

Public Management and the Blue Economy

Peerasit Kamnuansilpa and
Charles L. Sampson, Editors



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He formerly served as Dean of the Faculty of Humanities and Social Sciences at Khon Kaen University. Before joining KCU, he was the Director of the Research Center at the National Institute for Development Administration. He also served as an advisor to the Minister attached to the Office of the Prime Minister, and concurrently was a member of the National Committee on Information Act Amendment in the years 2001 and 2002. For the next two years, as a member of the National Research Council, he promoted and provided policy and thematic guidelines for social science research.

With his keen interest in population and health management, and the knowledge and experience he gained from post-doctoral training, he then worked closely with the Ministry of Public Health in various capacities to lower the growth rate and improve the general health of Thailand's population. While working as residence management advisor to the Ministry of Public Health, he had the opportunity to prove that it is more effective to have a health program run under the oversight of local management units than centralized management. The research finding has given him a strong interest not only in the effectiveness of decentralized management of local government but also in its many ramifications for the future of Thailand.

Charles Sampson (sampsonc@missouri.edu) is a founding faculty member of the Harry S Truman School of Public Affairs. He joined the MU faculty in the summer of 1988 initially serving as associate dean of the Graduate School and as Chief Academic Officer from 1996-2000. During his appointment at MU he sought and obtained greater than \$15M in grants and contracts to support the matriculation of graduate and under graduate programs on the MU campus and across the state. These contributions allowed him to provide unique opportunities for future scholars. Dr. Sampson has served as a member of the national council of American Society of Public Administration (ASPA) and on editorial boards of American Review of Public Administration, Public Administration Review, and Journal of Social Policy and Public Management. His public policy and administration research has been published in refereed scholarly journals and book chapters. One of his primary areas of research is redistributive public policies with current emphasis on the impact of voting rights policy on the emergence of minority-governed municipalities. Professor Sampson serves as the MU representative to the International Consortium on Public Management Policy and Development (ICPMPD) a group of institutions, agencies and nongovernmental organizations in Africa and the United States devoted to facilitating public-civil society partnerships in the advancement of sustainable development in sub-Saharan Africa. In 2012 he was appointed as a Fulbright Scholar in Thailand and served as visiting professor, Khon Kaen University. Dr. Sampson continues to work with the International Association for Local Governments. He is an emeritus professor in the Truman School.

Preface

A few months ago in June 2013 in Brazil, the heads of governments and nations met to discuss the prospects of globally sustainable development. At that meeting, there were questions related to developing and defining a sustainable economy. And just like the World Summit on Sustainable Development in 2002, the leaders of the states were not able to come up with any specific legal framework or management strategies to protect the vulnerable global environment and to sustain the economy. Although there has been no common vision coming from these heads of state, there has been an outline of agreement about “Green Economy,” aiming for an economic system with low emissions. In spite of the progress made, it is clear that the Green Economy is still only a step away from a change of paradigm in the social and economic development.

This new transformation towards a change of paradigm of economic development is referred to as the Blue Economy. Sustainable business in the spirit of the Blue Economy makes it possible to respond to the basic needs of all without exploiting the natural resources, but also without a need to renounce dependence on essential commodities. In contrast to the Green Economy, the Blue Economy stands for a new way of designing businesses, a new market-oriented business model, sustainable businesses and sustainable growth. A Blue Economy stands for making the good more accessible and the bad more expensive. A Blue Economy stands for clean water, clean air and for Planet Earth.

It is an honor for Khon Kaen University to have this opportunity to co-host the Fourth International Conference on Local Government, held in the beautiful and vibrant city of Surabaya, the second largest city of Indonesia, on September 18-20, 2013. Indonesia, the largest ASEAN nation, has been well-recognized for its notable success in Blue Economy Development. This conference presents an opportunity for elected officials, public administrators, non-governmental representatives and scholars to assemble for the purpose of finding pathways toward progress on the issues of advancement and sustainability as they relate to the Blue Economy.

An intriguing issue for all local governments across the continents is how to manage the public sphere to promote and sustain the Blue Economy. As all the local governments around the globe are interconnected, they not only have to be responsive and accountable to the electorate in their own area but also to the citizens of the world. A Blue Economy is a responsible economy. All citizens of the world, therefore, have to be mindful of the interests of their fellow world citizens. The state-of-the-art now only guides the global conscience to the level of corporate social responsibility. We can see that corporations around the world are adapting to their new expected role, which is to meet the needs of the current generation without compromising the needs and benefits of the future generations. Public organizations are being called upon to take on this responsibility as well. The world cannot be complacent with the way they operate things or manage public affairs. The Blue Economy is one step toward greater collective development. It calls upon all parties, both private and public, to concertedly take full responsibility for the global community. It is within this conceptual framework that all local governments around the world are being called upon to unite and learn from each

other so that they can be more effectively carry out their policies and strategic implementation toward a common goal of Blue Economy Development.

The printing of this book was made possible through a generous grant, approved for research endeavors on the topic related to the study of perceptions, meaning and structural reform of local government in Thailand, from the Joint Committee on Collaboration between the Department of Local Administration and Khon Kaen University, which I am proudly serving as the Chairman.

We are especially grateful for the warm cooperation and hospitality of Dr. Ida Aju Brahmasari, the Chairperson of the Domestic Organizing Committee and the Rector of Universitas 17 Agustus Surabaya, which is our partner university. We are also very much indebted to the following individuals for their cooperation and hard work: Drs. IGN. Anom Maruta, MM, Dr. Andik Matulesy, M. Si, Dr. Hj. R.A, Retno Jastijani, MT, Professor Dr. V. Rudy Handoko. MS, Professor Dr. Agus Sukristyanto. MS, Professor Dr. Arif Darmawan, MS, Professor Dr. Burhan Bungin, MS, Dr. Ayun Maduwinarti, Dra., MP, Professor Dr. H. Edy Sutrisno, M. Si, and Erni Puspanantasari Putri, St., M. Eng. Our special thanks go to Dr. Haryono Suyono, the Chairperson of International Organizing Committee of this year's conference and the Chairman of Damandiri Foundation. His leadership has made the Fourth International Conference on Local Government not only possible but also a great success. Our appreciation goes to Professor James Scott from the University of Missouri for his initiation and introduction of us to our Indonesian counterparts. Special thanks also goes out to Professor Hirofumi Ando for his advice and effort in the preparation of the 4th International Conference on Local Governments.

Our work with many persons whose names are listed and are not listed above enhances the understanding of local governments around the globe and how they are working to promote the Blue Economy for the benefit of not only the present generation of the residents they are serving, but also for the future generation of residents in their area of jurisdiction.

We feel that this seminal book integrates knowledge from various fields, such as public administration, local government, economic, political science and sociology, from the context of different social milieus. This is really a privilege for us. This book also serves as a source of great pleasure and a symbol of long-term, if not life-time, professional collaboration and an achievement that the contributors of this book and us have made together for the advancement of scientific knowledge about the roles and contributions of local governments for the Blue Economy, which our university cherishes. All the contributors of this book have worked with Khon Kaen University under a similar capacity on different occasions. Since our work together has just begun, we hope that we still have ample opportunity to work together on the long journey to Blue Economy Development.

Kittichai Triratanasirichai, Ph. D.
President
Khon Kaen University

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In terms of financial support, we would like to acknowledge the generous grant from the Government Lottery Office that makes it possible for the faculty members of the College of Local Administration, Khon Kaen University and the staff of the Government Lottery Office to be a part of the conference in Surabaya, Indonesia, where this book is initially disseminated.

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institutions in the post-Soviet period (2012), and a paper analyzing an experiment in Japanese local government to build responsible flexibility (2012).

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Attagrit Tharechat (attagrit@gmail.com) is currently the Director General of Thailand's Government Lottery Office. His experiences in management cum academic are broad and comprehensive. He was a law enforcer, overseeing crime suppression as well as national security. While in that role, he was responsible for the protection of top national leaders and foreign state leaders who were on an official visit to Thailand. Formerly, he served as a faculty of the Police College, Police Education Bureau, which is the institution that provides training for police officers, who are going to be promoted to the position of Police Commissioner. He has served as an adjunct professor of Public Administration at the College of Local Administration, Khon Kaen University. It is in his current position that he has not only become interested in Blue Economy, but has also institutionalized the responsibility of the Government Lottery Office beyond the level of corporate social responsibility to charge with the new territory of Blue Economy Development from bottom up.

Chapter I

Contextual Overview

Public Management and the Blue Economy

A few months ago, June, 2013 the heads of governments and nations met in Brazil to discuss the prospects of a globally sustainable development. During those discussions, there were questions about developing and defining a sustainable economy. Prior to the June 2013 meeting, decades had passed without a mutual vision emanating from these heads of state. Gradually an outline of an agreement about a “Green Economy” appears to be taking shape. For more than a decade, the “green movement” has been under construction without a unifying political image. Only a unified regional political image could give shape to the present, multifaceted term, “Green Economy.” There is evidence that slowly a political consensus is evolving. This emerging evolution manifests itself as a “naturally supportable economy of low emissions.” The missing link is to connect regional governments and businesses in this regard, and that state of affairs is far from reality. The prerequisite of that outcome is a mutually agreed upon intra-government policy of regulation. Notwithstanding the fact that government regulation is frowned upon even when there is only one unit of government involved. A successful regional approach would be the product of intergovernmental cooperation and support by the business communities. How we arrive at a juncture where businesses support innovation and reductions in emissions of pollutants into the environment; and when this change of culture can be seen across a wide spectrum of sovereign geographical boundaries it will be because of the work of the public administrator. In spite of all the progress which has been reached concerning this state of affairs, it is clear that a fully realized Green Economy is a transformation towards a change of paradigms in the social and economic development. Moreover, a prominent role could be performed by public managers in this process and the papers in this volume begin to show evidence of this claim.

