led initiatives. Although corporate foundations obtain initial funding from their mother companies or funds provided over time to sustain their operations, the foundations do access funds from philanthropic organizations and persons as well as from international grant-giving institutions including governments.

In fund management relative to project implementation, the multi-sectoral partnership entrusts its funds and resources to the program officers of the association or to the non-government organization developed by the aggrupation for purposes of pursuing the group's social development agenda. The corporate foundations manage the funding of projects as these too assume NGO status. In the case of business-sector-led initiatives, the individual corporation takes charge of its social investment accounts through its community or public relations unit, thus exercising a more direct fund management function in project implementation.

Frame 2. Project Management and Administrative Process

Mode of Collaboration	Conceptualization/Planning Phase	Implementation Phase
MSP	Involvement of stakeholders: Local government officials, public education officials, school officials, Parent-Community Association, NGOs	<ul style="list-style-type: none"> - NGO as Project Implementor or Association Officers manage project implementation - Public Schools as partner in implementation and project beneficiary
BSLI	<ul style="list-style-type: none"> - Private business as project proponent - Public school as requestor and project beneficiary 	<ul style="list-style-type: none"> - Community of Public Affairs Unit of the company Implement the Project - Public school as project beneficiary
CFE	<ul style="list-style-type: none"> - Foundation program on Education - Eligible is selected by the Foundation 	<ul style="list-style-type: none"> - Foundation Officers manage project implementation - Public school as project beneficiary

The prominence of stakeholders in multi-sector partnerships is very observable in the project management and administrative processes undergone during collaboration between private business and public education. Stakeholders, in the case of public education, may be: the Local School Boards; the Local Government Units as represented by the Governor, Mayor, Barangay Chairman of their respective councils or the

Sanggunians; business, civic or non-government organizations; Parent-Teachers-Community Associations; or, other organizations and individuals who may commit to provide support to the school. Public schools may enter into partnerships with organizations or individuals as needed when it collaborates with private business. In collaboration activities, public education must ensure that at least one of the partners comes from the private sector.

As reflected also, a company becomes a project proponent upon receiving a request emanating from a public school official and thus takes the form of a business-sector-led initiative. This modality would require project consent and approval of company officials for pursuing and funding a public school project as experienced in the Adopt-a-School Program earlier discussed. The approach of corporate foundations differs from the other two modalities because the Foundation has focused on areas of concern in its social development agenda. Thereupon, the foundation identifies a project beneficiary school that has established its eligibility for foundation support. In this way, a corporate foundation provides its funding company the opportunity to implement projects among schools which do not necessary fall within the area of operations of the company.

Frame 3. Pattern and Frequency of Interaction

Mode of Collaboration	Interaction Activities	Persons Involved	Frequency of Interfacing
MSP	<ul style="list-style-type: none"> - Project Planning - Project Implementation - Project Monitoring - Project Completion 	Stakeholders: local government officials, public education officials, school officials, Parent-Community Association, NGO	<ul style="list-style-type: none"> - Very frequent initial conferences with various stakeholders to ensure counter support. - NGO as project managers serves as liaison between stakeholders.
BSLI	<ul style="list-style-type: none"> - Agreement Stage from initial request of school officials to project completion 	<ul style="list-style-type: none"> - Business donor through Community and Public Affairs unit - School Officials 	<ul style="list-style-type: none"> - One on one interfacing - Frequent communications between school officials and the Community or Public Affairs unit of the company
CFE	<ul style="list-style-type: none"> - Formal communication to school officials - Project implementation - Project completion 	<ul style="list-style-type: none"> - Corporate Foundation officers - School officials 	<ul style="list-style-type: none"> - One on one interfacing - Frequent communications between school officials and the Foundations officers

Interfacing between collaborators transpires at different stages of project implementation. However, they differ in intensity and in persons involved in the interactive process. The private business officials communicate directly to public school officials and vice-versa in business-sector-led initiatives. Communication during project implementation is coursed through or handled by the corporate foundation staff in the case of corporation foundation engagements, and by the officer of an association or governing board of a coalition in the case of multi-sector partnerships.

It must be noted, however, that foundation officials may likely be the corporate officials themselves, in the same way that the corporate officials sent in the governing boards or act as officers of business associations and coalitions.

As observed, business donors interface with the public school officials upon completion of the project during the turn-over ceremonies and signing of documents. In multi-sectoral partnerships, liaison between stakeholders is performed by the coalition officers and staff as fund managers.

In the above frames, structural aspects of collaboration exhibit variations in a pronounced manner. Funding management has always been considered the heart of collaboration because of issues of access to resources in social development efforts. The availability and effectiveness of fund mechanisms at the time that project implementation commences impact on the accountabilities of both partners and collaborators. The element of trust plays a significant role in future collaborations.

Frame 4. Formalizing Procedures

Mode of Collaboration	Stages	Person Involved
MSP	<ul style="list-style-type: none"> - Pledge of donation/assignment of funds and resources - Compliance to specifications - Project completion and turn-over 	<ul style="list-style-type: none"> - Business donor - Member/officer of the association - School officials and counterpart support community partners, and - Stakeholder
BSLI	<ul style="list-style-type: none"> - Request from school officials for project funding - Approval of funding support by private business as donor - Referral with request and approval to the community or Public Affairs unit for implementation 	<ul style="list-style-type: none"> - Communication or Public Affairs unit of the company as project manager - Business corporate officer as donors - School officials as recipient-beneficiaries
CFE	<ul style="list-style-type: none"> - Identification of eligible schools - Communication with school officials - Project implementation - Project completion and turn-over 	<ul style="list-style-type: none"> - Corporate Foundation officers - School officials as recipient

Several stages in the formalizing phase or the collaboration process were observed and differences in procedures were noted. Although, in multi-sector partnerships, funds and resources are pooled, assigning contributions of the business sector members would require their consent as to type of project to be implemented, type of beneficiary school, and total amount pledged. In partnerships, the public education or beneficiary public school has to comply with certain specifications such as project sustainability and usage before the donation is consummated. In effect, partnerships are characterized by the commitment of each sector and their respective accountability principles.

In corporate foundation engagements, a basic requisite is the eligibility of a public school as project beneficiary to the Foundation's program on education. The public school has to meet certain criteria, which the Foundation has set. Business-sector-led initiatives, on the other hand, consider only requesting public schools which solicit their support and assistance for projects that are likely to conform with the priorities and capabilities of the donor firm.

In multi-sector partnerships, a Memorandum of Agreement serves to formalize the agreements among stakeholders to commence collaboration activities. This document stipulates the readiness and willingness by each sector, including their partners, to provide resources for a development project as envisioned in their programs. This

instrument is not present in business-sector-led initiatives in as much as projects are implemented only with the approval of a request from the public education institution.

Frame 5. Documentation

Mode of Collaboration	Document	Project Documenter	Signatories
MSP	Memorandum of Agreement Deed of Donation	NGO partner as project manager or association officers	- Stakeholders - Stakeholders
BSLI	Deed of Donation	Community or Public Affairs Unit of the Company	- Business Corporate Officer - School Officials -
CFE	Deed of Donation	Corporate Foundation Officer	- Corporate Officers - Foundation Officers - School Officials

The same was observed in corporate foundation engagements with the public schools. As the Foundation identifies the eligible school for its projects, the same is communicated to the officials of the school who then reciprocate with consent and readiness to extend necessary space for the donation of equipment or schedule acceptance of the same.

A Deed of Donation is currently becoming a necessary document to confirm acceptance and transfer of resource or project from the donor to the beneficiary school. The signing this instrument is viewed as important for the donors to account for and safeguard their investments and for the public school officials to take responsibility for the proper use and maintenance of the project as government property. This practice of signing deeds of donations usually is done in a public convocation and is considered the culminating activity of collaboration.

Limiting Factors to Collaboration

Several factors were perceived by the private sector project proponents and the public education recipient beneficiaries to have hindered or limited collaboration between the two during project planning and implementation. As per responses of sixty public school administrators representing public education and forty-eight operational level executives of companies involved in education projects, the major factors which limit collaboration were diagnosed and arranged as follows:

- access to information and communications systems;
- appropriateness and adequacy of expertise and resources;
- transparency and accountability principles;
- legal and regulatory framework;
- sectoral goals and objectives;
- participatory process of stakeholders;
- political pressure/intervention; and,
- autonomy and interdependence.

