Local Government and Participatory Democracy:

THE QUEST FOR GRASSROOTS POLITICS IN ASIA
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Editor-in-Chief

One of the most interesting aspects of globalization is how it has paradoxically created greater demand for and appreciation of localization, that is to say: the growing focus on grassroots democratic participation, preservation of long-cherished cultural traditions, and an emphasis on identity preservation and authenticity in an era of accelerated change and hyper-competitiveness. Despite all its shortcomings and vagaries, many countries continue to view electoral democracy, in its varying forms, as the ideological endpoint of human history. And all attempts at reforms, accordingly, are aimed at making liberal democracies more politically open, socially-inclusive and economically robust.

The rising economic tide across Asia has gone hand in hand with greater demand for democratic participation and political empowerment by an expanding middle class population. The demand for clean and effective governance has become a central theme of public debates. And such expectations have not been confined to the national-central government alone.

In rapidly developing regions such as Southeast Asia, a booming economy has coincided with an explosion in institutionalized corruption, bureaucratic red tape, and technocratic insulation from popular pressure. No wonder, there have been efforts at developing and/or adopting mechanisms to curb corruption, provide welfare and affordable services to marginalized or impoverished citizens; initiatives such as participatory/bottom-up budgeting as well as renewable energy experiments have become popular expressions of good governance in different countries, with some even gaining global recognition.

Across Southeast Asia, the issue of “local democracy” has become a focal point in discussions of governance, since, in recent years, many vibrant local government units, driven by principles of local democracy, have managed to provide more robust, effective, and participatory models of governance, which have been absent on the national level. Some of these local government figures such as Indonesia’s Joko Widodo (Jokowi) or South Korea’s Park Won-Soon eventually managed to win national and international acclaim, with Jokowi eventually rising to the Indonesian presidency. Gains and success stories on the ground, anchored by collaborative relations between elected leaders and their constituencies, have provided a rich tapestry of ideas and experiences, which can be applied to varying levels of governance, strengthen the democratization momentum across the region.
And there are reasons for optimism. After decades of legislative standoff and politicking, there seems to be a positive shift in the political landscape of many Southeast Asian countries: the passage of landmark legislative measures such as the Reproductive Health law in the Philippines and the Law Against Domestic Violence in Timor Leste have raised hopes among many reformist and progressive forces in the region.

Countries like the Philippines have also embarked on a high-profile anti-corruption initiative, which has, so far, led to the arrest of leading senators accused of embezzling public funds. Meanwhile, in Malaysia, a wave of political change took place in the last two general elections in 2008 and 2013, putting the opposition coalition Pakatan Rakyat (People’s Coalition) in power in several key states after 57 years of rule by the current regime. In Indonesia, President Jokowi has confronted a stubborn oligarchy, which has sought to abolish local government elections in order to reassert its grip on the Indonesia political system, weaken the bureaucratic reach of the new president, and block grass-roots efforts at reforming the country.

The pattern of these political dynamics is clear: regimes across the region are being confronted by large-scale uprisings, in varying forms, facilitated by increased political awareness as well as the usage of social media technology. For social democrats, it is necessary to assess the nature and dynamics of these victories and struggles in order to draw the best possible lessons on how to confront anti-democratic forces and ensure sustained, successful lobbying for good governance initiatives in the region.

**Charismatic Democratization**

Indonesia is not short of charismatic, dedicated local leaders, who have transformed the broader national political landscape, with Jokowi standing as the quintessential ‘local-goes-national hero’ of the Southeast Asian country’s inspiring democratization story. From Jakarta Governor Basuki Tjahaja “Ahok” Purnama to Tri Risma Harini (Surabaya Mayor), Remigo Yolando Berutu (Regent of West Pakpak), F.X. Hadi Rudyatmo (Mayor of Solo), Richard Louhenapessy (Mayor of Ambon), Indonesia boasts a wide range of innovative and dedicated local government leaders.

The rise of these charismatic democrats has come in the aftermath of a decade-and-half-long democratic reform in Indonesia, after the demise of the Suharto strongman regime in late-1990s. But Indonesia’s democratization and political decentralization has been far from a smooth process.

“The implementation of local autonomy, however, did meet its initial goals. In most of regions in Indonesia, the local autonomy, which was originally designed to improve governance in local areas to better accommodate local needs and improve welfare, turned out to be shattered by the interests of local elites through corruption, nepotism and collusion based on local elite family and political party,” argues Antonius Cahyadi, lecturer in Faculty of Law, University of Indonesia, in the *Quarterly*. “Like a virus, corruption, collusion and nepotism after the reform, did not only take place in central government but also spread out to the local level. In effect, there was a decentralization of corruption. This had worsened the performance of local government but also spread out to the local level. In effect, there was a decentralization of corruption. This had worsened the performance of local government and brought suffering to the people.” In short, political decentralization led to decentralization of the corrupt practices of the preceding regime.
Nonetheless, Indonesia has made significant strides in its democratization journey, as exemplified by Jokowi’s meteoric rise. “One of the things regarded to be the success of Jokowi is when he opened the spaces for citizen participation in the governance. For example, at the time Jokowi had to relocate the street side peddlers in Solo, Jokowi used persuasive approach, oriented to the welfare of the citizen, thus not only the relocation went out smoothly but enthusiastically welcomed by the peddlers,” Cayhadi explains. “This is in contrast with most of the street peddlers’ relocation in Indonesia that usually are carried out in coercive manners and end up with violence.

A key characteristic of the burgeoning reform movement in Indonesia, however, is its (precarious) reliance on charismatic leadership and various forms of populist politics. “The reform and initiatives toward good governance was started from the emergence of charismatic leaders supported by the people,” Cayhadi argues. “These new leaders develop creative approaches towards the creation of a system to enable good governance in their regions.”

Obviously, there is a risk to this kind of personality-based reform. As the experience of Latin America poignantly illustrates, the main challenge of democratic populism is to ensure reforms are not bound by the whims and the longevity of the rule of a single charismatic leader. Translating leadership charisma into long-term systemic change in the country is crucial to engendering the spirit of reform into the institutional fabric of a specific country. But overreliance on a single or few charismatic leaders for quick and dramatic change tends to create an upsurge of soon-to-be-disappointed expectations, risking sorrow and disaffection if broader institutional constraints are not taken into consideration. This is why it is important for progressive leaders in Indonesia and elsewhere to ensure they stake their long-term legacy not on short-term quick-fixes and political theatrics, but instead dedicate themselves to enhancing the capabilities, autonomy, and accountability of state institutions.