The Contributions

In the opening contribution, Profess Ness’ discussion of economic gardening provides an overview of a model in which strong states and central planning worked together to promote economic development. When that planning followed market discipline and created a physical infrastructure there is evidence of success. But success has not been even. Professor Ness observes that partnering for economic gardening missed crucial opportunities for the development of local entrepreneurship and local productive enterprises. Through trial and error, it proved highly successful and developed a model that is now being used in many parts of the US. The term *Economic Gardening* implies finding and growing local entrepreneurs, rather than promoting *Economic Development* by enticing external investors to bring money and jobs to one’s locale. The problem with this form of promoting *Economic Development* is that when success raises standards of living and wage rates, external investors often leave searching for lower costs elsewhere. Since the entrepreneurs in *Economic Gardening* are local, they do not leave

when their business becomes successful. The plan involves providing formal, expert assistance in such things as marketing, finding capital and making business plans. The model provides an excellent set of procedures by which local governments can promote sustained economic development. These tasks can be assisted by public managers.

In the second paper, Deputy Director Melissa Gibbs discusses the Australian Center of Excellence for Local Government (ACELG) and professional associations established in 2009 with funding support from the Australian Government. The Center's mandate is to enhance professionalism and skills in Australian local government, showcase innovation and best practice, and facilitate a better-informed policy debate. The Center is a collaboration of five universities and local government professional associations, each dedicated to the advancement of Australian local government. It operates across six programs 1) research and policy, 2) innovation and best practice, 3) governance and strategic management, 4) organization capacity building, 5) rural-remote and indigenous local government, and 6) workforce development.

These programs reflect the current national priorities and areas of potential advancement within Australian local government. Through its rural-remote and Indigenous local government program, the Center provides significant attention to the capacity building needs of small rural-remote and Indigenous local governments. The role for the public manager is clear in these initiatives.

The third paper is provided by Professor Scott who reports via content analysis his findings on the largest US municipal government websites. His purpose is to determine the extent to which social media are used by city governments. Scott's findings confirmed that almost all of the city governments use social media. However, cities varied substantially in their apparent intentions or objectives, and in their general approach to managing departmental use of social media accounts. The analysis categorized the cities' use, based on the extent to which governments manage applications centrally across local government agencies and functions, and on the extent to which governments use social media to elicit public participation and user input. Conducting empirical data on the use of social media by local governments sheds light on the role of technology as an agent in establishing and expanding social media and Blue Economic Development (BED).

The fourth contribution comes from Professor Amtaika who focused his research lens upon the Republic of South Africa. He suggests "democracy and economics are central to the functioning of a state." Noting that, in some states, these dynamics complement each other and in some they erode each other. He opines that corrosiveness and contradictions are evident in the microeconomic policies of states which often divide communities into classes and in the precepts of democracy, which demand inclusiveness of individuals in decision-making processes. Professor Amtaika further argues that the decision-making processes associated with economic policies of government are naturally undemocratic, unilateral and are characterized by a top-down approach. Such practices stand in stark contrast to principles of democracy, which purport to be inclusive but cannot be accurately characterized by their bottoms-up approach. He reasons that states are truly democratic in the political sense when they embrace and implement four principles: (i) devolution of power to lower tiers of government for self-determination and equitable distribution of power and resources; (ii) accountability and responsiveness of the representatives to the electorate; (iii) participation of the citizenry in the election of their government; and (iv) participation of the citizenry in the decision-making processes. These precepts are, however, often corroded by economic policies and financial

management, which are often hierarchical and elitist, and result in the parallel operations of democracy and economic policies in the structures of government. Focusing on his findings in the Republic of South Africa, we see a role for the public manager to assist officials and business leaders in finding a pathway for blue economic development amongst local government units, regardless of their geographical placement.

Police Major General Attagrit Tharechat reports on Social Contributions of Thailand's Government Lottery Office (GLO). He provides a chronology of the formation of the GLO and its mandate to support and help the government balance its budget. Within that authorization is a stipulation to designate expenditures that alleviate some of the economic challenges residents face. General Tharechat states that the GLO has a responsibility to behave ethically and contribute to improving the quality of life of the members of Thai society. In that regard, the GLO has sought and has received approval from the government to operate notable charitable lotteries. Of the 72,000,000 lottery tickets sold biweekly, 22,000,000 are printed and designated as a charity lottery. The proceeds from these charity lottery tickets are earmarked for socially responsible projects, which have regularly and routinely, allocated the largest proportion of their proceeds to help the Thai Red Cross. In addition, during the period of last 10 years, more than 10 billion baht have been donated to education development and improvement of services at public hospitals throughout the country. The largest part of the money has been well spent for the construction of patient care facilities, medical equipment acquisition, health research, and health technology development. The GLO has also been trying to close the gap in health care quality between the hospitals located in the rural areas and those in the urban areas. Observers of the Thai lottery reason that the lottery office improves the quality of health services and the quality of life of people in the peripheral areas, and generates a spillover effect of reducing many socially related problems. The GLO demonstrates potential to be an effective strategic alliance with local governments in the country, which also have strong potential to function as a unique contributor to Thailand's Blue economy.

Richard Pratt, professor at the University of Hawaii argues that societies cannot prosper politically, economically or socially without effective public institutions. Such institutions simultaneously reflect and sustain democracy, encourage and channel the forces of market economies, and store legitimate shared values.

He suggests that how well government organizations perform these roles varies from place to place, and their effectiveness is subject to debate. In many parts of the world, there are concerted efforts to enlarge the responsibilities of local governments through decentralization. This critical shift is driven by the hope that these empowered organizations not only will pick up responsibilities that have heretofore been centralized, but also will do this in a way that is more public-regarding.

Public bureaucracies have been a significant challenge to realizing this hope. The obstacles they present to at all levels of government are reflected in the global conversation that has taken place over the last thirty years. By analyzing the dilemmas that bureaucracies present and the efforts made to address them, Professor Pratt proffers that dissatisfaction with erstwhile innovations have created opportunities to experiment with other more realistic approaches and that this may be especially opportune for local government. In this context, the idea of responsible flexibility is explored as a means of balancing essential levels of accountability with desirable levels of responsiveness. An example of responsible flexibility is presented, and the paper concludes by suggesting criteria for judging to what degree an initiative represents "responsible flexibility." His contribution is yet another vision of the role for public managers to promote BED.

Charles Sampson reports on the structures of municipal governments and wonders aloud if the forms of government have any remaining significance. He notes that the largest concern of municipal governments is their capacity to finance, predictably and reasonably, services and programs for their residents. His research examines longitudinal data on 126 local governments in the USA and their spending practices. Using a multilevel modeling approach with random coefficient regression models, he investigates whether cities with minority mayors exhibit differences in municipal expenditure behavior and additionally whether institutional factors such as forms of municipal government impact municipal expenditure trends.

Municipal governments spend their money on a variety of services including education, transportation, health, welfare, safety and housing. The larger municipalities spend a greater percentage of their budget on education services and health, hospitals, and public welfare. Smaller municipalities spend a greater percentage on transportation and environment, housing and waste management (National League of Cities 2006). Municipal governments differ along the line of their size, election method and administrative authority. Administrative (and political) arrangements are left to the respective states that (in turn) grant municipal status vis-à-vis charters. The notion of whether the structure of administrative authority has an independent effect on policy (expenditure decisions) is the core of his research presentation.

Peerasit Kamnuansilpa provides a chronologically based case study on the evolution of local government in Thailand. He describes the obstacles that have traditionally obstructed government by and for the people in that country. He painstakingly provides evidence of the absence of political will for a bottoms-up approach to self-government. Professor Peerasit opines that behavior that gives “lip-service” to concern for the socially and politically marginalized has served to ignore opportunities for BED. While few of the key actors are openly opposed to economic development, robust leadership to make this a reality is stymied due to continued centralization of the administrative processes. The one product for each district slogan has yet to surge in a way that it would become a model which could be replicated.

In each of the research contributions, it is easy to see how public-private partnerships and networks could become the agent to enhance economic development. Public managers who value steering rather than rowing are best suited to change the current paradigm in which there is scant evidence of intra-governmental and business collaboration.

A Role for Government and Public Administrators

The key to reaching the potential already possible and known today revolves around government. Creative politics is the key for establishing an elaborate program for innovation and value creation towards resource effectiveness. And yet there is an irony in this claim. In the post 20th century, the landscape around the world is filled with recessed economies and challenges to find innovative remedies. The most acute impact of recessed and depressed economies is found in local communities and governments. These political units are challenged to foster economic development but in most instances they have neither the means nor the experience to make for better livelihood of their residents. In the past decade, the search for ameliorative innovation has given attention to the concept of blue zones, a counterpart to the green movement.

A scholar who is credited with unique contributions in these areas is Gunther Pauli (1987). Since 2009, he has taken responsibility for the design of an economic development concept based on Gross National Happiness (GNH), principles and values as a part of his advisory role in designating an economic development strategy for Bhutan.

The power of the Blue Economy is that it injects money into the local economy and offers high quality products at a lower cost price (Pauli 2010). It applies to public and private partnerships as they work to inject cash into the local economy, and the use of locally available resources.

Based on Pauli's concept, underlying principles for governance in Blue zones are:

- Partnerships and networks
- Competition between service providers
- Empower(ing) citizens by pushing control out of the bureaucracy into the community
- Outcome focus rather than input focus
- Mission and goals are more beneficial than rules and regulations
- Redefine(ing) clients as customers.

We believe in these principles, although not evenly elaborated upon in this volume can connect the dots to the realization of how Blue zones can benefit from new public management and collaborative governance paradigms in the advancement of economic development.

The term Blue Economy means using available resources in a cascading manner. The waste of one product becomes the raw material for a new cash flow. In this way jobs are created, social capital is built and the income increases - without further exploiting and damaging the environment, but rather conserving and improving it. This makes sustainable growth possible. The present global economic system can be transformed into a sustainable development by innovations and entrepreneurship. Innovations and better livelihoods are promoted by demand, by means of the free market and by education instead of inhibiting them with subsidies and social barriers.

Such partnerships represent opportunities for savings in material and costs while reducing the ecological footprint on the environment and health risks. The Blue economy is not tailored to large corporations, but rather inspires the young and entrepreneurial minds and offers a broad platform of innovative ideas that have been successfully implemented in other places around the globe. Blue economic zones can be partners with local governments. They are conceptualized as partnerships between society and industries, i.e., public-private consortium designed to respond to people's needs using what is locally available (Pauli 1987).

BED public-private partnerships represent diffusion of innovation. Yet, such partnerships do not come into being without surmounting a number of institutional and political barriers. We accept the notion that governance is the act of affecting and monitoring the direction of a local government. Thus, the traditions and processes that determine how leadership is exercised; how officials and citizens are given a voice, and how decisions are made on issues of concern to residents in a local government can result in a powerful paradigm that helps the community and civil society.