The perspectives of the two groups were quite in agreement as the mean values obtained were not so different from each other when subjected to a t-test, with a value

of -.11 and significance at .91. Both groups accepted the identified factors as limiting collaboration.

Chart 1. Matching Chart of Major Factors which Limit Public-Private Collaboration in Education

Bracket	Factor	Public Education	Private Business	Factor
A	Management system and administrative processes	1	1	Access to information and communication system
	Access to information and communication processes	2	2.5	Appropriateness and adequacy of resources
	Appropriateness and adequacy of resources	3	2.5	Transparency and accountability principles
B	Legal and regulatory framework	4	4	Sectoral goals and objectives, values and culture
	Transparency and accountability principles	5.5	5	Legal and regulatory framework
	Sectoral goals and objectives, values and culture	5.5	6	Participatory process of stakeholders
C	Participatory of stakeholder	7	7	Autonomy and interdependence of each sector
	Political pressure/intervention	8	8	Political pressure/intervention
	Autonomy and interdependence principles	9	9	Management system and administrative processes

When hierarchically arranged, it was most apparent that the public education administrators pointed at management systems and administrative processes as foremost limiting factors, factors which operational level executives considered the least limiting among the identified factors. Both groups claimed that access to information and communication systems limits collaboration as much as appropriateness and adequacy of resources, which were aligned in the second bracket when these factors were matched and bracketed. At the lowest bracket, autonomy, interdependence, and political pressure/intervention were considered to have the least influence from among the limiting factors to collaboration.

During conferences and meetings between the project proponents and public education officials, the need for access to information was highlighted. The private sector would require a profile of possible recipient-beneficiary schools and information on the capability of these schools to partner with them in terms of performance standards, teacher profiles, training needs, school development plans and even existence of access roads, electricity and telephone lines.

Similarly, the public school beneficiaries need assurance that the projects will be implemented, that they qualify but only lack the skills and methods of networking with the business sector. At most, project managers have to shuttle back and forth to be able to gather needed information and relay the same to all partners.

It was also noted that appropriateness and adequacy of the resource become limiting factors in the sense that projects cannot be pursued for lack of a site for infrastructure, of electricity in the case of computerization, or of space for laboratories. This was most apparent in small schools that cannot afford the conversion of classrooms to laboratories. Safety considerations as well as maintenance structures become a bone of contention for most projects. There were also instances when projects were not implemented or delayed due to a drop in corporate profits.

Transparency and accountability principles are needed because, at times, data and information cannot be understood. The stakeholders or partners in the project would also require proper accounting and project inventories to avoid losses and to lengthen the use of the facilities. The business sector in particular would need documents so as to be able to trace their accounts on social investment.

The legal and regulatory framework takes into consideration the authority structure in public education when spelled out in the Memorandum of Agreement, together with the conditions stipulated thereat. Although business donors do not usually insist, they do prefer that other stakeholders participate in the collaboration process so as to impress participatory ownership and value of the project. It is envisioned that autonomy is preserved for each stakeholder because of respect for each other's common commitment to public education.

Conclusion

Collaboration efforts between government and private business evolve along three modalities in the case of Philippine public education: multi-sectoral partnerships, business-sector-led initiatives, and corporate foundation engagements. These differ in certain aspects of program funding mechanism employed, project management and administrative processes pursued during project conceptualization up to project completion, patterns and frequency of interaction, formalizing procedures, and documentation requisites.

Corporate giving to education has been exercised by private business apart from their community and public affairs functions. Through collaboration with public education, private business is able express its corporate social responsibility, and responds to societal demands for strategic partnerships in social development.

A common perception among operational level corporate executives and public school officials who were engaged in collaboration activities reveals several factors which hinder or limit collaboration between private business and public education. These were identified as: perspectives of access to information and communication systems; appropriateness and adequacy of expertise and resources; transparency and accountability principles; legal and regulatory framework; sectoral goals and objectives; participatory process of stakeholders; political pressure/interventions; and autonomy and interdependence.

There is a need to incorporate and institutionalize collaboration and partnership as integral aspects of public education governance at various management levels of the public school system. Private business, in consonance with the values and beliefs

underlying its initiative and commitment to engage in the exercise of social responsibility, may further develop techniques of collaboration through shared experiences and the assessment of the paradigms of partnership in corporate governance.

References

Books

- Ocampo, Romeo B. and Oscar M. Alfonso (eds.)
1995 *Alternative Delivery Systems for Public Service*. Manila: Association of Development Research and Training Institution of Asia and the Pacific.
- Philippine Business for Social Progress (PBSP)
2002 *A Guide to Strategic Corporate Giving in the Philippines*. Manila.
2000 *Our Legacy*. Manila.
1997 *Profile in Corporate Responsibility*. Manila.
- Philippine Development Assistance Programme
1992 *Directory of NGO Partners*. Manila.
- Silliman, G. Sidney and Lela Garnes Noble (eds.)
1998 *NGOs, Civil Society and the Philippine State Organizing for Democracy*. Quezon City: Ateneo de Manila University Press.
- United Nations Development Program
1997 *Reconceptualizing Governance*. New York: Bureau of Policy and Programme Support.

Reports

- Eastern Regional Organization for Public Administration
1999 "Building Partnerships for Governance." Background paper for Plenary Session at the World Conference on Governance. Manila, 3-7 June.
- Philippine Business for Social Progress (PBSP)
1993 "Alternatives Towards Improving The Quality of Philippine Education to Meet Demands for Economic Growth." Final Report of the Consensus Group in Business and Education. Manila.
2000 "Effective Governance: A Tri-Sectoral Concern of Philippine Civil Society, Government and Business," A Technical Monograph. Metro Manila.
1994 "Investing in Science and Technology Education." Final Report of the Consensus Group on Business and Education.
1995 "Summary on Corporate Giving and Business Partnership in Education: 1993." Final Report. Manila.

Public Private Partnership in Policy Innovation and Implementation: Reflections on the Self-Assessment Scheme for Property Tax of the Bangalore Municipal Corporation

S. RAGHUNATH AND CHIRANJIB SEN*

Introduction

The role of public-private partnerships as an innovative mode of enhancing the quality of government functioning has been steadily increasing over the last decade. This process is visible across the world, and the specific governance context has varied widely. What is quite remarkable is the tremendous variety of innovative organizational forms that these partnerships have come to embody. Authoritative surveys of evidence available concerning these public-private partnerships have concluded that easy generalizations about their optimal institutional design are not possible at this stage of our knowledge (Boston, 2000). Consequently, it is important to examine closely the organizational and strategic design characteristics of promising and successful ongoing public-private partnership innovations. This paper analyzes one such case, which relates to an important process reform at the level of the urban local government—that of the attempted institutionalization of a new, transparent method of assessment and collection of urban property taxes by the Bangalore City Corporation.¹ This is the Self-Assessment Scheme (SAS), which was introduced in April, 2000. At a micro-level, the innovation is one of fiscal process reform at the level of an urban local body. The innovation is in line with the broad national (and international) agenda of fiscal reform, involving simplification and rationalization. It is also in tune with current trends in governance reform since it embodies such principles as transparency, citizen-friendliness and the curbing of corruption. However, the process reform must be understood in its larger social and economic context, which is that of a city in a developing country (with its multiple stakeholders) responding to an emergent challenge brought about by rapid change. The nature of this overall response embodies a particular type of public-private partnership that has, in our view, been important in the success that this initiative has

* Professor of Corporate Strategy and Professor of Economics, respectively, Indian Institute of Management, Bangalore.

We would like to thank the BMP and BATF officials for their help and cooperation. Much of the data and information utilized in this study was obtained through interviews. In particular, we wish to express our thanks to Mr. K. Jairaj, Mr. Ravichander and Mr. Vasanta Rao. Aparna Hawaldar ably provided research assistance.

¹ Throughout this paper, the terms Bangalore City Corporation and its official name in the Kannada language—Bangalore Mahanagara Palike (BMP) are used interchangeably.

so far attained. The case illustrates the role that public-private partnership can play in the institutionalization of a process innovation.

The paper is structured as follows. We begin by explaining the salient features of the overall social and economic context in which this experiment is being attempted. We seek to explain the precise nature of the public-private partnership that is a key element of this innovation. Next, we present a detailed account of the strategy and implementation process of SAS. Finally, we present the lessons that we draw from this case, based on our assessment of the success factors and weaknesses of this partnership innovation.