As for their supporters, it is also important for them to balance their expectations against the backdrop of the existing structure of political opportunity. In the end, true reform should be a dialectic outcome of a top-down since leadership and grassroots level mobilization on a sustained scale.

The region’s other liberal democracy, the Philippines, has also been a beneficiary of local government successes, thanks to the dedication of progressive leaders such as Mayor Caesar Perez of Los Banos, Laguna, who have not shied away from combining discipline with constant consultation and collaboration with civil society groups. As a result, Perez’ constituency has emerged as a laudable green community, serving as a shining model for other local government units in the country and beyond.

“As one of the champions in environmental management of municipal solid waste, he has the political will to fully enforce the ordinances on anti-littering, mandatory segregation of garbage, cleanliness of the premises, frontage of business and commercial establishments, and use of plastic bags only for wet goods,” Antonio Alcantara, an environmental expert at University of the Philippines (Los Banos), explains in the Quarterly. “In 2014 he encouraged the 13 lowland barangays to have their own vehicles for hauling their segregated biodegradable and residuals to the MCMRF (Material Recovery Facility).”

In more mature democracies such as Japan, there have also been growing efforts to expand avenues for participatory democracy and involvement of the broader citizenry and civil society group in the improvement of the community’s welfare. Since the introduction of the NPO (“Law to Promote Specified Nonprofit Activities”) in 1998, there has been growing demand for non-profit groups to participate in delivering government-provided services as well as budget-making procedures. In the Ichikawa municipality, not far from metropolitan Tokyo, the citizens, under a progressive mayor and local leadership, pushed for the so-called “1% system”, derived from Hungary’s experience.

“The Ichikawa case has three features. First, 1% of each inhabitant tax goes to non-profits. Second, citizens vote which non-profits they can support. Third, tax payers can choose up to three organizations. The second feature is unique with the Ichikawa case, and is the leading example of participatory budgeting in Japan. The Ichikawa case started in 2005,” Akira Mtsubara, the president of the Coalition for Legislation to Support Citizens’ Organizations, Japan, who played an instrumental role in pushing for such reforms in Ichikawa, explains in the Quarterly. “The Ichikawa case has influenced the notion of public budgeting; the biggest impact was that the system support non-profits’ finance according to citizens’ needs. The model also spilled over to other municipalities – Ichinomiya, Oshu, Ohita, Eniwa, Yachiyo, Izumi, Ikoma, and Saga.”

Persisting Challenges

Living in the shadow of a highly securitized state, with the ruling establishment progressively marginalizing the democratic opposition, Malaysia is yet to restore local elections. And there are serious signs of democratic reversals in the country. Meanwhile, the South Asian region has also struggled to consolidate its democratic gains in recent decades, with macro-political instability constantly undermining efforts at introducing grassroots democratic participation.

Malaysia is yet to restore local elections. And there are serious signs of democratic reversals in the country.

“Malaysia’s local level democracy existed only in the 1950s and 1960s. The three most prominent municipalities were George Town (Penang), Ipoh (Perak) and Malacca. However in 1965, local government elections were suspended following Indonesia’s policy of [Konfrontasi]….while the move was meant to be only temporary (the former Prime Minister of Malaysia, Tunku Abdul Rahman promising that the suspension would eventually be lifted) but the suspension has remained ever since,”
explains Syerleena Abdul Rashid, a councilor for the Penang City Council (Malaysia) and a member of the Democratic Action Party (DAP), in the Quarterly. “Since 2008, the Penang State government tried to reinstate local elections but in August 2014 the Federal Courts struck down the motion – dashing all hopes. Many Malaysians observe democratization at the local level as a catalyst for improvement; countries like South Korean and Taiwan have often been cited as proven examples where democratization can improve the quality of life for many in the region.”

In other regions of Asia, particularly in South Asia, progressive forces are still struggling to bring about necessary changes. “The major challenge of governance in Nepal is the political instability that it has been suffering from since 1990s. The adoption of Constitution Assembly (CA) in Nepal was seen as the best mechanism for the broader participation of people in the formulation of policy but the Assembly has not been able to provide any lasting solution to the challenges besetting the Nepali state and people,” Meena Bhatta, lecturer at the Department of Conflict, Peace and Development Studies, Tribhuvan University, Nepal, explains in the Quarterly. “Nepal has not even conducted elections for the local government since 1997. The continual absence of locally elected representatives have ultimately distanced the state from the citizens and further marginalized the disadvantaged groups from their right to participate and decide upon the matters that directly and indirectly affect the local affairs.”

Similar challenges have existed in Pakistan, a country that has gone through multiple political cycles, with civilian military leaders changing hands at the top of the political pyramid for decades without bringing lasting changes to the political system. Local governments, meanwhile, struggle to re-assert their autonomy and fully reflect the aspirations of their immediate constituency.

“In Pakistan, we had many years without national parliament and provincial legislatures but since the inception of local government institutions (LGIs) we have had mostly non-elected LGIs, filled instead with government nominated state functionaries,” explains M. Zahid Islam, the head of SANGAT Development Foundation in Lahore, Pakistan. “The constitution of the country acknowledges elected local governments and ensures representation of women, working masses and the non-Muslim communities; it also declares the state’s obligation to make necessary laws to establish elected local governments in all provinces. Unfortunately this mandatory obligation, however, has been ignored in Pakistan, despite the fact that most of the mainstream political leaders have had a background in the local government level.”

This edition of the Quarterly comes on the heels of the ‘SOCDEM Asia Conference on Lessons and Best Practices on Local Democracy and Governance in the 21st Century’, which was conducted 2-3 December 2014 in Eastern & Oriental Hotel, Penang, Malaysia, bringing together like-minded, progressive politicians to discuss among each other valuable inputs and strategies to deliver good, effective governance to their constituencies, especially in areas where social democratic forces are (or are poised to be) in position of power. The event served as a crucial platform for sharing of social democratic alternatives, with the aim of consolidating these experiences and discussions into a broader roadmap for bottom-up reforms, which will be of utmost importance to progressives in and beyond the region. The Quarterly builds up on the conference by providing a range of essays and commentaries on local governance in Asia.
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The implementation of good governance, up to the present is still a real challenge for local government in Indonesia. The local government carries crucial roles in social development, and good governance has become an inevitable need as well as an uneasy challenge to be implemented by local governments.

The concept of good governance was defined by World Bank in 1992 as proper ways to implement power in order to manage state economy and social resources for the sake of development. Besides transparency and accountability, public participation is one of the indicators of good governance. Good governance is governance carried out in democratic way and supported by high participation of the citizens.