Governance at it's best involves 1) identifying organizational outcomes; 2) shaping the identity of the local governmental organization; 3) clarifying and justifying authority; 4) making internal lines of authority clear and accessible; 5) fostering transparency in decision-making;

6) providing continuity in leadership; 7) ensuring that citizen voices are represented; 8) insuring accountability, evaluation and review; and 9) fostering fiduciary trust.

The “Malnourishment” of Local Governments in Blue Zones

In an abundance of circumstances, local governments, despite their geographical location or their administrative and or political arrangement, are considered obsolete relics of an earlier era. Their dependence on national/central and subnational government support renders them incontrovertibly impotent. There is little evidence of meaningful political will to alter the current circumstance, and the resultant unproductive revenue systems place them at the mercy of their hegemonic superiors.

Far from irrelevant, local governments are vital political arenas for the challenges that face them and serve as a catalyst for the global economy. Molotch's (1976) research, “The City as Growth Machine,” presents the idea that the promotion of *liaise faire* economic development constitutes value-free growth principles, which benefit everyone and is a common good. The intellectual grounding of the growth machine thesis is multiple sourced, having connections to urban ecology, community power analysis, and structuration ideas e.g., Callara and Ruccio (1996). Molotch argues that coalitions of land-based elites, tied to economic possibilities of places, drive urban politics in their quest to expand the local economy and accumulate wealth. His thesis builds on the political economy of place and suggests that there are ample connections between urban politics and local economic development.

Clark and Gaile (1998) took note of how the United States was transformed from an agricultural economy to post industrial economy in a global web. They contend that contrary to conventional wisdom, local governments are growing in importance. He also argues that the exchange of land is at the heart of local politics, especially in places where land and buildings are commodities, unfettered by cultural or government policy constraints. Salient in their argument is the belief that the political and economic *raison d'être* at the heart of almost any locality is growth. The desire for growth provides the essential operative drive toward consensus for members of politically mobilized local elites. The argument further asserts that the agenda of urban elites is to ensure preconditions for growth. It appears to us that there is a natural transferability of this thesis from the green economic zone to the blue economic zone.

In the never-ending search for accountability, local governments are burdened by administrative structures and procedures that hinder their ability to foster economic development. Provincial and state dominance over local governments and the means to maintain that hegemony, generate laws, regulations and guidelines, i.e., artifacts that resemble colonial dominance. In the midst of this environment, scholars have observed and subsequently argued that public management has undergone a revolution and that the primary role of public servants should be to help citizens articulate and meet their shared interests. Local governments in blue economy zones now face the challenge of those in green zones. The challenge is for public administrators in the blue geographical zones to resist the time tested “natural inclination” to control bureaucracies to deliver services. A number of highly positive changes in the public sector in the green zone (Osborne and Gaebler 1992; Osborne and Plastrik 1997, Kettle 1993; Kettl and Dilulio 1995 and Denhardt and Denhardt 1996) have demonstrated that the field of public administration has increasingly abandoned the idea that public administrators should “steer rather than row”

the local government boat. This means local government administrators have to set clear goals, steer progress with wisely designed incentives, rather than controlling the implementation process of public policies. Moreover, policy implementation can be provided by separate public and/or private agencies, which can be held accountable through the use of performance indicators or market mechanisms.

The Role of Public Administrators: Facilitating Strategic Steering Rather Than Rowing

While the New Public Management paradigm places emphasis on private entrepreneurialism, this does not mean that local governments have no role in economic development. Although Osborne and Gaebler (1992, p. 32) state “those who steer the boat have more power over its destination than those who row it,” wisdom is characterized by public administrators to place the emphasis on building public institutions that are marked by integrity and responsiveness as noted by Professor Pratt in his contribution. Therefore, strategic steering means implementing public policies and delivering public services in which public managers interact collaboratively with other stakeholders/actors; build public support for the initiative; buffer these programs from negative outcomes and shifting management from decider/regulator to facilitator.

It is essential to understand that governing decisions are not a matter of running or controlling affairs, but have to do with managing conflict and making adaptive responses to social change. The informal arrangements through which decisions are made differ from community to the community, but everywhere they are driven by two needs: (1) institutional scope (the need to incorporate a broad enough range of institutions to mobilize the resources required to formulate and implement governing decisions); and (2) cooperation (the need to promote, induce, or incentivize enough cooperation and coordination for the diverse participants to influence decisions and encourage the movement in support of those decisions).

Steering as Network Management

Governance as network management assumes that governance takes place mainly within the exchanges between public and nonpublic actors, and the interaction between these actors makes the process of governance complex and difficult to manage. We can distinguish a number of modes of steering as governance work. Fiduciary governance, i.e., attending to matters such as preventing theft, waste or misuse of resources; oversight of audits, budgets, investments, compensation, facilities and fundraising is a kind of steering that ensures that resources are deployed effectively, and efficiently to advance the blue economic zones mission. Moreover, it safeguards against both unintentional drift and unauthorized shifts in purpose. This kind of steering focuses on a complex of the interaction process, the process of negotiation within a network of governmental organizations, and other public and private organizations.

Another form of steering is strategic steering. It transitions the role of the public administrator from conformance to performance. This mode of steering oversees strategic planning processes and articulates what matters most to the long-term future of the blue city. It crafts city administrative form and processes that mirror its strategic imperatives. Most importantly, it builds authority, responsibility and accountability into the system, thereby

empowering officials and citizens. The most challenging form of steering is generative. It is fueled by the power of creative thinking. This is the epitome of paradigm shifting. Such steering can only emerge when tried and tested public administrators achieve comfort that comes from overcoming failure and the subsequent experience. Generative steering discerns cues and clues, thinks retrospectively, and moves toward the framework for a dominant narrative. It becomes the catalyst for thinking with community leaders, non-governmental officials, citizens. It consciously avoids “thinking for” and values “thinking with.”

Networks are a central component of an entrepreneurial climate. It is the milieu and the ethos that encourages and nurtures the creation of business ventures. Networks provide both direct and indirect benefits to a community. Putnam’s (2000) “Bowling Alone” emphasizes the benefits of networking; more importantly, most entrepreneurial networks are started by entrepreneurs and they require the leadership of entrepreneurs. The role of the public administrator is that of the broker. They facilitate governance. When they are successful, they provide new and innovative solutions for societal problems and policy implementation improvement. The problems that could be found within governance networks are often value conflicts and complexity of interaction and bargaining.

Governance Networks as Conduits for the “Blue Zones”

The public administrator works to develop governance networks, understanding that networks contain stakeholders with various values that impact desired solutions. In this way, governance networks can be viewed as efforts to unite various values in order to solve what Hodge and Greve (2005) refer to as wicked problems.

Successful network management requires generative steering in order to reconcile variations among the values that stakeholders bring. Creativity is essential to generating new solutions, so the actors advocate their opinions and values to create the best solutions. However, the act of sharing information, resources, and cooperation among actors is often seen as risky because some of the actors can use them for their own benefits. Trust becomes an essential ingredient for a successful network, which, if not carefully managed, has the potential of increasing the risk of people pursuing their personal benefits. The public administrator endowed with the ability to facilitate generative steering understands that trust is a crucial basis for interactions among parties in an open systems network. However, the scale and dynamism of such system makes it infeasible for all parties to have a direct basis for trusting all stakeholders. Thus, all participants in the network have to grow to the point where trust becomes that commodity that generates a belief that other stakeholders will refrain from opportunistic behavior.

Trust in Governance Networks: The Crux of the Issue

Trust enables lower transaction costs, facilitates cooperation, and enhances inter-organizational performance. It is the core coordination mechanism of networks as they relate to markets and hierarchies. Hierarchies are characterized by rules and central steering, when markets are dominated by the decentralized mechanism of prices, dictated by supply and demand. Due to the fact that networks tend to incorporate several coordination mechanisms other than trust,

including rules and central steering, and market mechanisms, the idea of trust as the core coordination mechanism of networks seems not useful. The author, however, argued that trust is an indispensable element of governance networks because trust facilitates fluent interactions, flows of information, and others conditions which are components to make a network successful.

In general, trust facilitates stakeholder behavior action within governance networks. Many economists see no usefulness of the concept of trust although participants in a network would be in a situation of incomplete contracts or incomplete information without trust. The economists' posture is understood since trust is inextricably related to risk and, a risk taking perspective assumes that a risk calculation can be made from the basis of rational decision, so trust is not necessary for this perspective.

Trust and Governance Networks: A Perfect Couple

Trust helps actors in governance networks determine what risks they will or will not take in their cooperative relations and allows them to make their choices accordingly. Trust, in fact, has a rational basis. Reciprocal behavior is an essential condition for the emergence of trust. A governance network can be seen as a vehicle for achieving trust because networks bring about intensifying interactions and dependencies (Hang, Wang and Chen 2009).

Moreover, trust reduces transaction costs since it generates predictability in stakeholders' behavior and reduces risks inherent in transactions and develops cooperative relationship among actors. When actors assume noble intentions on the part of others, the opportunistic behavior leading to unexpected interactions is less likely to happen. Trust enhances investment, stability in relations, increases the probability of cooperation of stakeholders endowed with resources (monetary and intellectual) and stimulates learning and knowledge exchange.

A significant challenge in blue zones is to stimulate innovation in governance networks. The role of the public administrator is to assemble the actors from non-governmental agencies, private businesses and the public to deal with problems which require the cooperation and innovative solutions. The public administrator is the "third party" that should command the regard of all participants. That regard coupled with trust stimulates innovation by reducing opportunistic behavior, and encourages the exchange of information and cooperation. Trust does not arise, unaided. The generative public administrator understands that trust is developed overtime by intensifying interaction between actors; realizing that greater trust will occur when actors see real benefits arising from their interactions that cover a wide array of activities, e.g., arranging, exploring content, connecting and establishing process agreements.

Implications and Conclusions

The role of the local public administrator in BED is to provide a viable alternative to the traditional managerialist model. The approach is constructed around theoretical explorations and practical innovations. Doubtlessly, debates among theorists will continue, and administrative practitioners will test and advance new alternatives. In fact, Kaufman (1956) argued that while administrative institutions are organized and operated in pursuit of different values at different places and times, during the period in which one idea is dominant, others are never totally neglected.