The Social and Economic Context

Bangalore has been one of the most dynamic cities in India over the last two decades. It has witnessed a decadal increase of population upwards of 40 percent. The city dominates the urban landscape of Karnataka, and official projections indicate that by 2021, the “Bangalore-Belgaum Urban Corridor” will have a population of 15.6 million and account for 57 percent of the State’s urban population (CPR, 2001: Table 4.9). It has become a cliché to refer to Bangalore as the information and technology (IT) capital of India, but this status has brought global attention to the city. It is emerging as a favorite investment destination for both domestic and foreign businesses. The city is an operations base for a number of industries apart from software, such as engineering, bio-technology, textiles, finance and so on. The dramatic economic growth of Bangalore has transformed the city from a relatively quiet, well-ordered urban location to a city with metropolitan aspirations with strong global links, all within a relatively short period of time. The intensity of this process, driven by economic factors, was largely unanticipated. However, it has quickly exposed the limitations of the prevailing urban systems and infrastructure.² It was soon recognized by key elements in the political leadership as well as the civil service that the long-term sustainability of the economic growth process in Bangalore (and thereby in the State of Karnataka) required a large scale and coordinated upgrading of amenities, infrastructure, and systems of urban governance. As we shall argue below, Bangalore has been able to respond with reasonable success to these challenges. The specific case that we consider in this paper is one small but significant element, alongside several other initiatives, which that constitutes this response.

Among the weaknesses of the urban governance framework in the state, and particularly in Bangalore, has been the multiplicity of institutions dealing with urban services. These include the Bangalore City Corporation, the Bangalore Development Authority, the Karnataka Housing Board, the Karnataka Slum Clearance Board, Karnataka State Road Transport Corporation, Bangalore Water Supply and Sewerage Board, and Karnataka Urban Finance and Development Corporation. An expert study

² During the early 1990s, an early sign of growing contradiction between Bangalore’s urban infrastructure and the needs of the city’s globalized and booming high-tech industry became evident. It took the form of an unprecedented public protest by the leading CEOs, who literally took to the streets to draw attention to the poor quality of the road link between the city and the industry-cluster known as “Electronics City” on the southern outskirts of Bangalore. The protest received wide publicity in the media.

carried out by the Centre for Policy Research, New Delhi, reached the conclusion that “the continued fragmentation and duplication of municipal functions by multiple agencies, not accountable to the public, undermine effective urban service delivery, with overlapping jurisdictions and conflicts” (CPR, 2001: 192). In addition, most of these agencies had a poor public image, and were in financially weak positions.

Given this kind of organizational configuration, it would have been difficult for the existing official agencies of the state and local governments to be able to develop an effective and cohesive strategic response to the challenges faced by Bangalore during the 1990s and beyond. What was necessary was an accepted vision and road map for urban change covering multiple dimensions. By the conventional definition of the role of the state, such activity would normally be carried out by government. However, in this case, there did not exist within the direct control of the state any organization capable of developing such a unified vision and able to win political and popular acceptance for it.³ In the case of Bangalore, this void has been filled by an organization based on public-private partnership. This organization, quite unique in the Indian context in terms of its composition and style of operation, is the Bangalore Agenda Task Force (BATF). Rather than attempting a large restructuring and rationalization of the multiple agencies of urban governance in Bangalore, the top political leadership in the state government (under Chief Minister S.M. Krishna) permitted this Task Force to play a catalyzing role. The BATF thus has played an important supporting role in the SAS innovation by the Bangalore City Corporation (also known as the Bangalore Mahanagara Palike, or BMP). Thus, the major partners in this case are the BMP and the BATF. As we shall explain below, the BATF is not exclusively a private sector organization. The major urban government agencies are represented in it, but it does have a strong private sector membership. Also, the BMP in its campaign has forged links with a large number of non-governmental organizations (NGOs). Nonetheless, the partnership between the BATF and the BMP was quite significant. We shall subsequently analyze, in a later section, the precise nature of the partnership in the SAS innovation. In the following section, we briefly present an account of the BMP and the SAS scheme.

Self-Assessment Scheme of Bangalore Mahanagara Palike: A Narrative Account

The Bangalore Mahanagara Palike

The Bangalore Mahanagara Palike (BMP) is the local government of the citizens of Bangalore, one of Asia’s fastest growing cities. The activities of the BMP involve civic development within the Greater Bangalore Metropolitan area, which covers 224.66 sq. km. (divided into 100 wards) and has a population of 6.8 million. Civic development in this case means a number of functions. Among the more well known are orderly development of the city (including zoning and building regulations), health, hygiene,

³ One of the interesting lessons from the experience of market-oriented reforms has been the need for upgrading state capacity. In many cases this requires innovating the institutional mechanisms for key functions of the state. In the case of BATF, we have an innovative approach to strategic policy making and change management in urban governance. Our analysis and recommendations for redesigning the policy making function at the State government level, is presented in detail in Sen Balasubramanian and Raghunath (2001). This study was undertaken at the request of the Government of Karnataka.

licensing, trade, and education through its network of schools and junior colleges. Lately, with the rapid expansion of the city, BMP's functions relating to the preservation of the urban environment and quality of life have become more important. Examples of such functions are the maintenance of lung spaces, water bodies, parks, greenery of the city, etc.

BMP is in a crucial position to handle more than 20 different types of functions that allow it to interface with the public. Almost all of those functions are necessary and touch the lives of citizens in one form or the other. This is reflected in the agency's departmental structure. Broadly speaking, engineering, revenue and health form the main divisions. But these are only the most visible ones. Other departments such as horticulture and the traffic-engineering cell also constitute important parts of the BMP.

Organization Structure of BMP

Bangalore is divided into 28 ranges and 100 wards for administrative purposes. Each ward is represented by a councilor. The governing body of the BMP is the council of 100 elected councilors, one from each ward. There are also five nominated councilors. The Mayor and the Deputy Mayor are the elected leaders of the council. All resolutions of BMP are passed through the council. This constitutes the democratic and political governance mechanism of the Corporation. The structure at the administrative level is detailed in the following section.

The Commissioner is the administrative head of the corporation. Normally, this position is held by a senior officer from the elite Indian Administrative Service (IAS). The Mayor and the Commissioner are the two pivotal positions in the entire BMP structure.⁴ Bangalore is divided into three zones—North, South and East. Three Zonal Deputy Commissioners support the BMP Commissioner. A Zonal Deputy Commissioner is also usually from the IAS. With regard to the revenue function of the BMP, two Revenue Officers assist each Deputy Commissioner. The Assistant Revenue Officers are in charge of each range and they report to Deputy Revenue officers. Career trajectories within the BMP are almost completely based on seniority of service. All promotions are all internal, and a clerk can rise to the post of deputy director in due course. Figure 1 describes the organization structure (relating only to the revenue function) of the BMP.

The Property Tax of the BMP

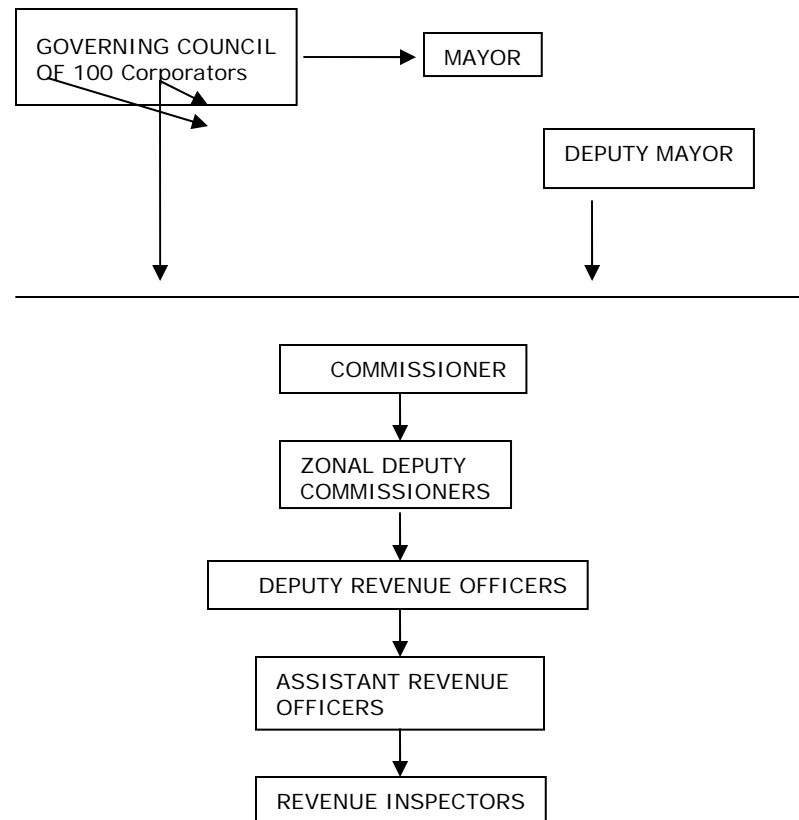
The main sources of municipal revenues include:

- Local taxes, broadly made up of property taxes, or rates on land and buildings; businesses, sales or value added, service and/or entertainment taxes; poll and motor taxes.
- User charges, which include rents, fines and fees for permits and licenses.
- Income from investments
- Inter-government transfers, subsidies and grants-in-aid from central government

⁴ During the transition to the SAS system, Mr. Ramachandrappa (Mayor) and Mr. K. Jairaj (BMP Commissioner) occupied these two key positions.