Good governance therefore should be supported by participatory democracy system, i.e. a democracy that embarks an effort for active citizen participation in governance. Based on this reading, the citizen is not regarded as merely a subject, but instead as a subject to be engaged and consulted with in formulating political life.

Participatory democracy could be implemented through various means such as elections, policy-making consultations, control and supervision of government performance in public service, and feedbacks from the citizen, directly as well as indirectly, submitted to the government, among others.

Local Autonomy: Opportunity as well as Obstacle

In Indonesia, the concept of “Good governance” had been known since the ‘New Order’ era, formulated in the general principles of good governance (AAUPB/Asas-Asas Umum Pemerintahan yang Baik). Yet due to the authoritarianism of Suharto, good governance stayed as merely a concept that had never been implemented. In reality, corruption, collusion and nepotism were common attributes of the inner circle of the president and state bureaucracy. Up until today, Indonesia is widely seen as one of the most corrupt countries in the world.

The 1998 Reform ushered in change in Indonesia. The year 1999 saw the passing of Act number 28 to introduce a form of state administration, which is free of corruption, collusion and nepotism -- part of broader efforts to bring about good governance. In the same year, local autonomy was implemented through Act number 22 on local governance. By 2004, the local governance act was revised, becoming act number 32. The act stipulates that local autonomous authority is located in the second level of administrative region, i.e.
the regent and the mayor. The newly-granted authority covers governance implementation based on local initiatives for the good of local interest and aspirations.

The implementation of local autonomy, however, did meet its initial goals. In most of regions in Indonesia, the local autonomy, which was originally designed to improve governance in local areas to better accommodate local needs and improve welfare, turned out to be shattered by the interests of local elites through corruption, nepotism and collusion based on local elite family and political party. Like a virus, corruption, collusion and nepotism after the reform, did not only take place in central government but also spread out to the local level. In effect, there was a decentralization of corruption. This had worsened the performance of local government and brought suffering to the people.

Other challenges were related to the political interest contestation related to rule making in the local level. Since the introduction of local autonomy, there are hundreds of local legislations with religious content that tend to be exclusive and discriminatory toward minority religious groups, women and LGBT groups (see reports by Setara Institute and Wahid Institute). This is clearly contradictory to the principles of equality and openness (non discriminatory) seen through good governance principles and human rights values.

The New Leaders and the Dynamics of Local Government

In the last five years, we found little streak of hope in the change of government in several regions. Albeit not yet perfect, some of local leaders of second administrative government levels, regents and mayors had at the same time gained public attention for their achievements to present good governance in their areas.

Amongst those who gained public attention is Joko Widodo (Jokowi) who currently is the president of Indonesia. Before being elected as the president, he was the governor of Jakarta, and previously was the mayor of Solo. During his service as the mayor of Solo, Jokowi was known as a humble figure that had a peculiar approach in solving governmental problems. In 2014 Jokowi received an award as the third best local leader from the City Mayor Foundation.

One of the things regarded to be the success of Jokowi is when he opened the spaces for citizen participation in the governance. For example, at the time Jokowi had to relocate the street side peddlers in Solo, Jokowi used persuasive approach, oriented to the welfare of the citizen, thus not only the relocation went out smoothly but enthusiastically welcomed by the peddlers. This is in contrast with most of the street peddlers relocation in Indonesia, which usually are carried out in coercive manners and end up with violence. There are many aspects to be observed in good governance, but at least in Jokowi’s era, the participation of Solo citizens was prioritized.

Besides Jokowi, the name of Basuki Tjahaja Purnama (Ahok) also gained public attention when it came to local government reforms. Since November 2014, Ahok has been the governor of Jakarta, the capital city, after assisting Jokowi as the vice governor of Jakarta (2012-2014). Before moving to Jakarta, Ahok was the Mayor of the Eastern Belitung regency, one of the regencies in western Indonesia. Ahok is currently in the spotlight for his tensions with local parliament of Jakarta.

The tension was initiated by allegation of the mark-up of the Jakarta 2015 budget, carried out by political party elites in the provincial parliament. The mark-up was detected through the implementation of e-budgeting in the Jakarta province since the current fiscal year, geared for the implementation of the public financial transparency.

During his service as the mayor of Solo, Jokowi was known as a humble figure that had a peculiar approach in solving governmental problems.
Although some groups launched protest demonstrations opposing Ahok’s ways, majority of Jakarta citizens supported the governor, since finally there was some element of transparency and a sincere effort at countering corruption among the local elite. In this case Ahok became the example of the struggle of local government with the citizen to implement good governance in the aspect of budget transparency.

Besides transparency, the government of Jakarta also had consistently been respectful of equality and non-discrimination. This appeared when the administration addressed the case of Susan Jasmine as a head of the village. Susan Jasmine is the head of the village adhering Protestantism, a minority religious group, that actually had good achievements, and had been assigned to lead the Lenteng Agung village. But since she was a female and non-muslim, a group of religious based groups protested and rejected her leadership. The Jakarta government stood committed to the principle of non-discrimination and kept Susan Jasmine as the head of the village.

The breakthrough of the government of DKI Jakarta for implementing good governance is also apparent in the improvement of various public service infrastructures. The government also built systems that enable citizen to participate in the governance and development of the city. Viewing the website of the DKI Jakarta government at www.jakarta.go.id, the official portal of the DKI Jakarta government, one can see how public participation system had been well built through integrated information media. Besides citizen complaints, the application “Jakarta Smart City” even had succeeded to establish a network of citizens actively giving various inputs for city development.

There are still many other local level government leaders that have gained recognition for their good governance initiatives within their constituencies, namely Tri Risma Harini (Surabaya Mayor), F.X. Hadi Rudiyatmo (Mayor of Solo), Richard Louhenapessy (Mayor of Ambon), Remigio Yolando Berutu (Regent of West Pakpak) and some others.

Lessons from Indonesia

In Indonesia, the reform and initiatives toward good governance was started from the emergence of charismatic leaders supported by the people. These new leaders develop creative approaches towards the creation of a system to enable good governance in their regions. The good governance system frequently does have conflicts with vested interests, especially from the political party elites and the corrupt bureaucrats. With this, good governance in local level actually depends very much on these new leaders, on whether they really intend to advocate good governance, and whether they have strategic ways or methods to implement it.