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Chapter II

Economic Gardening as a Tool of Economic Development

Gayl Ness

The end of Colonialism in Asia and Africa following World War II left a legacy of strong states and central planning to promote economic development. Where that planning has followed market discipline and created the physical infrastructure of a modern state it has often been quite successful. But it has also sometimes missed crucial opportunities for the development of local entrepreneurship and local productive enterprises. Surprisingly, a small town in Colorado, USA, began working on a specific plan precisely to find and promote local entrepreneurs. Through trial and error, it proved highly successful and developed a model that is now being used in many parts of the US. The term *Economic Gardening* implies finding and growing local entrepreneurs, rather than promoting *Economic Development* by enticing external investors to bring money and jobs to one's local. The problem with this form of promoting *Economic Development* is that when success raises standards of living and wage rates, external investors often leave searching for lower costs elsewhere. Since the entrepreneurs in *Economic Gardening* are local, they do not leave when their business becomes successful. The plan involves providing formal, expert assistance in such things as marketing, finding capital and making business plans. The model provides an excellent set of procedure by which local governments can promote sustained economic development. This paper delineates specific processes for practical measures in promoting Economic Gardening

A Colonial Legacy: Central Planning

One of the strong legacies of the vast colonial system that ended after World War II is the idea that a newly independent state will have a strong central government that promotes economic development through central planning and especially through the creation of five year plans (Ness and Ando 1984).¹ The apparent success of the Soviet Union and its five years plans found considerable favor especially in European Socialist and Communist parties in the 1930s, which had considerable influence on leaders of the newly independent states. Central economic planning and five year plans were found everywhere and were quite the rage.

In addition, the US Marshall Plan began a process of bilateral development assistance that enhanced this movement by working with governments to promote development. The United Nations' declaration of the 1960s as the decade of development and the creation of the United Nations' Development program (UNDP) further enhanced this movement. Then both bilateral and internal development assistance began building the informational infrastructure

¹. This is a distinctive characteristic of the nationalist independence movements of post-World War II, which were opposed to *Imperialistic Industrial Capitalism*. By contrast, the national liberation movements of the late 18th and early 19th centuries were opposed to *Monarchic Mercantilism*, and thus promoted private property and free markets, implying relatively weak states and little or no government economic planning.

by developing such things as population censuses and national income accounting, which allowed for more precise and accurate central planning.

Where that planning accepted *market discipline* and built the infrastructure of the modern state, especially where it developed human capital through education and health programs, it was often quite successful. In Southeast Asia, Singapore, Malaysia and Thailand are excellent examples of effective and successful central planning. Where governments followed the Soviet model, rejecting the market and using physical targets, there could be both successes and massive failures.

For example, Communist China embarked on a “barefoot doctors” program that was vastly successful in reducing infant mortality from 195 to 32 in the 30 years from 1950 to 1980. By contrast, the more democratic India allowed the Indian Medical Association to veto a similar plan to use paramedics to provide health services in the rural areas. The result was a slower IMR decline, from 190 in 1950 to 105 in the same three decades. In effect by strong central action, China saved some 30 million babies that would have died if it had had India’s IMR record. When strong central governments do the right thing, it can be immensely beneficial.

On the other hand, China’s Great Leap Forward in 1958 was a massive disaster, which led to some 30 million deaths from famine in the early 1960s.

The early tentative movements to promote development in the 1950s often involved policies for *import substitution industrialization*. The World Bank even proscribed such strategies. This implied raising tariff barriers to protect local industries from foreign competition and providing various subsidies and tax holidays to support those industries. These typically failed, producing little more than deep inefficiencies and higher costs to consumers. In the 1960s, there was a substantial change in policy to export promotion rather than import substitution. This proved highly successful.

Now central governments in the developing world typically promote development by luring foreign investors to come in to build factories and create jobs. Where this is effectively controlled and monitored it can help immensely to produce jobs, increase incomes and raise standards of living and human welfare. But this kind of developments has serious problems that are the fodder of daily news reports. Foreign investors come with very large pocketbooks, leading to much corruption, which is extensively reported in countries with a relative free press. It also leads to lack of the kind of monitoring and government control that saves lives and raises real living standards. Factories collapse; they burn down with great loss of life from locked exits. Workers are often subjected to harsh and even deadly working conditions when governments lack the capacity and will to regulate work places. And finally, if those investments and jobs raise living standards, they inevitably raise wages rates, often leading the foreign investor to leave in search of lower costs. In the recent past, Ireland provided an excellent example of the widespread loss of jobs from the rising living standards and wages that were the result of successfully enticing foreign investors.

The Decentralization Movement: Political and Economic

In 2005, the World Bank published an influential document to which we have often referred²: *East Asia Decentralizes: Making Local Government Work* (World Bank 2003). This noted different

². Ness. 2010

degrees of political and administrative decentralization. Made a case for greater decentralization, and noted both problems and potential advantages to be gained from increasing decentralization.

In 2001, The United States National Research Council published a paper entitled, *Best Practices in State and Regional Innovation Initiatives* (NRC 2001). The study began with the acknowledgement that “Most of the policy discussion about stimulating innovation has focused on the federal level.” By contrast, “This study focuses on the significant activity at the state level.” It found that, at state and local levels, there were new networks of political, business and academic leaders that were remarkably effective in fostering innovation and thereby promoting economic development.

These examples only illustrate two fundamental, increasingly global, trends - political and economic --now underway in both developing *and* developed areas. The most notable in Asia today is the *political* drive to decentralize government, to give greater power and authority to local elected officials. This political movement often restructured government, increasing the number, levels and powers of local elected officials, and turning more and more administrative responsibilities to local bodies.

Economic Decentralization

The economic decentralization is somewhat less recognized in the developing countries but is gaining great popularity in the United States. There, it is called *Economic Gardening*³. A simple analogy is used to differentiate this movement from more common attempts to promote economic development by seeking to attract large external investors. Attracting foreign investment is called *Big Game Hunting*. Governments (national level in many developing countries, but also at the state levels in the United States) seek out large foreign investors and provide them with tax benefits and other inducements to invest in factories that bring jobs to the area. *Economic Gardening* seeks to grow their own local entrepreneurs to invest in local enterprises, which bring jobs to the areas.

The history of *Economic Gardening* provides a view of economic forces that are common in developing nations. It began in Littleton, Colorado, a small town of 41,000 in the Denver Metropolitan Area (Woods and Gibbons 2010). In the 1950-60s two large corporations - in oil and aircraft manufacturing - brought factories and thousands of jobs to the Littleton area. Here was a typical success in “Big Game Hunting.” The standard of living rose and with it the general quality of life. But the recession of the late 1980s saw the loss of thousands of those jobs as all corporations cut jobs, moving some jobs off shore to reduce labor costs. This led Littleton civic leaders to rethink how best to promote the kind of development that would be sustainable, that would bring jobs to stay.

In researching possible alternative strategies, the Littleton leaders came upon a highly influential set of findings. In the US by far the greatest job creation comes from small companies, not large ones. These data are now collected and made available on line through www.yourecconomy.org, a service of the Edward Lowe Foundation, Cassopolis, Michigan (www.edwardlowe.org). They also discovered that local governments using incentives to attract

³ A major organization promoting Economic Gardening in the United States is the International City/Country Management Association (ICMA). See its large web site at www.imca.org.

large investors (Big Game Hunting) were declining and those continuing to use such incentives had lower than average growth rates as they "...faced more competition, and may be 'trapped in a race to the bottom'" (Warner 2010). In effect, the use of business incentives to attract outside investors was not working. They also found a burgeoning literature on entrepreneur development and what is now called "new growth theory" (Birch 1978 and Rohmer 1986).

After much discussion, many trials and errors, Littleton hit on an effective strategy that used city funds and local leadership to build a capacity to identify and assist local entrepreneurs start businesses. The city began in 1990 with a half time worker and a small budget in its new Business/Industry Affairs (BIA) department. Today it has four full time staff. It provides a range of services. These include research on demographic trends, the use of search engines and social media to develop marketing strategies and advertise products. They also provide assistance in Geographic Information Systems and graphic design. They have developed a program where experienced business people provide assistance to new local entrepreneurs as Business Coaches. Typically the BIA is in contact with 300-400 businesses yearly and provides direct services to over 100. In the first two decades of its work, it added 15,000 new jobs to the town's businesses. These ranged from information providers, to herb shops that advertise on the Internet and export throughout the country, or others that provide photographic services and planning services. And remember this is all done in a city of 41,000 people.

Economic Gardening has now become a substantial movement throughout the United States. The central organization promoting Economic Gardening in the United States is the International City/Country Management Association (ICMA). See its large web site at www.imca.org. There are now annual conferences on the subject; the 11th International Economic Gardening Conference was held in June 2013 in Kansas City, Kansas, USA (<http://conference.nationalcentereg.org/>). Many states in the US now have added Economic Gardening to their usual economic development strategies. Christine Hamilton-Pennell (2010) has produced an excellent article explaining the advantages and the processes of economic gardening.

The Internet has helped immensely in a variety of ways. Any local entrepreneur can now quickly learn how to find information on the demand for products, assistance in developing technologies, finding capital, and advertising products. The Internet has also helped the Economic Gardening model to spread widely.

Economic Gardening and Local Government

A. Entrepreneurship in Asia

Asia has no shortage of entrepreneurs and entrepreneurship. There is the well-known and ubiquitous informal economy, which is often dominated by women; this is especially true in Southeast Asia for reasons of deep culture. The problem with this informal economy is that it is usually locally oriented and does not export out of the local community. To promote economic development more widely, it is necessary to formalize this rich entrepreneurship through the formation of legal entities, which will export goods and services beyond the local community (Ness 2012).