- Borrowing, including through revenue and general obligation bonds.

Figure 1. Organization Structure of BMP: Revenue Function



The revenues of BMP were under strain during the early 1990s. Of all these various sources of revenues to BMP, the property tax is the only big revenue source under the direct administrative control of BMP. To work independently and efficiently, BMP needed to have its own source of funds. However, the public image of BMP at the time of the fiscal reform was extremely poor.⁵ It was viewed as a corrupt, non-responsive organization, and officials had a reputation for harassing the public. The major grievance of the public concerned the area of "Assessment of Property" for calculation of the property tax. The system had built-in a high degree of discretionary power for the revenue officials. Even though there was an appellate body that citizens could approach, its reputation was such that most property owners hesitated to go to the appellate authority for resolving their problems.

⁵ In 1993, Dr. Samuel Paul of the Public Affairs Centre published the first of its citizen-survey based studies on public services. (See A Report Card on Bangalore's Public Services). According to this study, the city corporation received a low 2.9 rating on a 7 point scale of citizen satisfaction. Only 5 percent of the respondents felt satisfied (6 and 7 rating), while 49 percent reported being dissatisfied (rating 1 and 2). Also, 21 percent of the sample claimed to have paid "speed money" (petty bribe) in dealing with the corporation. Subsequent report cards show a remarkable improvement in citizen perceptions, thanks to process reforms like the SAS.

Assessment of Property Tax—Problems with the Earlier System

With regard to the property tax, it is generally acknowledged that efficient valuation of property, assessment and tax collection are the keys to maximizing local revenues. Prior to the system reform, the method of assessment of property tax followed the provisions under section 109 of the Karnataka Municipal Corporation Act, 1976. Any property is assessed to a tax based on its Annual Ratable Value (ARV). As per section 109(2), the ARV of a property is the gross annual rent at which the building or land may reasonably be expected to let from month to month or from year to year. Section 109(2)(a)(ii) provides the method for assessing the property tax when, in the opinion of the Commissioner, the gross annual rent cannot be estimated.

An interesting aspect of the earlier system is worth noting for the discretionary space that it provided for the revenue officials. Although the property tax had been assessed under section 109(2) since 1976, the Corporation never issued any formal guidelines to its assessing officers for the purpose of determining the annual rent. This resulted in having to rely on the official's personal discretion, which was not always fair. Typical problems encountered under the earlier system were different tax rates for similar buildings, citizen dissatisfaction, and leakage of revenues for the Corporation. Obviously, this system had benefited neither the citizens nor the Corporation.

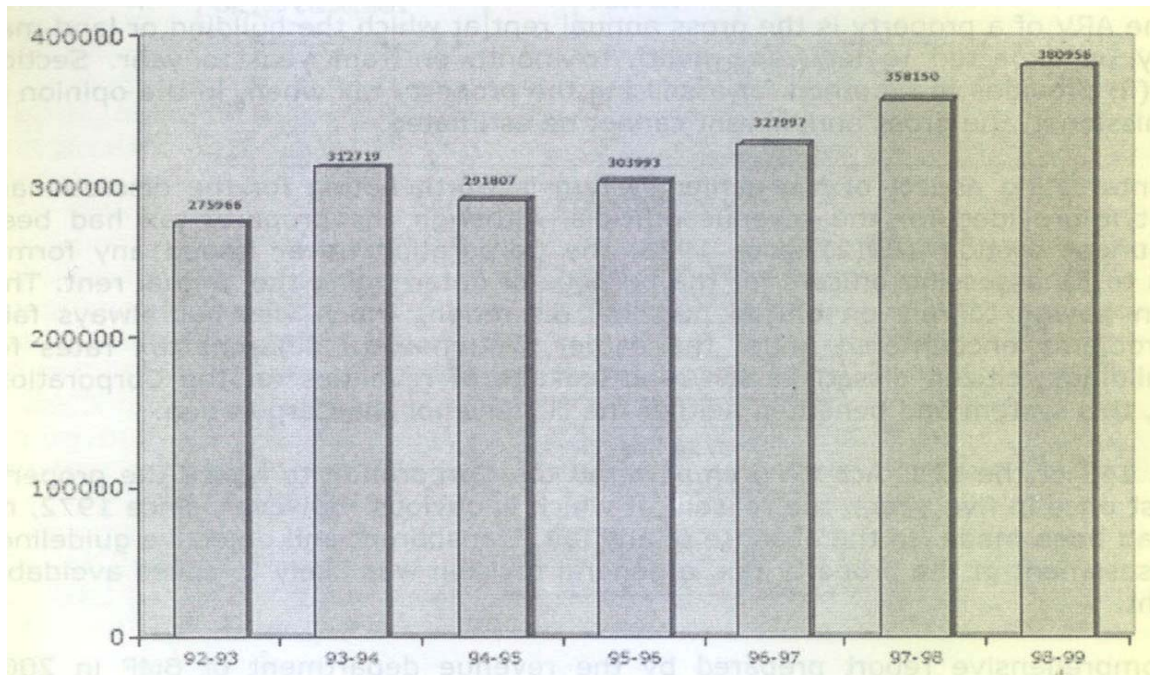
Sec. 148 of the KMC Act 1976 empowered the Corporation to revise the property tax at least once in five years, the reason for which is obvious. However, since 1972, no revision had been made. In the absence of any fair, transparent and objective guidelines for the assessment of the property tax, a general revision was likely to cause avoidable harassment.

A comprehensive report prepared by the revenue department of BMP in 2000 revealed that BMP was losing on average revenues of Rs.70 crores⁶ every year in property taxes due to the non-assessment of residential and commercial units in the city. According to the findings, only 2.79 *lakh* residential buildings, 72,247 commercial buildings and 29,245 vacant sites were assessed, amounting to a total of only 3.80 lakh properties in Bangalore, which has a population of around 60 lakhs. This is *prima facie* evidence that suggests the existence of substantial evasion. Figure 2 shows the stagnant trend in the number of assessed properties. The low penalty rate and the KMC Act, which allow avoidance and postponement of tax payment, have affected tax collection. Meanwhile, the demands on the urban systems to cope with change and upgrading put pressure on the municipal finances.

Hence, the BMP leadership clearly recognized an urgent need for a revised system of assessment, one that was based on fair and rational parameters and was simultaneously citizen friendly. The revision of rates of taxation could be done at the same time.

⁶ *Crore* and *lakh* are commonly used Indian units. 100 lakhs equal 1 crore. 1 crore is equal to 10 million, and 1 lakh equals 100,000.

**Figure 2. Total Assessed Properties
(Residential, Non Residential and Vacant Sites)**



The New System— Self-Assessment Scheme (SAS) for Property Tax

Even though the SAS represents a key process innovation, it is useful to note that the idea of the Self Assessment Scheme for Property tax was not new to BMP. An earlier Urban Management Committee report had earlier done much of the groundwork.⁷ It had analyzed all the major problems of urban Bangalore and given guidelines on what needed to be done. The report mentioned the Self Assessment mode of property taxation. It suggested the key operational idea for the scheme, namely that the properties should be classified into categories according to certain norms, and that the classification should be simple and not cumbersome. The innovation just needed an engine to take it forward. However, it seemed that there was no engine for implementation. What was new in the process of institutionalization of the SAS was the management of the process change.