The lesson that can be learned from the emergence of good governance in Indonesia is the increase of public participation in local governance. On one side, the new progressive leader usually gained broad support from the public to run the government due to their success in creating a system that enable broad participation. On the other side, the public had responded to these initiatives with high enthusiasm so that public participation flourishes, and gives way to more creative thoughts and reforms, as in the case of Jokowi leadership in Solo and Ahok leadership in Jakarta.

Jokowi, and Ahok and other progressive local leaders in Indonesia are examples of new leaders, who can be the role models and harbingers of local good governance success stories. But more importantly there is a common spirit brought about by these new leaders, who have created a broad space for the citizens to participate in real democracy in which they feel engaged and instrumental to shaping their public lives—paving the way for integrating other principles of good governance in Indonesia’s democratization march.
Municipal solid waste management is one of the challenges of the local chief executive for most of the constituents view the by-products of human economic activities as lacking any market value. If they ignored their environmental liability, this results in environmental damage and loss of valuable resources.

Since 2004 Mayor Caesar P Perez of Los Baños, Laguna accepted the challenge and has used a systematic approach to maximize material recovery from the source to disposal of residual at the sanitary landfill, change community attitude toward solid waste management and convince the constituents to segregate their solid waste. He always reminds his staff from different offices and departments of the municipal government and barangay officials to practice waste segregation, composting, reuse and recycle in their homes and be the model in their neighbourhood. He demonstrated the use of rotary drum for composting in the neighbourhood and introduced it in selected subdivisions. He enacted several municipal ordinances to deal with those, who do not comply with best practices on solid waste management.

As one of the champions in environmental management of municipal solid waste, he has the political will to fully enforce the ordinances on anti-littering, mandatory segregation of garbage, cleanliness of the premises, frontage of business and commercial establishments, and use of plastic bags only for wet goods.

He organized Task Force Kalinisan (TFK) as environmental enforcers. Non-compliance to these municipal ordinances is penalized. The chief Barangay Police Security Officer (BPSO) and the Presidents of the Tricycle Owners and Driver Association are deputized TFKs. The latter should ensure that their parking area are freed from litters of cigarette bucks and their members should remind their passengers of the existing ordinances on solid waste management. They are authorized to issue citation tickets for non-compliance. He even enlisted woman TFK to enforce the ordinances. He established Environmental PNP policeman to run after those who ignore three succeeding notices on environmental re.
citation. In recognition of such efforts, the Municipal Government of Los Baños was a recipient of the "Gawad Galing Pook" Award -- a leading national award for good governance -- for its accomplishments on Ecological Waste Management in 2005.

During his second and third terms as Mayor, the Los Baños Science Community, religious leaders, civic organizations, non-government organizations and academe supported him in intensive information and education campaign. Even the Catholic priests announced the implementation of the solid waste ordinances before the homily. He even spent time at night to inspect the designated pick up points to ensure that the Barangay Police Security Officer (BPSO) properly checked the garbage if it is well segregated. If not, BPSO advised the individuals to return the garbage bag.

He initiated the transformation of the former open dumpsite into a Municipal Recovery Facility with composting facility, mechanical presser for tin cans, production of wood vinegar and production of plastic table tops from clean and dried plastic garbage. The facility has a discharge permit from Laguna Lake Development Authority and DENR Environmental Compliance Certificate. The wood vinegar is used organic deodoriser. The Los Banos Science Community Inc. (LBCFI), an organization of the academic and research institutions and the commercial and business sectors, fully support his technical initiatives. During the initial stage of converting the former dumpsite into a resource recovery facility, he held meetings with the business and commercial sectors at the facility, he held meetings with the business and commercial sectors at the facility, so that they can appreciate the problem of unsegregated garbage. He established a multi-purpose building in the facility to brief the visitors and hold meetings for the Municipal Solid Waste Management Board.

The produced vermi-compost at the Municipal Centralized Material Recovery Facility (MCMRF) is used in vegetable gardening of the different department and offices at the back of the new municipal building. Before it used to be given to the interested constituents who had gardens and aster farmlots. The wood vinegar is also used as organic pesticide for vegetable and aster production. In 2014 he encouraged the 13 lowland barangays to have their own vehicles for hauling their segregated biodegradable and residuals to the MCMRF. The municipal government partially supports some barangays to acquire the needed vehicles. Before the end of 2015 all barangay would have their garbage truck. Effective April 16, 2015 non-segregated garbage is not accepted in the MCMRF.

All business and commercial establishments are required to attend the one-hour seminar on municipal environmental-related ordinances prior to issuance of business and mayor permits in 2015. This reminds the owner or manager of each establishment to comply with best solid waste management practices. To reduce plastic garbage generation, use and sell of plastic bags as secondary packaging of goods in stores, public markets, supermarkets and malls is prohibited. Use of plastic cups and glass is not allowed. The shift to non-plastic secondary packaging is very challenging for retailers, supermarkets, malls, fast food chains and others who have been used to this plastic material.

He initiated the annual celebration of Environment Day to remind the community of their environmental responsibility. He started Environmental Summit last year to provide a public forum on current environmental issues in the community. The University of the Philippines Los Baños, School of Environmental Science and Management and the Los Baños Municipal Government co-sponsored the first environmental summit last year. He encouraged the Municipal Environment and Natural Resource Office to hold forums/seminars on solid waste management for the colleges and schools in the community. He is also initiating the establishment of the Environment Code of Los Banos to comprehensively address the environmental concerns in the community.

The barangay officials fully support Mayor Perez in keeping Los Baños Clean and other environmental initiatives for the community. Obviously, there are still challenges in the environmental governance of Los Baños. Nonetheless, there have been significant strides with regards to environmental management and mainstreaming of environmental consciousness among the community.

In 2014 he encouraged the 13 lowland barangays to have their own vehicles for hauling their segregated biodegradable and residuals to the MCMRF.
Introduction

Local government budget-making processes are currently being reformed in Japan. For decades, local government budgets were regulated by central government. Since 2000, however, a process of decentralization has been under way and efforts are being made to initiate participatory budgeting in municipalities. This paper provides an overview of local government budgeting in Japan and explains six types of participatory budgeting in Japan, mainly focusing on the case of Ichikawa.

Local government budget-making and citizens’ participation

Before 2000, there were quite limited channels to participate in local government's budgeting. Let keep three issues in mind. First, the central government regulated local government’s budget through acts and subsidies, with local government having limited budgeting authority. Second, it is a principle that local assembly represents citizens. There was a tone that participatory democracy would disturb representative democracy. Local governments have dual structure in Japan. Mayors have authority in budget-making and are enforcement officers, while the assembly oversees budget. Third, since budget-making process was not disclosed adequately and budget was complicated, citizens showed little interest.