Since 2006, the World Bank has been taking an interest in this development strategy and has begun to survey countries to collect data on the number of new limited liability firms created each year (Klapper and Delgado 2007). The first observation from these surveys is the large number of new firms being established. The survey also measures “Business Density” or the number of formally registered limited liability firms started per 1000 of the working age population (ages 15-64).⁴

Table 1: Number of New Firms and Business Density Southeast Asia plus Hong Kong and Republic of Korea

Country	Year	New Firms	Business Density
Cambodia	2009	2,003	0.22
Indonesia	2011	43,775	0.27
Lao PDR	2011	398	0.1
Malaysia	2011	45,445	2.42
Philippines	2011	11,435	0.19
Singapore	2011	32,308	8.45
Thailand	2009	27,520	0.59
Hong Kong	2011	148,329	27.67
Republic of Korea	2011	65,973	1.83

For this introduction, let us look only at the most recent findings from Southeast Asia, and include Hong Kong and Republic of Korea for comparison.

What is immediately apparent here is the large number of firms being established, even in intensely poor countries, such as Laos and Cambodia. Also, apparent is the wide variance in Business Density. Density is higher in the more developed (Singapore and Malaysia) than the less developed (Cambodia and Laos). But also notable are the relatively low rates of density in countries like Thailand, Indonesia and the Philippines, which all have actively growing economies. This indicates there is much room for improvement.

Klapper and Delgado (2007) reported some interesting findings from the analyses of these data. Entry rates are negatively related to the cost of starting a business, and they are positively related to the quality of government. By sectors, the developing countries show high proportions (50+%) in wholesale and retail sales, while the more developed countries show the highest proportions (60+%) in services, including finance and real estate. These are not surprising findings, but they do give some hints at how policies should be shaped in the developing countries to promote more local business.

B. Resistance to Gardening

Despite the rich resource of local entrepreneurship, the movement to economic gardening, like the movement to political and administrative decentralization, faces certain resistance at the national level. Central bureaucracies have grown massively as an integral part of foreign colonial rule. That growth only accelerated with independence and the push by central governments to engage in economic planning and development promotion. Both latent organizational and economic forces will lead these centralized bureaucracies to resist new efforts

⁴. Unfortunately, the Bank does not report the difference between local and foreign companies.

to decentralize or to promote development through promoting local entrepreneurs. The organizational forces are those that keep organizations growing. Position and budget requests are never reduced; they are always growing.

All organizations face internal pressures to add more staff, more positions and more responsibility and authority. That always means increased budget requests. The current political pressures to decentralize government are inevitably threatening to central bureaucracies. Central bureaucracies grow, gain more and more power, and are very reluctant to give power to lower units. This is a process that has been recognized by social scientists for half a century and more (Shils 1960) and is known to inhibit the growth of local government.

There are economic pressures as well that will lead central governments at least to neglect, and possibly actively resist, giving priority and resources to promoting local entrepreneurs. The rewards of the Big Game Hunting Strategy are many and powerful. The vast disparities in wage levels and in government regulations globally will always attract large foreign investors to places of low labor costs and weak government regulations. Moreover, the competition in these industries is quite intense, leading to extraordinarily hard bargaining by the foreign investors. This inevitably leads to weakness of worker protection, building and workplace regulation. The result is what we often read in news headlines: collapsing factories, factory fires with large loss of life and corruption.

What political leader can resist the attraction of cutting the ribbon for a new factory with 500 jobs? And the complex network of wealthy foreign investors and even more complex local regulations and requirements for firm creation inevitably leads to corruption.

C. Promoting Economic Gardening: Some Practical Steps

Despite the potential and real resistance, promoting *Economic Gardening* is possible and can produce substantial positive results. Hamilton-Pennell (2010) identifies of some key principles that can be enumerated especially for the United States. I have gone through the central points and adjusted them to what I know of Asia. Cultures are difference. In Asia - East, South and Southeast political and economic cultures show both similarities and profound differences. What will work in the United States, will not naturally work in Asia without some adaptation. So here is my translation of what Littleton did and what Asian cities, districts and provinces can do.

In thinking about what can be done, we have in mind actions at the local level. What can a Mayor, District Officer or Provincial Governor do? They actually have considerable capacities to initiate action. Here are some ideas for practical steps:

- 1. Do it yourself.** Do not wait on the central government, nor even ask central government for support. Look at your own resources and recognize what you already know how to do. Then work out a way that you yourself can help to promote local entrepreneurs. Every Mayor, District Officer or Governor has vast capacities to initiate productive programs. They should not be afraid to use their powers to promote economic gardening.
- 2. Engage local leadership.** Rather than hand a fully developed plan to local leaders, engage them in discussions of their perceived problems and potentials and help them to see advantages to providing assistance to local entrepreneurs. Call informal meetings to discuss local conditions and ask for ideas about what to do. The idea is to plan together.

3. Develop new horizontal networks. Bureaucracies are typically organized hierarchically, with orders moving down and information moving upward. Often the structure inhibits the development of horizontal linkages that bring together different specializations. Local leaders should branch out, linking business groups, banking, academic institutions, and community groups to build the broad base of technologies that is needed to promote development. In 2000, the Asian Urban Information Center of Kobe (AUICK) published an exercise in dynamic modeling of population-environment dynamics in five Asian Cities (Ness and Low 2000). Khon Kaen, Thailand was one of the cities studied. The study suggested a future of City-University Partnerships (CUPs) where local university scientists would work with city administrators to collect data and undertake modeling exercises to examine possible futures for their own planning.

4. Identify community resources. What human capital and institutions exist in the community? What are the physical assets - roads, transportation, educational institutions etc? One asset often overlooked is libraries. Littleton, for example, began by having the city library second a librarian to the BIA. This provided expertise in using various search engines to find information on demand, sales, technologies and capital sources for new businesses.

5. Identify successful local business people. These effective local business and women can act as coaches for new enterprises. The *Business Coaches* program has proved highly successful in many areas.

Finally, but not first, one can look for external assistance.

6. Seek External Support. The United Nations Development Program and many bilateral aid organizations, such as US AID have programs specifically to assist small businesses. There are also many NGOs that do the same. Unfortunately, access to the UN and Bi-Lateral AID agencies usually requires going through the central government, but it is worth exploring possibilities for external support in these agencies.

Conclusion

One of the most productive arenas for action of local government bodies lies in promoting economic development. Finding investors to build factories and create jobs is one effective avenue for promoting development. But an equally productive arena also exists in finding and supporting local entrepreneurs to build businesses and promote development, an activity known as *economic gardening*. This has now become a serious movement in the United States and has immense potential in the developing world, as well. This provides one more reason to promote decentralization and one more set of highly productive activities that local governments can undertake.

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Chapter III

The Challenges of Community Engagement in Rural-Remote and Indigenous Local Governments in Australia

Melissa Gibbs*

Local Government in Australia

It is important to place the challenges facing local government in remote Australia in the context of the broader national local government system. Australia is a federation of six states and two territories. Constitutional responsibility for local government rests with the states and territories, which provide the legislative framework and jurisdictional responsibility for local government operations. In Australia, there are around 566 local governments (DRALGAS 2012, p. 2), ranging from large, and densely populated metropolitan cities to small remote rural shires with sparse populations spread over large areas. The number of local governments in Australia has declined significantly over time due in most part to amalgamations, as evinced in Table 1.

Table 1: Number of Local Governments in Australia 1910-2009

Jurisdiction	1910	1991	2001	2008	2009
New South Wales (NSW)	324	176	172	152	152
Victoria (Vic)	206	210	79	79	79
Queensland (Qld)	164	134	125	73	73
Western Australia (WA)	147	138	142	140	139
South Australia (SA)	175	122	68	68	68
Tasmania (Tas)	51	46	29	29	29
Northern Territory (NT)	0	0	7	61	16
Total	1,067	826	622	602	556

Source: DRALGAS, 2012, p. 49.

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Local Government Functions

While there are differences between the operating arrangements across the states and territories, the main roles of local government are advocacy, governance, planning, community development, service delivery, asset management and regulation (DRALGAS 2012). Examples of local government services and functions include:

- Building inspection, licensing, certification and enforcement
- Commercial services, including parking, aerodromes, cemeteries, quarries, abattoirs, sale-years, and markets
- Community services, including child care, aged care and accommodation, refuge facilities, counseling and welfare
- Cultural services, including libraries, art galleries and museums
- Engineering, including public works design, construction and maintenance of roads, bridges, footpaths, drainage, cleaning, and waste collection and management
- Health, including water and food sampling and testing, immunization, public toilet facilities, noise control, and animal control
- Land use planning and development control
- Recreation, including swimming pools, sports and recreation centers, public halls, and camping grounds
- Water and sewerage in some jurisdictions.

Rural-Remote and Indigenous Local Government in Australia

ACELG has identified a cohort of 105 local governments in Australia for targeted assistance under its rural-remote and Indigenous local government program. ACELG's Project Plan characterizes this category of local governments thus:

Small rural-remote and Indigenous councils¹ operate in a different context to urban and provincial councils. They typically are resource-poor and highly dependent on grants. They experience severe difficulties in attracting and retaining staff. Often the key issue is not so much one of improvement, as of establishing and maintaining basic capacity in the first instance.

At the same time, their communities look to councils to ensure that adequate health services (particularly primary health care), education (including tertiary education), transport, and arts, cultural and recreational facilities are provided. They expect local government not only to be a competent service provider, but also to be an advocate, facilitator and partner in service delivery by Commonwealth and State/Territory governments (ACELG 2013, p. 21).

ACELG's role in assisting rural-remote and Indigenous local governments is directed towards improving the capacity of local governments to provide strong leadership and good local governance for their communities. ACELG's priorities are not aimed at trying to solve the structural and systemic problems facing remote communities and Indigenous populations. This is made clear in the Center's Project Plan:

¹ Australian local governments are usually referred to as councils, shires, municipalities or cities.