The objectives of SAS were:

1. To augment the BMP property tax revenues through a simple transparent scheme;
2. To make it citizen friendly by allowing self-declaration by the property owners, based on a standard schedule of rates; and,

3. To minimize discretionary elements in the traditional property tax assessment process.

The first step in the process was to win the approval of the Municipal Council. While adopting the self-assessment scheme for property tax, the Council simultaneously passed a resolution (no. 388/99-2000, dated 13.3.2000) to take up general revision of all the residential properties since the same had not been done since 1972. Box 1 provides the basic elements of the Scheme.

Box 1

SALIENT FEATURES OF THE SCHEME

Based on a survey by the Department of Revenue & Stamps of the Government of Karnataka, the Bangalore City has been divided into six zones based on the land values of the properties in these zones.

A uniform basis for determination of the cost of construction has been provided. Five classifications have been delineated with notional construction costs assigned to each type of construction ranging from Rs 40 to Rs 250 per square foot.

Property tax rates for each of the **six zones** and **five types of construction** have been laid down in the resolution of the Bangalore Mahanagara Palike (BMP).

The notified rates are separately stipulated for residential, non-residential and institutional buildings such as cinemas, hotels, hospitals and nursing homes. Differentiation in unit rates has also been made between self occupied and rented properties. The rented properties are taxed at twice the rate applicable to self occupied properties.

The BMP also proposes to levy vacant land tax. Any land in excess of three times the built-up area of the property shall be taxed as vacant land at 30 percent of the rate applicable to the built-up area.

For mixed-use properties, tax determination is on the basis of area usage, like self occupied residential, rented residential and self occupied non-residential, etc. The area occupied under each classification is to be multiplied by the applicable per square foot rate. The sum total comprises the Monthly Ratable Value (MRV).

The MRV multiplied by ten is the Annual Ratable Value (ARV).

Provision has also been made in the scheme to reduce ARV after taking into consideration the age of the building. Depreciation as per the scale given can be computed and deducted from the ARV to arrive at the net annual ratable value.

The final ARV is subject to property tax at a uniform rate of 20 per cent. The rules also stipulated that whereas the increase in property tax under SAS shall not exceed 250 per cent of the immediately preceding year's assessment, the reduced tax shall not be less than 75 per cent of the previous year's tax.

Effective 1 April 2000, the Bangalore Mahanagara Palike (BMP) introduced the property tax Self-Assessment Scheme (SAS). Apart from seeking acceptance of the scheme by the public through its citizen-friendliness and transparency features, the implementation strategy also gave due consideration to the fact that some property

owners might still oppose it. Thus, a very important feature of the Scheme was that it was voluntary; it allowed property owners to either continue with the old tax regime or change over to SAS.

Bangalore thus became the first city in India to adopt a comprehensive, unit area method based, property tax self-assessment scheme.⁷

The Implementation Plan of the New Scheme and the Role of Public-Private Partnership

As noted earlier, the SAS for property taxation had been contemplated and conceptualized by in the early 1990s in Bangalore. Yet it could not be implemented until 2000. Since then, it has made steady progress towards institutionalization. What has made the difference? In this section, we shall provide an explanation based on the following key elements: (a) unified leadership; (b) innovative institution for public-private partnership, and (c) strategic implementation. In our analysis, (a) and (b) are the core success factors, which gave rise to (c). The successful implementation of the process reform required certain strategic inputs—insulation from organized political pressures, technical and professional inputs for assessing the revenue impact of the new scheme, “marketing” the new concept to the general public, and institutionalizing the process change within the BMP organization. We analyze below the manner in which these inputs were mobilized through the factors (a), (b) and (c).

Leadership and Political Ownership

Leadership at multiple levels (both political and administrative) has been extremely important. The convergence of the goals pursued by these leaders is perhaps the most crucial success factor. The role of leadership has been to recognize clearly the objective need for change and to have a broad vision of the direction to pursue with the willingness to bear the political risks involved. In the case of the SAS, we must note the complementary leadership roles played by the Chief Minister of the State of Karnataka, by the BMP Commissioner, and by the Mayor at the local government level. Most importantly, the alignment created the political leeway for a civil service-led process reform without which it would have failed to take root.

The role of the BMP Commissioner has been crucial to the implementation of the scheme.⁸ As the administrative head of the BMP, he/she is the top bureaucrat in the

⁷ An interesting feature of the scheme is the inclusion of slums into the tax net. Since all classes of property owners used civic services rendered by the city municipality, BMP decided to tax slum dwellers also at an ARV of Rs 500 at the maximum. Thatched housing units were assessed at Rs 4 per square foot per annum to arrive at the ARV. Thus, the minimum property tax payable by a jhuggi-dweller in the BMP jurisdiction worked out to Rs 134, including a cess of 34 percent.

⁸ Mr. K. Jairaj, as the Commissioner of Bangalore Mahanagara Palike (BMP), spearheaded the implementation of the Self Assessment Scheme in Karnataka. He received strong support from an internal team of officials that did all the ground work and actually implemented the scheme. Special mention should be made of the role of senior officials—Mr. Vasantha Rao and Mr. Aradhya. Mr. Jairaj was posted as Commissioner of BMP with a mandate to improve the image of the Corporation, making it more citizen-friendly. However, his predecessor (Ravindra) and successor (Dalwai) have also been committed to improving urban governance.

organization. The managerial job of the BMP Commissioner is challenging. It involves not only meeting the expectations of citizen-customers across a wide variety of public services,⁹ but also working with the 100 elected representatives from various political backgrounds and leanings, often pulling the Commissioner in a 100 different directions. Besides, every action is under the constant examination of the media. Last but not least, the Commissioner and his/her reform team must be able to convince and carry with them the rest of the BMP organization.¹⁰

Under such circumstances, it was crucial for the BMP administrative leadership to have a significant degree of political insulation to carry out the process reform. This operating space was provided by the newly elected Chief Minister of Karnataka State. The new S.M. Krishna-led government sought to create a vision for the city's emergence as a modern metropolis.¹¹ The direction shown by the highest level of the state government permeated into the political functionaries at the local government levels. And, as we shall discuss below, the state government created the institutional mechanism for public-private partnership in the form the BATF.

The support of the Mayor, as head of the city government, was crucial in managing the ground level politics of the SAS. Mr. Ramachandrappa was mayor of Bangalore Mahanagara Palike from 1999-2000, the year in which SAS was implemented. He gave the scheme his full support and strove to make it successful. There had been local level political opposition in the past to urban property tax reform. In fact, an earlier attempt in 1998 to launch a similar scheme had floundered due to political opposition.¹² In November 1999, Mr. Ramachandrappa became the mayor, even though his party was in the minority. On the same day, Mr. Jairaj took over as the Commissioner. Together, they decided to restart the effort to introduce SAS again in 2000. They presented it to the council, and after a protracted debate, the SAS was cleared. The first major political test for the reform had been won.¹³ The BMP thus formally undertook to change its 50-year-old system of property tax collection. This happened despite the fact that there was a strong lobby at the corporation, which had objected to any sort of reforms in the tax system and had seemed prepared to fight determinedly to retain the old system.

⁹ The BMP handles more than 20 different functions as diverse as road repairs and infrastructure development to issuing birth and death certificates.

¹⁰ For a recent study of the organizational change management in the BMP, see V. Vidyavathi, *People Related Interventions in the Management of Change—A Case Study of the BDA and the BCC*, PGPPM Dissertation, Indian Institute of Management Bangalore, 2004.

¹¹ Mr. S.M.Krishna of the Congress party took office as Chief Minister in 1999. Mr. Krishna sought to bring external expertise into the vision generation process through the creation of a number of task forces dedicated to important state-level policy issues.

¹² The BMP (under the then Commissioner Dr. A. Ravindra) had announced that it would rationalize property taxes on the lines of the income tax. The BMP Council passed a resolution on 26 February 1998. It did not take off as several corporators demanded modifications including revisions in stamp duty. This happened several times. Every time the amendment was placed in the council, it was voted out.

¹³ According to first-hand accounts, the discussion went on for 4 days. There were arguments and counter arguments. Experts in the field made presentations about the goodness of the scheme, in order to convince the councilors. Finally at the end of 4 days marathon debate, the council voted for SAS with a few minor modifications.

The Mayor's support went beyond the council chambers. Later, at all public meetings the Mayor emphasized that BCC was not burdening citizens with additional taxes but was only seeking to bring evaders into the tax net while providing for realistic assessment on under-assessed properties. Thus, the Mayor helped both in meeting political resistance, and in marketing the new scheme to the citizens.