After 2000, municipalities faced challenges vis-a-vis operationalizing participatory budgeting. There are three issues to consider. First, before the Omnibus Decentralization Act started in 2000, the central government and local governments were in master-subordinate relationship, with the central government in driver’s seat, but are now equivalent. Second is financial crisis of local governments. To attend various citizens' needs with limited budget, the citizens' consent became important concern. Third is growth of citizens' participation. After the NPO (“Law to Promote Specified Nonprofit Activities”) law passed in 1998, demand increased among non-profits to participate in government-provided services and the budget-making process. Local assemblies have shown some reluctance with introducing participatory
Since 2008, a new type of participatory budgeting, “hometown (furusato) tax” started. This “hometown tax” allows taxpayers to allocate some of their residential taxes to hometowns they no longer reside in.

Types of Participatory Budgeting in Japan

There are six types of Participatory Budgeting in Japan: (1) Disclose Budget-making Process, (2) Counter Budget-Making by Citizens’ Committee, (3) Deliver budget to community (4) 1% of resident taxes to be delivered to non-profit groups regarding Citizen’s vote, (5) Have policy proposals from non-profits before budgeting, and (6) Receive “hometown (furusato) tax” from taxpayers.

The first five fall within the local government’s purview, while the last one is enacted by the central government.

(1) Disclose Budget-making Process

This type is seen in Tottori prefecture with the aim of disclosing budget-making processes, part of the broader goal of enhance accountability. Tottori started to disclose budget-making process from 2003 via internet. Disclosures cover wide information such as budget of each department, budget of each program, budget changed after assessments, rationale for each budget, background information, goal, schedule, scheme of programs, needs, impact, total budget, breakout, reasons of not funding, and reasons of reducing. This is unique and has had two impacts: (a) Financial director and administrative director have more responsibility on ensuring accountability; (b) citizens show more interest in budget-making. Whether the system works or not will depend on the mayor’s leadership.

(2) Counter Budget-Making by Citizens’ Committee

This type is seen in Shiki city, starting in 2004. The municipal government and citizen’s committee draft budget. The mayor considers each draft and proposes the final draft to local assembly. The aim of the system is to encourage citizens to research the needs of community and propose based on such knowledge. The citizen’s committee is consisted of all citizens who applied. The Mayor of Shiki introduced the system to change local government to “sustainable local government”. After the system started, more citizens understood budget-related mechanisms and issues, and the partnership among local government and citizens improved. Citizens’ committee drafted budget twice in 2004 and in 2005. In an event of financial crisis, the committee would propose to focus budget on welfare but make reductions in other areas. However the committee is not a group of citizens who represent policy making. And when there was a change in leadership in 2005, with a new mayor coming in, a new system kicked in.

(3) Deliver budget to community

This type is seen in Nabari city, starting in 2003. The city delivered a budget amounting to 50,000 thousand yen to fourteen communities. Each community has committees, which decide how to use the funds. The citizens’ various needs are heard, but the budget is limited. The system informs citizens that there is a ceiling to the budget, but each community
can spend subsidies based on their needs and priority. New non-profits provide elderly-care service and child-care services in some areas. The system is still grappling with issues such as how to address needs and set up priority.

(4) 1% of resident taxes deliver to non-profits regarding Citizen's vote

This type is seen in Ichikawa, passed through an ordinance in 2004, and started in 2005. This will be the main focus of the paper.

(5) Have policy proposals from non-profits before budgeting

This type is seen in Chiba prefecture, known as “Partnership market”, starting in 2004. The system involves all departments and improves partnership. The prefecture and non-profits have open discussion, hold meetings to explain issues facing the prefecture, and welcome application of partnership program. The prefecture and non-profits can approach challenges and issues together. The applications are screened, and some proposals are adopted. The prefecture officials can forecast and receive policy proposals before they start requesting budget. The system can reach community needs. And, it improves partnership among the local government and non-profits. But most proposals are not adopted. The prefecture's budgeting is only a year long, so the program's impact is hard to gauge. Some proposals are more utopian than practical and feasible. An "Interpretors" system has been added to the system, with the officials, non-profits, and interpreters sitting together to modify and enhance the proposals.

(6) Receive "hometown (furusato) tax" from taxpayers

This is a new type of participatory budgeting, starting in 2008. It is the new initiative to address the fiscal needs of municipalities, which have disproportionately suffered from a decrease in tax revenue due to depopulation. This "hometown tax" lets taxpayers allocate some of their residential taxes to hometowns they no longer reside in.

There are five features to this model: (a) taxpayers receive specialty products: specialty, crafts and good of each region, (b) can choose any municipalities other than "hometown"; each municipality tries to attract with specialty products, (c) taxpayers receive tax credit; if a taxpayer pay "hometown tax" of 30,000 yen, a person can have 28,000 back as tax credit, (d) citizens can determine the uses of tax, and (e) can choose multiple municipalities. Some local assemblies allow this "hometown tax" to support non-profits.

Jinsekikougen-cho, Hiroshima prefecture lists five non-profits and Saga prefecture listed two non-profits and recipients.

Participatory Budgeting in the city of Ichikawa

Ichikawa is a commuter town next to Tokyo, the capital of Japan. It is about 30 minutes away from central Tokyo. However, the community faces needs and issues, such as welfare, environment, town development, and sound upbringing of youth. The Ichikawa’s 1% ordinance, with the mayor’s leadership, passed in 2004, and started in 2005. The idea came from Hungary’s 1% system. The goal is to let citizens be aware and involved in the community and support non-profit groups’ advocacies. This is the way it works: Non-profit groups propose their activity plans, and then a committee screens non-profit groups. The non-profit groups explain how their programs work, how it is effective, what they can do with taxes. Non-profits can present their advocacy using power point presentation, narrating stories and conducting acting drama. Citizens are made aware through flyers, speeches and talks and interaction with citizens, who are asked to participated in nearby voting stations. Tax payers vote mainly via mail. Then 1% amount of resident taxes are delivered to non-profits regarding citizen's election. Overall, citizens can vote which non-profits they want to support.

The Ichikawa case has three features. First, 1% of each inhabitant tax goes to non-profits. Second, citizens vote which non-profits they can support. Third, tax payers can choose up to three organizations. The second feature is unique with the Ichikawa case, and is the leading example of participatory budgeting in Japan. The Ichikawa case started in 2005.