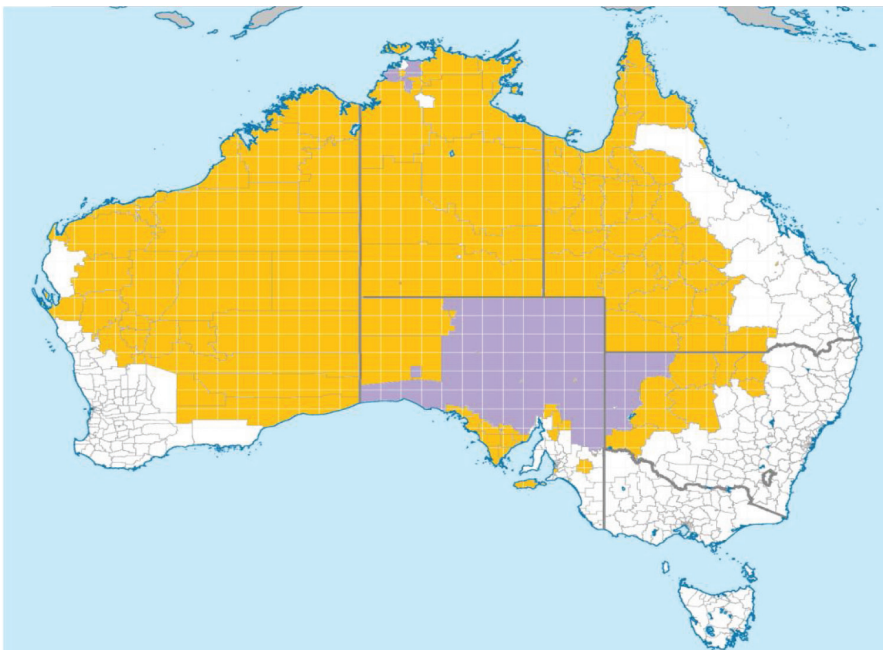
The rural-remote and Indigenous program will initially seek to identify those areas in which the Center can most usefully assist these councils, and the best means of providing assistance. An important area for research and policy development, building on recent studies into the financial sustainability of councils, will be to consider what other policy interventions by federal and state governments are needed to complement any assistance the Center may be able to provide.

The program will involve scoping studies and developing case examples drawn from both previous and contemporary studies, and the sharing of information and “lessons learned” (p. 21).

Some Facts and Figures

Of the 556 local governments in Australia, 105 (around 18%) have been categorized by ACELG as rural-remote and Indigenous. These 105 local governments cover almost two-thirds (65%) of Australia’s land mass (see Table 2), yet represent only 1.67 percent of the population (Table 3).

Figure 1. The Geographical Coverage of Rural-Remote and Indigenous Local Government Areas in Australia.



Rural-remote and Indigenous local government areas are marked in orange, unincorporated areas are marked in purple, and non rural-remote and Indigenous local government areas are unmarked. Picture adapted from “Australian local government areas,” Wikimedia Commons.

Table 2: Size of Rural-Remote and Indigenous Local Governments in Each Australian State and the Northern Territory

Jurisdiction	Total Size (ha)	Rural-remote and Indigenous local government coverage (ha)	%
NSW	80,080,873.7	21,831,550.0	27.26
Vic	22,749,552.3	0.0	0.00
Qld	172,582,593.1	105,676,733.2	61.23
WA	252,641,786.0	214,327,807.0	84.83
SA	98,417,965.8	27,046,477.7	27.48
Tas	6,801,819.7	0.0	0.00
NT	135,316,390.3	131,705,356.0	97.33
Total (Australia)	768,848,540.5	500,587,928.9	65.11

Source: Australian Bureau of Statistics, National Regional Profile, Environment, LGA, 2007-2011.

Table 3: Rural-Remote and Indigenous Local Governments - Populations in Each Australian State and the Northern Territory

Jurisdiction	Population	Rural-remote and Indigenous local government population	%
NSW	7,290,345	29,936	0.41
Vic	5,623,492	0	0.00
Qld	4,560,059	91,826	2.01
WA	2,430,252	156,573	6.44
SA	1,654,778	44,130	2.67
Tas	512,019	0	0.00
NT	234,836	56,186	23.93
Total (Australia)	22,683,573	378,651	1.67

Source: Australian Bureau of Statistics, 3218.0 Population Estimates by Local Government Area, 2011 to 2012 (estimates are at 30 June 2012).

ACELG's Rural-Remote and Indigenous Local Government Program

Shortly after ACELG's establishment in 2009, it commissioned three scoping studies to identify the key challenges facing rural-remote and Indigenous local government in Australia. These scoping studies went on to inform the development of a national capacity building strategy for rural-remote and Indigenous local government. The strategy includes a range of initiatives to assist these councils in the provision of good governance for their communities. The three scoping studies covered three jurisdictions: Western Australia, the Northern Territory and Queensland's Indigenous local governments.² These jurisdictions contained the greatest number of local authorities in the identified cohort of rural-remote and Indigenous local governments.

² Queensland's Indigenous councils were transitioned to Aboriginal Shire Council status and brought under the same legislative framework as other local governments in 2009.

The findings of these scoping studies were considered at a national roundtable convened in the nation's capital, Canberra. Roundtable participants included representatives of federal, state, territory and local governments, local government representative associations, professional institutes and academics. From the scoping studies and roundtable deliberations, ACELG identified the following themes and challenges facing remote and Indigenous local governments:

Financial Sustainability

Rural-remote and Indigenous local governments face severe financial sustainability challenges, with most being dependent on grants from state/territory and federal governments to provide core services. For example, the remote shires located in the Northern Territory³ raise only around 10 percent of their revenue from rates and annual charges, well below the national benchmark of 40 percent outlined in the PricewaterhouseCoopers 2006 National Financial Sustainability Study of Local Government (Deloitte 2012). That report also notes:

The Councils [the remote shires of the Northern Territory] are unable to derive a level of own source revenue. The limited number of rateable properties within the Council areas combined with the application of legislated conditional rating has resulted in an inequitable application of rates and user fees making the Councils overly reliant on grant funding (p. 11).

Expectations and Role

Exacerbating these inherent financial challenges is the fact that rural-remote and Indigenous local government is under immense pressure to provide a wider range of services to its constituents. In its review of local government revenue raising capacity, the Productivity Commission⁴ noted:

...rural and remote local governments appear to provide a broader range of services than urban local governments as they fill service gaps that would be undertaken in other spheres of government or the private sector in urban areas (Australian Government Productivity Commission 2008, p. 49).

Thus, rural-remote and Indigenous local governments are often seen as a 'provider of last resort' in the communities they serve as they are left to fill the gap when services are not provided by others. This is exacerbated by the progressive retreat of government agencies, and often results in councils being expected to provide non-core services such as health, education, banking and television transmission services at great expense (Morris 2011, p. 8). This was backed up by the Queensland Local Government Reform Commission in its 2007 report. It noted in relation to remote councils located in the state's far west that:

Many far western council's are required to fill the gap in delivering human and other services normally provided by the private sector, but which are no longer available due to them being uneconomic (Local Government Reform Commission 2007, p. 6).

A similar story applies to Queensland's Indigenous councils. They noted in a combined submission to a 2010 Parliamentary Inquiry that:

³ Prior to 2008, the majority of remote communities in the Northern Territory were covered by 55 small and highly dispersed community government councils incorporated voluntarily.

⁴ The Productivity Commission is "the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians", www.pc.gov.au, viewed on 16 July 2013.

Put simply, the services required (or expected) to be provided by our Indigenous Councils is not matched by existing funding sources. With limited capacity to raise traditional local government rate revenue in our communities, remote Indigenous local governments are facing significant long-term financial challenges (Combined Indigenous Councils p. 3).

Remoteness

This cohort of local governments face unique challenges due their remote location, size, dispersion of population and scope of services provided (ACELG 2010). Other problems associated with remoteness include a lack of access to communications infrastructure, a static population with large numbers of itinerant individuals who use local government facilities, and fly-in fly-out or drive-in drive-out mining workforces that place additional pressure on local services;⁵ long distances from major population centers, with external organizations often not willing to work with remote councils; and expanding service requirements and the attendant difficulties of attracting and retaining skilled staff to provide new services and functions (Transport and Local Government Committee 2012).

Legislative Provisions Relating To Service Delivery to Remote and Indigenous Communities

The Bilateral Agreements for Indigenous Affairs between the federal government and state/territory governments seek to ‘mainstream’ the delivery of essential services to remote Indigenous communities through a transfer of responsibility to local government. However, questions are often asked about the appropriateness of local government as the preferred means of delivering these services, as remote Indigenous councils already provide a much wider range of services than their mainstream counterparts (Morris 2011).

Compliance Costs

As rural-remote and Indigenous local governments typically derive a high proportion of revenue from tied grants, grant administration forms a large part of their functions. Onerous and inconsistent reporting requirements imposed by funding providers have caused inefficiencies, additional costs and administrative burdens, reducing the capacity to deliver core services (Deloitte 2012). The councils also face complex and rigid statutory and administrative compliance under the legislative frameworks of each jurisdiction, which are often viewed as excessive due to the fact that the prevailing legislation is developed as a “one-size-fits-all” solution without recognizing the diversity of size, capacity, resources, skills and other circumstances of each local government unit.

Governance and Community Development Challenges

Quality governance is required to deliver strong local governments, and ACELG’s scoping studies identified a number of impediments to the provision of good governance in rural-remote and Indigenous local government. These include the limited pool of candidates in small communities to run for civic office; the absence of strong strategic leadership; poor governance policies, systems

⁵ ACELG explored the impacts of fly-in fly-out and drive-in drive-out practices on local government in Morris, R. (2012). *Scoping Study: Impacts of Fly-in Fly-out/Drive-in Drive-out Work Practices on Local Government*. Sydney: ACELG. Retrieved July15, 2013, from <http://www.ancelg.org.au/news-detail.php?id=219>.

and practices; inability to access governance skills and capabilities; the generally low level of Indigenous community participation and engagement; and poor understanding of community engagement methodologies, particularly for hard to reach communities (Morris 2011).

Workforce Development

Australian workplaces are in a “war for talent” (ACELG & LGMA 2013), and local government is not immune as it faces skills shortages and competition from other sectors able to offer higher paying jobs and better career development prospects, such as the lucrative regional mining sector. Rural-remote and Indigenous local governments face even greater challenges as they often have a limited pool of appropriately skilled labour from which to draw in the first place. At the same time, some small-remote and Indigenous councils struggle to tap existing local Indigenous labor sources due to their limited capacity to develop workforce strategies (Morris 2011).

Organization Capacity, Particularly in Relation to Financial and Asset Management

Most Australian states and the Northern Territory now require local government to develop long term financial and asset management plans, but many rural-remote and Indigenous local governments have difficulty building staff capacity and to develop robust plans (Morris 2011).