The Bangalore Agenda Task Force: Catalyst for Private Sector Input into Urban Governance

The Bangalore Agenda Task Force (BATF) emerged in 1999 with the blessings of Chief Minister S.M. Krishna. Its role in the SAS implementation was only one of several initiatives with which the BATF is associated. Though task forces and expert committees are hardly new, the mode of operation of the BATF has innovative features that are worth noting. It has succeeded in forging a close partnership between government agencies and private organizations and professionals in a results-oriented manner. It has thus far managed to avoid the traps that such bodies typically fall into—degeneration into pure talking shops with little clout, or into vested-interest lobbies.

The official status of the BATF was codified through an executive decision (Government Order –UDD 400 MNY 99, dated 26 November 1999). Membership in the Task Force was by appointment. Though the Krishna Government established several task forces, the BATF has emerged as perhaps the most prominent and high profile among them. The BATF members include a number of “eminent citizens.” Among them are some of the leading figures in the IT Industry, along with some professionals (most of whom are associated with business). The BATF is thus a vehicle for the new entrepreneurial class of Bangalore to directly enter the public policy space. It seeks to do so not in the traditional role of a lobbyist group but as a partner in setting the urban agenda as well as in implementation. Though many of the task force members are present in their private capacity, their status in the corporate world ensures that the BATF is a key channel through private corporate bodies can directly impact policy. At the same time, the BATF has a number of government members, most of them ex-officio. These are typically the top civil servants heading the urban government agencies.¹⁴ There is thus a high-level interface between public and private managers and professionals. The bridging of this long-standing divide between private sector and public sector managers, so characteristic of pre-market reform era, marks a psychological (and political) break with the past, and in a sense constitutes the core of the institutional innovation.

The BATF has formed formal ongoing partnerships with the urban agencies including:

- The BMP
- Bangalore Development Authority
- Bangalore Police
- Bangalore Metropolitan Transport Corporation
- Bangalore Water Supply and Sewerage Corporation

¹⁴ The BMP Commissioner is Member Secretary of the BATF, and the Principal Secretary, Urban Development Department is a member. However, the majority of the 15 Task Force members have private sector experience and affiliations.

- Bharat Sanchar Nigam Limited (Telephone Co.)
- Bangalore Electricity Supply Company

The working methodology of the BATF may be summarized as follows:

- (i) The high level political support of the Chief Minister provides legitimacy and status to the BATF activities and also serves to create an insulation from political pressure groups, which might be working through low-level political intermediaries.
- (ii) It contributes in terms of both a broad vision of the future as well as in terms of concrete ideas. In doing this, the BATF mobilizes professional inputs primarily from the business world (e.g., marketing skills, architectural and urban planning expertise, etc.).¹⁵
- (iii) The BATF does not confine itself to generating “vision,” but seeks to be closely involved with implementation through partnerships with urban agencies. The implementing arms of the BATF are “project teams,” comprising of paid professionals who work under the Task Force, and interface with the partnering agency.
- (iv) The key organizational link that the BATF partnership forges is between the middle and upper management teams within urban agencies and the Task Force members and Project professionals.¹⁶

Though the BATF functions like a business supported organization, which performs planning, advisory and lobbying functions, strictly speaking, it is not an NGO. Rather, it is a body, which has been constituted by the State Government, and thus may be thought of as being part of the government. It is this particular status of “insider” that gives the BATF its distinctive clout within the government, and gets it an inside track into what really “is going on” in the policy process. As explained below, the BATF role in the SAS implementation has been providing professional advice in technical and managerial issues, in the “social marketing” of the scheme via support to the public awareness campaign, in the IT-based verification of application forms, and, more generally, as an easily accessible think tank and sounding board.

In relation to the SAS in particular, the BATF has contributed to the conceptualization of the communication strategy, as well as the delivery mechanisms and computerization of data. For example, the Kannada name of the scheme, *Swayam*

¹⁵ In carrying out these functions, the BATF seeks to ensure its autonomy by channeling its own funds rather than drawing on scarce public resources. These funds are typically raised through (substantial) voluntary individual and corporate donations. These “public spirited” gestures also provide some measure of public goodwill to the BATF.

¹⁶ Among the earliest projects taken up by the Task Force was one, in collaboration with the BMP, relating to the reform of the municipal accounting (fund based accounting system). The BATF has taken up projects covering a variety of areas, including Public Health and Sanitation, Urban Spaces, Road and Traffic Infrastructure, and Reforms (relating to government processes). The SAS Reform for Urban Property Taxation is one the Process Reform initiatives.

Ghosane, was coined by BATF. Also, BATF funded the communication initiatives of BMP to the extent of Rs.36.8 lakhs.¹⁷

Design of Implementation Strategy for the SAS

Fixing the Tax Rates. The SAS is founded on a critical set of tax rates, which that would have to be determined in advance and announced. Based on these rates, property owners would assess their tax liabilities. The first step in the strategic approach to SAS implementation was to check out what could go wrong in the process and avoid thus possible errors. The principle followed was to build in two features aimed at winning citizen acceptance—gradualism in the tax revenue increases and an option to the taxpayer regarding whether to join the SAS or not.

The major decision to be taken was on the fixing of tax rates for each of the different categories of property in each of the locations (zones) within the city. The BMP had to be careful in fixing the tax rates. The tax rates had to be fair and acceptable to the public. At the same time, it was essential that there should not be a drop in revenues although revenue neutrality was an acceptable result. The absence of statistics/information about the past performance of BMP regarding tax collections was a major obstacle to the estimation of the correct tax rates. The team assessed about 4,000 cases across the 100 wards of BCC for various rates and the possible impact on the taxpayer. Based on these data, the tax rates were calibrated, with due attention given to equity. The tax rate planners also wanted to ensure that there would be an adequate degree of stability in tax assessments. Hence, the team set a cap on both the upper and lower ends of the tax due from any property owner during the transition from the old to the new system. Thus, it was ensured that any increase in the property tax under SAS would not exceed 250 percent of the preceding year's assessment, and also that any reduced tax would not be less than 75 percent of the previous year's level. Though the SAS design includes over 200 variable factors affecting property tax determination, it is transparent and passes the onus for determination and payment of the property tax on to the property owner. BMP also proposed to scrutinize five percent of the returns filed under the Self Assessment Scheme each year to ensure that the owners were correctly determining and depositing their property tax.

The team at BMP also anticipated possible opposition from some property owners in the form of Public Interest Litigations to be filed against the implementation of the SAS. This would have stalled the implementation of the new system. In order to avoid this eventuality, the scheme was made optional. However, it was made clear that even for those who opted not to join the SAS, new revised property tax rates would be applicable. Although taxpayers were asked to convey their decision by 29 May, the BMP clarified that the valuations of all existing property would be revised upwards as of 1 June 2000. Thus, the new rates would be applicable to all those who chose to be governed by the old scheme—until such time as the pre-existing system was withdrawn altogether and replaced by SAS.

*Winning Support within the BMP Organization.*¹⁸ The second key element in managing the process reform was to align the BMP organization with the SAS. The

¹⁷ The funding was given to the BMP efforts through the Adhaar Trust, a private fund set up from private contributions by the Nilekani family. Nandan Nilekani is MD of Infosys Technologies, and a member of the BATF.

¹⁸ For a more detailed study on this aspect of the SAS, see V. Vidyavathi, *op.cit.*

internal stakeholders needed to be convinced of the scheme's usefulness. Mr. Jairaj and his team had realized very early on that they were touching a very raw nerve of with regard to the BMP officers. They had to take these assessing officers into confidence before implementing the scheme. This had to be done since SAS would remove the prerogative of official discretion in the assessment of taxes thereby curtailing the corresponding powers of revenue officers. The reform team stressed the need to raise BMP revenues. They pointed out the fact that there was a substantial number of potential taxpayers who had not been coaxed into the tax net. The SAS would cater to the existing taxpayers, who constituted only 70% of the total tax base. The team argued that the implementation of the SAS would free the revenue officers to go after the remaining 30 per cent who did not pay taxes. Further, an incentive scheme was launched to motivate the revenue officers to collect the maximum amount of taxes in their division.

It was decided to involve all the revenue officers in fixing the tax rates under each category. Even the zonal classification of the city was done in consensus with them. A three-day meet was held at a different location, away from BMP, and the revenue officers were given the freedom to discuss the tax rates for different zones and categories. There were agreements and disagreements before a consensus was reached and the approved tax rates handed over to the deputy commissioner.