The Ichikawa case brought aid to many non-profits which provide services based on citizen’s needs: Junior baseball league, support for homeless people, elderly care, handicapped care, support for casual employees, and town development projects are examples of non-profits’ activities. Prior to the 1% ordinance, the amount of Ichikawa’s grant to non-profits was only 2 million yen. This was increased by ten-fold after the new ordinance kicked in. Now, the budget is used more in tune with the citizens’ needs.

The Ichikawa case has influenced the notion of public budgeting; the biggest impact was that the system support non-profits’ finance according to citizens’ needs. The model also spilled over to other municipalities – Ichinomiya, Oshu, Ohita, Eniwa, Yachiyo, Izumi, Ikoma, and Saga. Participatory budgeting at local government spread to nine municipalities, but after 10 years since its start, the Ichikawa’s election participation rate held at just around 5%. So Ichikawa is starting to review the system in order to improve it further.

Number of taxpayers is 230 thousand people; amount of tax is 280 million yen. Since 70-80 % of tax is checked off, tax payers lack a sense of paying tax; 1% of collected taxes of Ichikawa is 3.8 million yen
Conclusion

With promotion of decentralization and improvement of citizens' sense of participation, participatory budgeting in Japan further incorporated citizens' interests. Since the implementation of the Omnibus Decentralization Act in 2000, multiple municipalities have started their efforts at introducing various forms of participatory budgeting.

In March 11, 2011, the Great East Japan Earthquake and Tsunami hit vast area of Japan. Right after the earthquake and tsunami, non-profit groups offered emergency assistance in disaster-hit areas. In light of the outstanding performance of non-profits, the Japanese tax code for charitable donations to non-profits was revised in June 2011. Now, individuals who donate to non-profits will receive a tax credit of up to 50% of their donation—as long as the recipient organization has tax exempt status. This tax credit is tantamount to a new way of participatory budgeting.

Good governance is about matching government’s services with citizens’ needs. But due to financial and administrative limitations, it is difficult to fully pursue good governance at the national level. But on the local level, it is easier to achieve this, given the proximity of the government to its citizens. Participatory budgeting takes advantage of incorporating citizens’ needs and their priorities for collective wellbeing. Nonetheless, best practices are still in the stage of development. At the same time, there are challenges, as shown in the case of Fukushima and Okinawa in recent times, with respect to managing and arbitrating conflicts between national and local governments on issues of budgeting. In an era of democratization, it is critical to distribute limited financial resources in accordance to citizens’ needs.

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Introduction

The concept of governance is not new. It is as old as human civilization. In fact we can find discussion about “governance” in one form or the other, in all major religious literature. For example, governance has been discussed broadly in Bhagavad Geeta (the holy book of Hindus); the Islamic Sharia provides comprehensive governance rules; and Christianity gives prime importance to the teachings of Christ’s management style.

Goverance has also been broadly discussed in Kautilaya’s Arthasashatra and cited by Plato. Likewise, Adam Smith argues that the state has to build institutions that can ensure justice, security and political and civic culture that values ethical standards. Similarly, the Gram Panchayats (Village Panchayats) perhaps is one of the oldest notions of participatory democracy having its own unique model of governance. This traditional system still operates at the multiple levels and is used to address a wide range of issues concerning the villagers. So the issue at stake is how we inculcate these values of governance into day-to-day operations of politics. There is no denying that in South Asia – both the concept of participatory democracy and governance are very old. But this philosophy appears to have been losing momentum. The major challenge is that governance is becoming more bureaucratic, and democracy more hierarchical. Under such a state of affairs it has become very difficult for people at large to realize the dividends of both – democracy and governance.
Governance and Democracy

The idea of governance is to create a democratic and just society based on the interest and priorities of the people. Governance is considered to be the main mantra to consolidate democracy, increase the degree of participation of people in the institutional life of the state and to empower them. But over the period of time, discourse on governance and democracy appears to have gone through serious problem in many countries of South Asia in general and Nepal in particular.

The issue of governance and participatory democracy stole more limelight when majority of the so called newly democratized states suffered the brunt of “intra-state conflicts” that ultimately led to the erosion of the traditional power of the state. Establishing proper governance mechanisms have always stood to be an arduous task for most of conflict-ridden countries, mainly because polices adopted in the name of governance have failed to produce accountable public authorities. The governance reform mechanisms were unsuccessful to bring polity nearer to the people and, as a result, large number of the states fell apart, owing, apparently, to bad governance. For example, the rise and fall of government(s) in the 1990s and even after the political change of 2006 has badly damaged the notion of governance in Nepal.

The regime change in India wherein the Bharatiya Janata Party (BJP) came to power -- at the expense of the Indian Congress party, which was heavily defeated in the 2014 general elections --- should also be linked with mal-governance. In fact, it has become very difficult to identify what exactly led to such a state of affairs and how should countries in transition address this issue? What has been experienced so far is that a mere ritualistic theoretical advices are provided as policy prescription by the donors, with countries like Nepal also appearing to have been adopting the same thing again and again. In this process the issue of ‘participation’ which is in fact the heart of democracy and good governance is deliberately sidelined with negative consequences.

Challenges of governance and participatory democracy

The major challenge of governance in Nepal is the political instability that it has been suffering from since 1990s. The adoption of Constitution Assembly (CA) in Nepal was seen as the best mechanism for the broader participation of people in the formulation of policy but the Assembly has not been able to provide any lasting solution to the challenges besetting the Nepali state and people. It has been nearly a decade – the transitional government in Nepal has been confronted with alarming challenge of setting up an effective governance mechanism. Over the due course of time the CA moreover has become the victim of the agendas, which were haphazardly floated by the political parties, that is, without advocating broader consensus from the people on the key issues of governance such as federalism, form of governance and many more governance concerns, which need to be tuned to political realities and citizens' needs and preferences.

This has only led to the political instability and brought erosion in the legitimacy and capacity of the state institutions which otherwise are essential for realizing democracy and infusing the notion of governance in society. Likewise, when it comes to the point of participatory democracy – the best tool for political participation is the local government through which people can feel ownership in the decision making process in the local affairs that matter most to them and their community.

But Nepal has not have conducted election for the local government since 1997. The continual absence of locally elected representatives have ultimately distanced the state from the citizens and further marginalized the disadvantaged groups from their right to participate and decide upon the matters that directly and indirectly affect the local affairs.
Lack of popular participation and the absence of their representatives in the local bodies in addition have given space for extensive corruption. One can argue that citizen participation has been instead used as a tool by various actors to materialize their own vested interests -- ultimately creating a rift between the government and the governed.