Senior Management Capacity and Support

Senior managers play a vital role in the provision of good financial and administrative management and quality governance in rural-remote and Indigenous local government (Morris 2011). Due to the difficulty of recruiting and retaining senior executives, however, it is often left to the CEO to provide strategic direction to both the council organization and the community with little support, thereby adding to the workload and increasing the possibility of burnout. Not only do CEOs in remote locations need the same high-level professional and technical skills as their counterparts in urban and larger regional centers, but they must also do the heavy lifting in community governance; leadership; and when working with indigenous communities, bridging cultural, education and language divides. Add to this is the importance of local government leadership in remote locations - due in part to local government’s default position as the service provider of last resort - and it becomes clear how essential it is for local government in those parts of Australia to attract and retain a CEO with the right set of professional and inter-personal skills to make a difference.

To gain a greater appreciation of the specific challenges facing CEOs in rural-remote and Indigenous local government and their capacity needs, ACELG undertook a survey of CEOs in the Northern Territory, Queensland and Western Australia. There are a number of recurring themes expressed throughout the survey, particularly around the importance of training and professional development, and staff attraction and retention (Gibbs 2012). The most common challenges fell into five key categories, and these are outlined in Table 4.

In addition to these workplace and organizational issues, CEOs in rural-remote and Indigenous local government face a series of personal challenges working and living in remote locations. These include the additional costs associated with living in remote Australia; distance from family; dislocation, and the challenges of accessing major centers, particularly during and after extreme weather events; the challenges of living and working in the area with limited opportunities for respite; a lack of community facilities and services; and limited access to peer and professional support.

Table 4: Key Challenges Facing CEOs in Rural-Remote and Indigenous Local Government

Staffing	Staff recruitment and retention; lack of leadership and management skills; organizational skills shortages; lack of staff accommodation
Community issues	Managing relationships and community engagement; impact of remoteness; managing community expectations
Financial sustainability	Financial constraints; inability to manage assets and infrastructure; balancing service needs with available resources
Organizational	Increasing governance and compliance requirements; excessive service delivery requirements; strategic planning; lack of recognition by other spheres of government about service delivery challenges
Other	Flood mitigation; managing state and federal government relations; the challenges of amalgamations.

In order to respond to these concerns, ACELG is working with CEOs, state and territory governments, and representative associations to address the challenges of attracting and retaining senior management staff in rural-remote and Indigenous local government.

Regional Collaboration and Resource Sharing

Many of the traditional means of achieving economies of scale and scope used in local government in Australia (such as amalgamation and consolidation) are not suitable in rural-remote and Indigenous local governments, due mainly to remoteness and the tyranny of distance (ACELG 2011).

A Capacity Building Strategy for Rural-Remote and Indigenous Local Government

Having identified and established consensus on the key challenges facing rural-remote and Indigenous local government through the scoping studies and the national roundtable event, ACELG commissioned a national capacity building strategy for rural-remote and Indigenous local government. Accordingly, in March 2011, ACELG released *A Capacity Building Strategy for Rural-remote and Indigenous Local Government*. The capacity building strategy identifies ten strategic priorities for capacity building, namely:

1. Roles and expectations of rural-remote and Indigenous local government
2. Local government service delivery to remote and Indigenous communities
3. Financial capability and asset management
4. Statutory and administrative compliance
5. Governance development and community engagement
6. Senior management capacity and support
7. Workforce development
8. Regional collaboration and resource sharing
9. Appropriate operational systems
10. External engagement and relationship building (Morris 2011, p. 7).

While the strategy outlines ten priority areas for capacity building, each element is interdependent and often not mutually exclusive. For example, a diverse, skilled and stable local government workforce is a key factor in supporting senior managers to carry out their

challenging roles, and attracting and retaining qualified staff impacts on the quality of governance and financial sustainability.

ACELG is not sufficiently resourced to implement all the actions proposed for each strategic priority on its own. Instead, it has set out a national framework through which jurisdictions, representative associations, and professional bodies can undertake their own capacity building activities. ACELG is playing “facilitation, co-ordination and integration roles that seed ideas for new initiatives, build consensus and support for national capacity building activities, and facilitate partnerships that will bring about enhanced governance and service delivery” (Morris 2011, p. 7). Having said that, ACELG has set aside some of its program funds to implement a number of the actions proposed in the strategies that lend themselves to leadership at the national level. One primary focus for ACELG in this regard has been strengthening rural-remote and Indigenous community engagement and governance.

Community Engagement and Governance

Local government performance is directly linked to the quality of governance, and community engagement is an essential element of good governance. Key success factors for effective local governance have been identified by Limerick (2010) as a strategic orientation based on a shared vision, a clear separation of powers between elected and appointed officials, respect for the rule of law through the equitable application of rules and policies, an effective administration with a commitment to sound financial management, a stable workforce and sound human resources practices, appropriate community engagement mechanisms, and strategic engagement with other spheres of government and institutions and institutions.

Not only is community engagement a fundamental foundation to good governance, but communities are increasingly seeking to become more involved in local government decision making, and this is influencing the way in which local governments connect to their communities. Local governments across Australia are developing policy responses to the heightened demand for community engagement, sometimes voluntarily and other times in response to state and territory statutory obligations (Herriman 2011).

The main issues identified in the earlier scoping studies undertaken by ACELG related to low levels of Indigenous participation and engagement in local government decision making processes, a poor understanding of effective community engagement methodologies, and a lack of community engagement skills (Morris 2012). To further explore some of these points, ACELG commissioned a study to provide insight into the community engagement practices and challenges of Australian rural-remote and Indigenous local governments with a view to identifying some practical options to improve the quality of community engagement. The study explored:

- The nature of community engagement currently undertaken in Australia’s rural-remote and Indigenous local governments
- The barriers to, and challenges of community engagement
- Effective strategies and methodologies used
- Gaps in knowledge and resources
- Options for improving community engagement.

The study was undertaken through a literature review; interviews with key stakeholders, including representatives of state and territory governments, local government representative associations, and experienced practitioners; an on-line survey of rural-remote and Indigenous local governments; and a set of case studies showcasing effective community engagement practices.

Summary of Research Findings

Community engagement is in its infancy.

The results of the survey indicate that community engagement by rural-remote and Indigenous local governments in Australia is in its development phase. Almost two thirds (65%) of the local governments participating in the survey reported that they allocate financial resources for community engagement, but only just over half (54%) reported having a formal community engagement policy. A similar proportion (58%) indicated that they have designated staff to conduct community engagement, but less than half (42%) provide formal training for staff to develop their skills. Less than one-third have some type of guide or handbook to assist staff to carry out community engagement activities, along with processes in place to evaluate the effectiveness of community engagement (Morris 2012).

The majority of rural-remote and Indigenous local governments undertake community engagement to some degree.

The survey results show that almost all (98%) local governments use community engagement at some point to inform the community about council plans, services or activities. However, when it comes to higher levels of engagement and empowerment, only about one-fifth (19%) frequently or very frequently empower communities to select solutions or options for a council policy, program or service, and approximately only one-third (35%) frequently or very frequently provide opportunities for the community to actively collaborate in the development of policy or problem solving. Similarly, just over one-third (37%) undertake voluntary community consultation frequently or very frequently (Morris 2012). This suggests that while community engagement is occurring regularly in rural-remote and Indigenous local government, it is mainly used to inform and seek feedback rather than to collaborate with, and empower local communities to be masters of their own destiny.

Challenges to Community Engagement

The survey included a list of 26 potential challenges to community engagement in rural-remote and Indigenous local government identified through the stakeholder interviews undertaken as part of the study. The top challenges to community engagement as identified by the survey respondents are outlined in Table 5.

Of particular note is the data relating to participation fatigue and community resistance, with 71 percent of respondents stating that some community groups feel over consulted, and 79 percent reporting community resistance as evidenced through disinterest, skepticism or cynicism when being engaged. Qualitative feedback from respondents suggested engaging Indigenous communities was particularly difficult:

Table 5: Top Challenges to Community Engagement in Rural-Remote and Indigenous Local Governments

Challenge to Community Engagement	Percentage rated as a major or moderate challenge
Appropriate internal support systems	79
Community resistance	79
Financial cost	76
Adequately skilled staff	76
Community participation fatigue	71
Competing council priorities	79
Community understanding council role	67
Fear of raising community expectations	57
Technology/telecommunications	55
Engaging 'hard to reach' groups	55
Community literacy skills	52
Distance/remoteness	50

Source: Adapted from Morris 2012, p. 44.

The biggest problem is that there are too many state, and federal agencies constantly endeavoring to consult with our communities, seldom with any interagency co-ordination and often at cross purposes. Most often the community sees no outcome from the discussions and so when we turn up there is often a skeptical element who see us as just another bunch of white fellas who want to take up their time and will deliver nothing. There is a community perception that consultation is a token expectation due to State and Commonwealth government interventions and decrees. [There is a] feeling of disempowerment and that true results of community consultation will not be fed back to agencies as the results would not reflect what the government wants. In essence [it is] a waste of time (Morris 2012, p. 46).

This is important, as it adds yet another dimension to the challenges faced by local government in remote Australia - as local government is often the only government institution with a presence in remote communities; it is often left to deal with the consequences of the poor consultation practices of others, which just compounds the already difficult problems it faces.

Rural-Remote and Indigenous Local Government Approaches To Community Engagement

Just over half (58%) of respondents provided examples of community engagement techniques that worked well. However, there was a clear message from a number of participants that there is no “silver bullet”, and effective community engagement requires the use of a variety of methods to suit different groups and situations. What works well for one group may not work well for others. Relationship development over a period of time to build trust and respect is also critical (Morris 2012).

Successful engagement techniques identified by survey participants include:

- Disseminating information through informal face to face meetings, newsletters, local radio and newspaper, notices and posters in popular locations
- Providing a welcoming environment, along with food and drink at community meetings (sausage sizzles are popular!)
- Consulting with special interest or small target groups, engaging community leaders and champions, and using properly resourced boards and advisory groups
- Engaging external experts with an understanding of local circumstances to portray independence and drive the process
- Using non-traditional approaches and technology, such as graffiti walls and disposal cameras to engage community members with low literacy levels
- Engaging Indigenous people through face to face discussions in informal locations, asking community leaders how people like to be engaged, providing time and space to absorb the information provided, and delivering on outcomes to secure credibility.