This process achieved two objectives. First, the revenue officers of BCC, who were one of the strongest opponents of this scheme, were brought on board. Second, the tax rates fixed could not be disputed by anybody since the revenue officers themselves had decided on them. After this, in one of the public meetings and in a show of solidarity, various employee unions of the BCC, especially those connected with revenue, pledged their support to SAS. Union leaders stated that the scheme would go a long way in strengthening the public image of revenue officials, who were often accused of corruption.

Ensuring External Stakeholder Support—Public Awareness Campaign for SAS. With support from the BATF, the Bangalore City Corporation began its campaign to publicize the SAS on 22 March 2000 with a call for cooperation from the public at a combined interactive session with members of the FKCCI (Federation of Karnataka Chamber of Commerce and Industry) and GMCI (Greater Mysore Chamber of Industry), two prominent business associations. Adopting a participatory, consultative approach towards civil society, the entire top rung of the BMP, especially those involved in the scheme, were present to explain and fend questions. The team at BMP held nearly 80 to 100 meetings with all the resident associations and about 50 plus meetings with commercial associations, wards and industrial associations over the period February to March 2000, selling this concept to various stakeholders. About 100 NGOs were elicited and trained to spread the SAS awareness among the people.

The awareness campaign also involved modern mass communications and marketing techniques. The scheme was popularized through television and the print media. There were panel discussions and interviews with the mayor and the commissioner. The local TV Channels ran clips with celebrities and eminent personalities endorsing the scheme. A series of advertisements were run in the leading newspapers in Bangalore. A separate column called "Tax Talk" was opened to answer all the queries regarding SAS. The public was invited to write about all their doubts to the press and assured that they would get a reply. A telephone help desk was set up available during

working hours. A special desk was set up at the BCC office. Two officers would answer all enquiries from the public and provide assistance regarding the scheme, in both English and Kannada. Help desks were set up in all the revenue offices as well.

Design of Tax Forms. Customer-friendly business styles were adapted and applied to the SAS. A lot of care was taken in designing the forms. Firstly, all forms and notices were bilingual, i.e., in Kannada and English. This was done keeping in mind the fact that Bangalore was a metropolitan city and many of its residents may not know the local language, Kannada— a language deficiency that could in turn lead to harassment.

The application form came with a booklet called “Property Tax Self Assessment Scheme” which had all the details and provisions regarding the scheme, including a few completed examples. These were published at the government printing press. The booklet was priced cheaply at Rs.20/- and given to all the citizens going for the scheme so that they could assess the tax due on their own properties.

Citizen-Friendly Payment Clinics. The BMP also sought to make the payment of the tax as easy as possible. It set up payment clinics in each of its 100 wards. The citizens could just walk into any of the clinics and pay their taxes. The commissioner and his team made it a point to visit these clinics regularly. The BMP even simplified the process of paying the tax—payment could be made at any of the range-wise designated branches of leading local banks. Participating banks included Canara Bank, Vysya Bank, Dena Bank and Syndicate Bank. The taxpayers could collect their receipts at the bank counter itself. Besides, range-wise payment clinics were also opened.

Verification of Tax Forms through IT. Information technology was also harnessed in support of the SAS. As a part of the effective functioning of the SAS, the BMP developed an in-house computer program for checking the applications made by the citizens. Here too, the BATF played a partnership role.

The tax forms of SAS were designed in conjunction with this computer program. The information input was such that if anybody cheated on information in page 1 of the application form, it would be detected by the data program in page 3. The form was constructed with a particular logic and if the property owners did not follow this logic in filling the form, then the computer would detect it and categorize the particular form as a “doubtful form.” Notices to be sent to these parties were generated automatically.¹⁹

Out of the 2.75-lakh applications received, nearly 72,000 applications were rejected because of “mistakes apparent on record.” Polite notices were sent to all these taxpayers explaining the error. The public responded very well. An additional amount of Rs.4.5 crores was collected due to this process. The public did not mind paying the balance amount due after the errors were explained. This is an indication that public confidence in the BMP had gone up.

¹⁹ While designing this tax form, the revenue officers kept in mind that in general, there would be five types of general mistakes. For example, taxpayers might indicate the wrong zonal category, wrong building category etc. The BMP computers would automatically check for such “Mistakes Apparent on record.” As soon as the data was fed into the computer, the system would detect these “Mistakes Apparent on record” and would generate notices automatically.

Implementation of Self Assessment Scheme and Its Impact

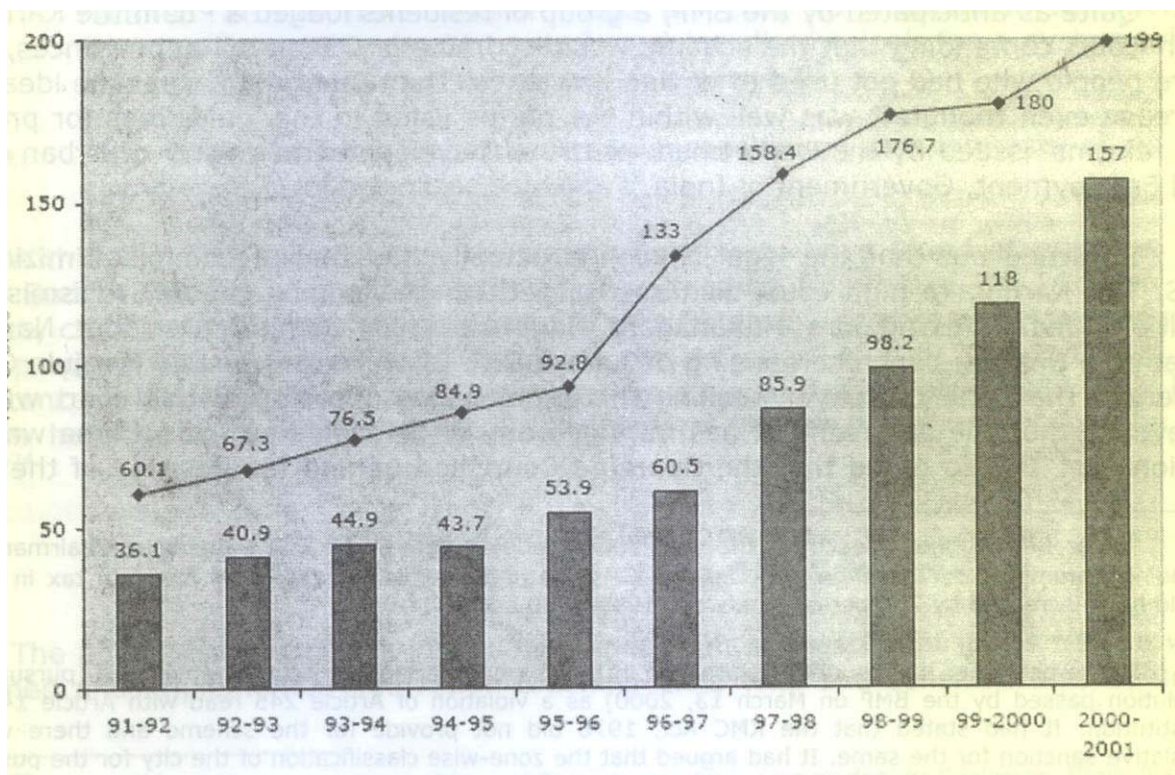
Fiscal Impact

With this preparatory work, the SAS was first introduced on 1 April 2000. A core team was formed to implement and monitor the scheme, with the Commissioner at the helm. There was day-to-day monitoring of the scheme by the team. The public response was remarkable for a scheme that was entirely new. Participation was initially open till 30 May 2000, but was extended for another month due to great demand. The second phase was opened from 1 October 2000 to 30 November 2000. Over 230,000 property owners had opted for the new system in 2000-01 and paid property taxes to the tune of Rs. 103 crores. While the total property tax collected by the BMP that year was Rs. 157 crores, out of this was collected through the SAS accounted for Rs. 103 crores.

The scheme was re-introduced in 2001-02 from 1 April for two months. Over 1.35 lakh property owners had paid taxes during this period. Of the target of Rs. 175 crores property tax collection that year, the BMP collected Rs. 95 crores during the first phase.

The fiscal impact of the scheme can be gauged from the figure given below.