The entire process of ensuring participation seems to be guided by the orientation that masses must be ‘taught their true interest’ instead of giving ample space and opportunities for them to work themselves upon their actual needs and requirements. This ‘teaching process’ seems to be heavily backed up by the installation of interest-based agendas and in this entire process people are not truly made part of much-needed reforms.

The growing distance between the citizen and state thus eventually invites what scholar’s terms as ‘crisis of democracy’ in transitional states like Nepal. Additionally, the entire notion of citizen participation in transitional countries like Nepal is merely limited to top-down approach. We are talking of adopting modern, inclusive and influential governing policies in Nepal, but there lies a huge gap in the capability and ability of Nepalese citizens to cope with such polices.

The civil society organizations which are considered as the best mechanism for people’s participation in policy formation and agencies for watch-dog have their own problems. The public sphere that civil society builds up does not necessarily provide opportunities for participation. Civil societies are found to have been strengthened merely to serve the interests of certain networks of actors and power centres. And in many cases elites and, to some extent, donors are also promoting their own civil society groups merely to impose their agendas.

Governance has been likewise distorted and abused by elites who have captured public institutions to advance their narrow interests and we are in the process of creating new institutions and policies which do not necessarily ensure participation. In order to enhance participatory governance system, the priority should be given to the prevailing structures, relationships, interests and incentives that strengthen the institutions rather than creating new ones. What is also essential to understand is that enhancing democracy through better forms of participation requires particular moralities, embodied receptivity and commitments on the part of both the government and the governed. These traits can only be developed and nurtured through continued engagements between them.

**Conclusion**

Participatory democracy allows citizens to exercise their ‘voice and vote’ which in due course is expected to contribute towards the implementation of public policies that ultimately bring changes in the lives of citizens. The whole notion of participatory democracy therefore lies in engaging people in the decision making process.

Participatory democracy in this regard is considered to be the spirit of good governance as citizen’s participation provides legitimacy to the general governance process. Though participation is considered to be one of the core elements in formulating effective governance mechanisms, and constitutes the crux of democratic politics, newly democratizing countries are still struggling to deliver on their good governance promises as well as ensuring maximum possible participation by citizens in shaping public life. For that to garner results, strong democratic institutions are needed. Societies with strong democratic institutions provide ample grounds for the empowerment of the people so that they can demand and shape better policies, express their grievances, seek justice and hold leaders and the private sector accountable.

Civil society groups with the mandate of creating a vibrant public discussions and policy-making are considered to be effective tools for ensuring participatory governance but it is high time we also ponder upon the fact that merely strengthening them for the sake of ensuring participation, as done in the past, will not benefit poor people. People’s participation in countries like Nepal should be accompanied by ‘power and authority’ in order to provide it legitimacy.
Philippine President Benigno Aquino III once said, “With proper governance, life will improve for all” and this is something countries within the South East Asian region know too well; they are in a desperate struggle to recover from the inherited relics of colonialism and post-civil war healing. After all, societies of the 21st century are smitten with the concept of practical, sensible and reliable leadership. Decades of mismanagement, war, corruption and bad governance has marred the region, therefore, the importance of sustainable development and good governance have been identified as important tools needed to alleviate dire conditions of certain communities from such man-made quagmire.

The relationship between democracy and good governance is highly dependent on political parties, civil society and of course, media. With that being said, such concepts require that the majority – in this case, citizens – decide what is best for their country and identify the preferred outcomes.

It’s safe to say that while everyone is in favor of good governance, many of us still fail to understand what this entails. In general, good governance encourages transparency and accountability, regulatory reform, meritocracy and sensible leadership. Other factors like reliability, predictability and accountability are increasingly seen as a key factor in ensuring national prosperity and such multilateral themes promotes the idea of good governance. Organizations like the United Nations frequently highlight democratic governance and human rights as pillars of solid political governance. In short, democracy requires people to exercise their power to determine the outcome of decisions and methods of implementing policies.

So just how important is good governance on the local government level? For starters, good governance within the local government will encourage vast service improvements. The new responsibilities and wider range of authority will make councils (local government) much stronger, effective and practical to the needs of local communities. The creation of strong statutory government responsiveness will bring in transparency especially at decision making levels which will also lead to more accountability.

Essentially, local governments are sometimes seen as the highest form of a ‘decentralized’ government, where local councils are bestowed authority to self-manage, and are given the power to
decide on issues as well as the preferred outcome based on local settings. However, this will also mean that communities will need to actively engage and participate in order to achieve such levels of democratic practices.

For most of us the term democracy is something we take for granted, as a result of our insufficient understanding that it only represents individual liberties and the power to speak up. We forget that that is a right we earned through decades of struggles and consider it as nothing more than a natural privilege. Democracy comes from the Greek word, δῆμος and κράτος which pretty much means “that the people are in power” hence, democracies are in theory, absolutely participatory. Nevertheless, participatory democracy encourages more involvement from citizens and can lead to better political representation than traditional democracy.

Participatory democracy is not exactly a utopian concept that contradicts human nature. It is an expression of realistic values and achievable goals that a society should choose to pursue.

However, it should be noted that within the local level, there exists three other types of local authorities such as city, municipal, and district councils, which are responsible for urban planning, public health and waste management, and city councils additionally engage in revenue collection and law enforcement. In general, the local government acts concurrently with the Federal government.

Malaysia’s local level democracy existed only in the 1950s and 1960s. The three most prominent municipalities were George Town (Penang), Ipoh (Perak) and Malacca. However in 1965, local government elections were suspended following Indonesia’s policy of “Confrontation against Malaysia” (Konfrontasi); the move was meant to be only temporary – with the former Prime Minister of Malaysia, Tunku Abdul Rahman promising that the suspension would eventually be lifted -- but the suspension has remained ever since.

Since 2008, the Penang State government has tried to reinstate local elections but in August 2014 the Federal Courts struck down the motion – dashing all hopes. Many Malaysians observe democratization at the local level as a catalyst for improvement; countries like South Korean and Taiwan have often been cited as proven examples where democratization can improve the quality of life for many in the region.