Figure 3.
Demand vs. Collection of Property Tax



An overwhelming 2.5 lakh property owners (out of 4 *lakh* registered owners) opted for the scheme in spite of tax rate increases in the range of 20 percent to 50 percent over the existing levels. Obviously, tax payers perceived this to be an improvement over the traditional tax computation and assessment method.

Consequently, the city property tax collection rose to around Rs.157 crores in 2000-01, compared to Rs.118 crores in the previous year. According to the latest available information, this positive trend in revenue generation has continued. This suggests that the innovation has been successfully institutionalized. Tax collection through the SAS continues to rise rapidly. Thus, the BMP revenue target for 2003-4 for the property tax is Rs. 255 crores, and current estimates for 2004-5 is amount to Rs.300 crores.²⁰

Actual Experience in Dealing with Opposition to SAS

Whenever there is a change, protest is inevitable. Two groups had strong incentives to oppose the new scheme. The first group of potential opponents to the SAS was the property owners whose taxes had been fixed at a low figure by providing an "incentive" to the revenue officers. The other potential opposition group consisted of the revenue staff whose "income" would be affected by the revision in the method of tax evaluation. It was not surprising that dissatisfaction with the new scheme manifested itself as Public Interest Litigations and demonstrations.

The Public Interest Litigations (PIL)

Quite as anticipated by the BMP, a group of residents lodged a PIL in the Karnataka High Court contending that the scheme was discriminatory. From all appearances, these were people who had got used to paying low taxes. They could not accept the idea of an increase even though it was well within the norms listed in the "guidelines for property tax reforms" issued by the Department of Urban Development, Ministry of Urban Affairs and Employment, Government of India.²¹

It turned out that the legal challenge actually had the effect of legitimizing the SAS. The Karnataka high court dismissed a petition challenging the SAS. Dismissing a petition filed by Bangalore Mahanagara Nagarika Kriya Samithi president Narayana Swamy, a division bench comprising of Justice G.C. Bharuka and Justice Manjula Chellar observed that, "no tax payer availing this scheme has approached this court with the grievance that the enforcement has infringed any of his rights as the scheme was only optional."²² It also noted that the Supreme Court had upheld the decision of the Patna

²⁰ See BMP Budget Speech for the year 2004-05 delivered by Shri K.S. Sameeulla, Chairman of the Standing Committee for Taxation and Finance, BMP. If the target is achieved, the property tax in 2004-5 would have increased by 254 percent between 1999-2000 and 2004-05.

²¹ The petitioner had sought the direction of the court to declare the scheme envisaged (pursuant to a resolution passed by the BMP on 13 March 2000) as a violation of Article 245 read with Article 14 of the constitution. It had stated that the KMC Act, 1976 did not provide for the scheme and there was no legislative sanction for the same. It had argued that the zone-wise classification of the city for the purpose of the scheme was unscientific and amounted to discrimination.

²² Thus, the strategy of keeping participation in the scheme optional also paid legal dividends.

Municipal Corporation in determining the ratable value of the property on the basis of square foot or carpet area and hence there was no discrimination meted out to the public. The bench said that the scheme was a good measure in order to stem the arbitrariness and corruption in the BCC while assessing property taxes. Also, the bench said that the petitioner, being an unincorporated body of individuals, can espouse neither the cause of its members nor that of the public and hence the petition was not maintainable. It further noted that there was no public litigation involved in the petition.

The bench advised the state government to amend a section of the KMC Act along the lines of the Patna Municipal Corporation Act. The government was asked to make appropriate rules to embody the structure of the scheme with such modifications which in order to make it more intelligible and rational. "Such measures will certainly meet the need of the day and give some amount of solace against the arbitrariness and corruption prevailing in the administrative wing of BMP," it further noted.

Despite the legal challenge, the general public response to the scheme was quite positive, as reflected in the following sample of comments by citizens:

- "The transparency in the system has brought in a new dimension that property assessment and payment is no more a nightmare."
- "The system is simple, reasonable and also rational. The BCC is trying its best to improve civic amenities in Bangalore. It is a gigantic task and the mayor and commissioner should be given all support and encouragement in discharging their duties in spite of red herrings created by ignoring societal welfare. A reasonable scheme (even with some shortcomings that are to be rectified in the next revision) and an easy to implement scheme, as introduced by BCC should be endorsed by all who look for a system which maximizes the welfare of the society as a whole."²³
- "The BMP has been impartial in duly considering the interests of all the agencies. It is an optimized scheme."

Within the BMP Council, the SAS scheme seems to have found acceptance. The latest Budget Speech of the Chairman of the Standing Committee on Taxation and Finance, cited earlier, states the following: "The substantial increase of revenue income from property tax collection as a result of the adoption of the SAS...indicates the acceptance of SAS by the citizens....Augmenting property tax revenues will go a long way in helping to implement various development project being undertaken by the BMP."²⁴

Concluding Reflections on the Initial Experience of the SAS Scheme

The above account of this innovative experiment suggests that it has been a well-designed and implemented innovation touching on a vital and sensitive area of urban

²³ D.M. Nanjundappa, an eminent citizen of Bangalore, who is former deputy Chairman, State Planning Board, and Chairman, High Power Committee on Redressal of Regional Imbalances, Bangalore.

²⁴ BMP Budget Speech, op. cit., p. 9.

governance. The experience shows that even in the area of tax reform, and notwithstanding the fact the reform was intended to actually raise tax rates, an approach based on enhancing transparency and voluntary compliance can succeed quite spectacularly.

We have discussed at length the several factors that have combined to make the SAS a successful urban government reform. It is not our purpose here to try to measure the degree of contribution of each of the contributory factors. Such an exercise would be pointless. What is crucial to recognize is the powerful effect of synergy between these factors: (1) The early recognition of the potential of the SAS system, as a precursor to tax rate increases; (2) The creation of an enabling political environment in which modern, innovative approaches to reforming long-established government processes by the high-level political leadership; (3) The political will at the municipality level in taking a risk on the innovation; (4) The ability of the political and administrative leadership of the BMP to mount a coordinated campaign; (5) The ability of the BMP Commissioner to constitute and lead a committed reform team within the BMP; (5) The partnership with a unique institutional formation—the Bangalore Agenda Task Force, which helped with ideas and professional inputs, and to with the application of modern information and communication technology and marketing techniques innovatively in the cause of the SAS; (6) Meticulous planning of the implementation strategy, including the ability to anticipate and forestall opposition from external and internal stakeholders; and finally, (7) Determined and conscientious implementation and monitoring.

The general approach of the BMP in dealing with the public in relation to the SAS has been quite sophisticated and professional. The detailed planning and preparation behind the scheme, the substantial effort and energy expended in communicating with the public via consultations, media-based information campaigns, and citizen-friendly payment mechanisms reflect a cultural shift in the approach of local government bodies. This was in line with the general approach of changing the image of Bangalore adopted by BATF. Hence, this partnership did help provide the managerial engine to bring to fruition an idea that had already taken shape earlier, but was being blocked by opposing interests. As a result of the success of the SAS, the Karnataka Government has decided to extend the self-assessment scheme of property tax to the rural parts of the State as part of its efforts to provide a boost to the revenues of the *gram panchayats* (village-level government bodies).

Finally, we should note that the public satisfaction level with the BMP has undergone quite a significant improvement. The SAS, no doubt, can take a fair share of credit for this upturn. In the latest citizen report card published by the Public Affairs Centre (Public Affairs Centre, 2003), the results of the survey indicate that the percent of respondents expressing overall satisfaction with the BMP has gone up from 5 percent (1993) to 41 percent (1999) and 73 percent in 2003. These findings are an endorsement of the direction of local government reform being adopted in Bangalore. It thus seems possible to raise taxes and simultaneously increase citizen satisfaction.

References

- Boston, Jonathan
2000 "Organizing for Service Delivery—Criteria and Opportunities," in B. Guy Peters and Donald J. Savoie (eds.), *Governance in the Twenty-first Century—Revitalizing the Public Service*. McGill-Queens University Press.
- Centre for Policy Research (CPR)
2001 *The Future of Urbanisation—Spread and Shape in Selected States*. New Delhi.
- Public Affairs Centre
2003 *The Third Citizen Report Card on Public Services in Bangalore*. Bangalore.
- Sen, Chiranjib, N. Balasubramanian and S. Raghunath
2001 *Improving the Quality of Governance in Karnataka: Outline of a Strategy of Governance Reform*. Indian Institute of Management Bangalore (Mimeo).