The Democratic Action Party (DAP) co-organized a series of forums with think tank, REFSAS (Research for Social Advancements) throughout the whole month of March (2015) to commemorate the 50th anniversary of the demise of local government elections. A forum held in Kuala Lumpur in early March - “Revisiting the Athi Nahappan Report” highlighted the findings of a Royal Commission of Inquiry lead by Senator Athi Nahappan in 1965 to review the system after the suspension of local government elections. In 1968, the report highlighted several comprehensive recommendations and called for the restoration of elected local government, albeit with a few changes but the recommendations were put aside and nearly forgotten until recently.
There is without a doubt an urgency to establish a coherent and supportive approach to governance. Decision makers must be able to identify restrictions and challenges within the system, in order to effectively address issues. Democracy and good governance must be present to empower communities and encourage individuals to participate but despite all of this, there will be some individuals who will feel that such ideas are too idealistic and impractical.

To think that institutions or even ideologies are perfect and absolutely flawless will only be too naïve of us to think so. When democracy is our concern, we must remember it as a kind of energy – a force -- that represents the right to political expression, freedom of speech and social empowerment. An excerpt from the Athi Nahappan Report (para 542, p.102) reads:

“In the long run a healthy, vibrant participation of the citizens at all levels of public administration is more desirable, both as an objective and as a process, than the immediate short-range objective of efficiency.

Now, imagine a society that does not believe in such values or ideas, the world as we know it, would not exist. Henceforth, the cost of democracy is one worth paying and to an extent, one worth dying for.
Local Government Experiences in Pakistan

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Introduction

In contemporary world, local governments are considered primary tiers of governance, which engage local residents and perform functions that have immediate impact upon their daily lives. Secondly, local government institutions usually are the best example of self-governance.

In Pakistan, we had many years without national parliament and provincial legislatures but since the inception of local government institutions (LGIs) we have had mostly non-elected LGIs, filled instead with government nominated state functionaries. The constitution of the country acknowledges elected local governments and ensures representation of women, working masses and the non-Muslim communities; it also declares the state's obligation to make necessary laws to establish elected local governments in all provinces. Unfortunately this mandatory obligation, however, has been ignored in Pakistan, despite the fact that most of the mainstream political leaders have had a background in the local government level. No wonder, LGI experience is considered as an important background for political leadership development.

There is no standard definition of local government. In some countries this is an important tier of governance at the grassroots level, whereas, in other countries the local government institutions are considered merely an administrative arrangement to perform some of the national governments' tasks at local level. However, there is a consensus amongst key state actors in most developing countries that the local government institutions are the administrative units in a larger governmental frame, which deal with the daily needs of citizens on the most elementary levels. There are many terms to identify local government institutions, such as counties, communes, parish, manipulates, municipal committees, districts, towns, unions, and local boards.

The real concept of local government can be well explained in the words of Lord Ripen, the founder of local government in colonial India, who said: “These councils will serve as the school of democracy”. That is true in the context of Pakistan polity. The LGIs are the primary institutions to ensure participation of the residents of a particular locality, allowing them to regulate all aspects of their routine daily life under their own supervision within a specific constitutional framework of political devolution.
Maneuvering by the Overdeveloped State Establishment

Pakistan is one of those countries, which inherited imbalances between civil society and the state-establishment as the logical outcome of its colonial past. Pakistan is among those post-colonial nations, where the civil society is less developed as compared to the state apparatus. Particularly, in Pakistan, the growth of civil society has been whimpering, with its evolution constantly interrupted by an overpowering state.

Moreover, our system of governance was usually designed by the state. One could observe without prejudice that our state has rarely showed responsiveness towards the constitutional principles. Despite their weaknesses, the civil society organizations have been playing a crucial role in the process of empowering people in general. Pakistan’s recent history has been a combination of civilian and military rule. Governance-wise, there wasn’t much separating them. Each military dictatorship fell apart due to internal factional differences, giving way to elections and a civilian rule, which introduced little change in the system.

Highly centralized and controlled Local Government System In the past, during the late-1990s the local government institutions were highly centralized, either run by the nominated administrators, or run by elected representatives but totally controlled by the higher state authorities. The provincial governments have been mired in corruption and misallocation of resources. During the last military dictatorship, there were efforts at empowering local government units, but reforms were undertaken through a highly centralized mechanism.

Archetypical Party Politics and Political Culture Local government related issues are often neglected by our mainstream political parties. None of the mainstream parties has provided a clear-cut official position on key issues regarding local governance. Our history shows that whenever a political party gets a chance to gain power, efforts to strengthen local government was not their first priority, leading to delays in elections. In contrast, military dictatorships conducted regular local government elections at specified intervals.

Misallocation and Corruption Local government institutions are usually seen as the main avenue for corruption and resource misallocation. In contemporary world corruption is very common but in developing countries it is generally more visible and widespread. Pakistan has been placed in that group of countries where every sphere of life is being badly affected by corruption. Wherever there is any type of funds utilization, there would be chances of corruption. Local councils have been a beneficiary of sizeable funds, since they are one of the main instruments through which many types of public works are carried out.

Nonetheless, the bulk of developmental projects in the country are carried out by independent state or government departments.

Reforms We have experienced four models of LGIs. All of these models were based on the hypothesis that local government is the smallest operational arrangement of state governments to perform a limited role, primarily to administer municipal-level functions. Our last modal of 2001 was a successful initiative to mobilize large number of citizens, during first elections nearly one million candidates contested for various seats in different tiers. In 2002 there were more than 150,000 elected councilors including 36-37 thousands women. But their energies were sapped by lack of mandate and enough resources.
In Pakistan, since 14th August 2009 there have been no elected local government institutions. But after the intervention of the Supreme Court, there were local government laws in all four provinces but only one province, Balochistan, managed to conduct fresh elections last year. However, the Supreme Court has ordered the Election Commission of Pakistan to expedite the process to ensure local elections in other provinces are held before September 2015. The struggle for making LGIs relevant and central to our democratization aspirations shall continue.

Fiscal Resources Financial autonomy of the local councils remains an area of prime concern, because it affects the overall functioning and quality of services delivery to the citizens. The recognized sources of income are: local taxes, levy and surcharges imposed by local councils, profits gained from assets, fees and remuneration against services, tolls, rents and grants from governments and the donors. On the other hand, their main obligations are: operational and recurring expenses, developmental projects, provision of municipal services, repayments of outstanding loans and other financial obligations. There always exists a gap between resources and the expenses. But the real survival of local councils depends on its own sources of income. The idea of imposing local taxes came in that light. The British colonial power imposed in the subcontinent these local taxes in 1909. Thereafter these have been a source of dependable and substantial income for the local councils. The traditional form of local taxes was the Octroi and the Toll taxes, levied on roads or the bridges. But as national state institutions gained strength, local councils were progressively deprived of their traditional sources of incomes.