Around 44 percent of respondents provided examples of community engagement methodologies that had not worked well, including:

- Inappropriate engagement tools for the circumstances, such as public forums, public attendance at council meetings, paper surveys
- Tokenism, where the CEO or elected members fail to attend meetings or make genuine efforts to engage, or where there are no outcomes from previous consultations
- Failing to prepare well for events, assuming the community will pass on information to others, holding large community meetings without an agenda or a good chairperson, or poor timing (e.g. during busy farming season times, clashes with cultural events, etc.)
- Over-consultation, with multiple agencies endeavoring to consult with no co-ordination or at cross purposes.

Community Engagement and Resources

While survey respondents said that there are ample resources available in the form of community engagement guides and handbooks, accessing suitable resources to assist planning and implementing community engagement activities was reported as a challenge. The results suggested there is a need to build awareness of the materials available and where they can be accessed, especially the resources directly relevant to engaging rural-remote and Indigenous communities. In response to this need, ACELG has prepared a database of community engagement resources available to rural-remote and Indigenous local government.⁶

Options for Improving Rural-Remote and Indigenous Local Government Community Engagement Practices

Survey respondents identified a number of options for improving engagement practices. The following are listed in the order of popularity:

⁶ The database can be accessed at: <http://www.iken.net.au/communities-of-practice/rural-remote-and-indigenous-local-government/community-engagement-resources>.

- Training staff in community engagement approaches
- Council education about the role of community engagement
- Community education about the role of community engagement, its purpose and limitations
- Material resource guides for integrating community engagement outcomes in council decision making
- Staff and elected member cultural awareness training
- New staff induction
- Specialized regional community engagement forums
- An interactive on-line portal
- Community engagement resource sharing
- Training in building relationships with Indigenous communities
- A community engagement mentoring program.

Social Media

The uptake of social media was quite low, with less than one-third (30%) using social media, and less than one-fifth (19%) having developed a social media policy. Notwithstanding the low levels of use, about one-fifth (21%) are now considering the use of social media, and more than one-third of respondents (35%) are considering or currently developing a social media policy. Of those using social media, the most common form is Facebook.

Respondents identified a number of challenges to using social media:

- Digital literacy and access to reliable technology and telecommunications
- Resourcing, with the availability of financial and human resources to develop and resource a social media presence
- Potential for abuse/misuse by staff and the community
- Population demographics, with social media being viewed as unsuited to elderly and transient Aboriginal constituents
- Other channels of communication are perceived to be more effective
- Legislative requirements, and the need to ensure compliance with record keeping policies
- Security of social media systems.

ACELG's Role in Supporting Rural-Remote and Indigenous Councils in Community Engagement

Survey respondents identified a number of roles for ACELG in supporting rural-remote and Indigenous local governments to improve their community engagement practices. The following themes were identified:

- Resource development and training, with one respondent linking this back to the challenges of engaging skilled staff more generally
- Advocacy by promoting, encouraging and supporting the sharing of information, knowledge and experiences
- Mentoring
- Promoting Indigenous representation and participation.

ACELG's Response

Within its capabilities, ACELG is working with stakeholders to address the challenges identified, reviewing and promoting the use of community engagement materials and training programs suitable for rural-remote and Indigenous local governments, and filling resource and material gaps.

Conclusion

This paper has outlined the characteristics of rural-remote and Indigenous local governments in Australia, some of the key challenges they face, and steps taken by ACELG in conjunction with other stakeholders to improve their capacity in providing quality governance and leadership to the communities they represent. With the retreat of central governments, local governments in remote Australia are often the only form of government institution with a presence in remote communities, and local governments often assume “provider of last resort” status out of necessity. Not only does this cohort of councils in Australia provide a broader range of services than local governments in other locations, but they play important advocacy, facilitation and partnership roles. Yet many simply lack capacity, skills and resources to assume such roles. Community engagement is a particular challenge, yet it is an important foundation to the provision of good governance, and local communities increasingly want to participate in decision-making.

ACLEG, along with other local government stakeholders in Australia, is playing a leadership role in building the capacity of local governments in remote locations, principally through the Center's national capacity building strategy. ACELG, in accordance with its operating principle, seeks to achieve enduring improvements in capacity and performance.

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Chapter IV

Facing the Future: Local Governments Adapt to Social Media Trends

James Scott

“...the explosion of available information and interconnectivity through social media is changing profoundly and very quickly how we communicate with each other and with business and government...The greater question is whether these amazing new tools can also help make us more trustworthy in our messaging and in the end re-animate our free press and our free enterprise even as it helps reinvent those endeavors” (Joan Walker, as quoted in Smith 2012).

In twenty-five years since its inception, the World Wide Web has radically changed how people work, shop, play, and connect with others all over the world. As Internet use grows and evolves, governments are challenged to use the web to serve their constituents with more transparency, efficiency and effectiveness. These challenges are most acute - and perhaps most notable - at the local level, where citizens often have a special commitment to and knowledge of the place, as well as social networks that can be mobilized around public decisions. At the same time, local governments operate with limited technical capacity and serious resource constraints. How can local governments use Internet technologies to improve public outcomes and enhance communication?

This paper reports findings from ongoing content analysis of the largest US municipal government websites. It updates the first investigation on social media use by these city governments begun in 2010 (Scott 2010). Our first study aimed to document early use of social media by US city governments. Findings confirmed that almost all of the city governments used social media at the time. However, cities varied substantially in their apparent intentions or objectives, and in their general approach to managing agencies’ use of social media accounts. The analysis categorized the cities’ use, based on the extent to which governments manage applications centrally across local government agencies and functions, and on the extent to which governments use social media to elicit public participation and user input.

Much has changed since 2010. For example, usage of social media applications has spread across demographic groups and across devices (from desktop computers to tablets and smart phones). It has become a ubiquitous element of social and business life. Two out of three American adults now use social media on a regular basis. In the US, social media played a critical role in Presidential elections of 2012, through fund raising, mobilizing support, and election turnout. The Obama administration carries this capacity into managing citizen engagement and informing policy debates. The US government also now provides comprehensive resources and advice to government agencies in establishing and sustaining social media applications for public purposes.¹ In short, people have come to expect to find a broad range of information via multiple social media platforms - including information about local government policies, programs and actions.

¹ Cf., <http://www.howto.gov/social-media/using-social-media-in-government>. Accessed August 6, 2013.

At the same time, the near global economic downturn in 2008-2011 placed crucial resource constraints on local government's through-out the US. Many government workers were laid off or terminated, and local officials struggled to maintain even the most basic or essential public services. In a time of severe fiscal austerity, it would be difficult to commit public resources to the development of social media communication channels (Cf., Jonas 2012), even as they become otherwise enmeshed in the lives of local constituents.

Mass political debate and mobilization through social media can also represent serious threats and challenges to public officials. The emergence of the so-called "Arab Spring" (Cf., Howard, et al 2011), the anti-austerity protests, and recent ethnic riots in Sweden (Cf., Peck 2013) were all directly affected by massive spikes in social media postings. Most local governments have extremely limited capacity to monitor and respond to rapidly emerging online social networks.

How will these changes affect local governments' use of social media? Three years later, will cities change significantly from initial classification? How will public response to social media have changed? What does this imply for the future of local government, and the relationship between citizens and local public officials?

This paper is presented in four sections. First, it reviews recent literature on social media and places this literature in the context of research on local government websites. Second, it poses key research questions, and outlines a conceptual framework and methodology for investigating these questions. Third, it reports preliminary findings of ongoing content analysis. Finally, it proposes research and policy implications from this work.

Literature Review

Previous studies focused on the range and quality of web-based services (Scott 2005), online community development (Scott and Johnson 2005), and the extent of public participation permitted (Scott 2006). This paper focuses on how local governments apply *social media* platforms to inform and engage constituents.

Social media are web technologies that allow people to generate, share, and respond to content, as well as build and maintain relationships. They include weblogs, wikis, and social networking platforms, such as Facebook, Twitter, YouTube. Social media work well to deepen connections and to share knowledge among people who already have strong ties, and to connect those with weak ties, potential ties or none at all (Clark 2010).

Historically, local government websites are quite static, require significant resources to maintain, and attract relatively low user traffic (Scott 2006). In sharp contrast, social media platforms (such as Facebook, YouTube, and Twitter) offer flexible, updatable interfaces, and generate vast and growing active usage. For example, in ten years the number of Facebook accounts grew from 1 million in 2004 to 1.11 billion worldwide in March, 2013 (Facebook Press Room 2010). Over one million businesses across the world use Facebook to attract and serve their customers. Increasingly, more people are accessing social media via the mobile phone. From a public participation perspective, social media tools are capable of involving and integrating citizens in collaborative and deliberative activities at scales and scopes not previously seen (Bryer, 2011). In the short time since the initial 2010 study, social media have become endemic - fully integrated in contemporary business and social practices. How are local governments

using social media? Do these methods attract new (or more active) users? What new opportunities and challenges do they present?

Research on local government use of websites has focused primarily on evaluating the (potential) gains in efficiency (Layne and Lee 2001), transparency (Mahmood 2004), and range of information available (Stowers 1999). Despite national policy guidelines, mandates and assistance, local governments have struggled to meet the policy and technical standards for to provide a variety of web-based services (Scott 2005).² Still, Internet users in the US are generally quite satisfied with the services they receive from these sites (Smith 2010).

Web technologies have long been touted as tools to enhance public participation (Cf., Shane 2004; Scott 2006). However, very little research has focused on the government applications of social media - the most powerful current method of public participation. Freeman and Loo (2009) propose a framework for assessing the feasibility and utility of various social media applications. Shark (2010) conducted a very brief survey of Chief Technology Officers in selected US city and county governments. Findings from this study suggest that local governments are well behind trends in use of social media in the private sector. The Human Capital Institute (2010) surveyed over 600 workers in (US) federal, state and local government agencies. This study was focused on inter- and intra-agency collaboration and training in government units. It found that 65 percent of the government workplaces use social media applications. A larger proportion of workplaces in the private sector use these tools; however, findings suggest that most government employees now have the experience needed to use them.

Chang and Kannan (2008) conducted a variety of focus group sessions with government constituents. Regardless of age, focus group members welcomed increased use of social media in the public sector. In general, most participants interacted with private firms via social media, and they indicated that government applications would be “keeping up with the times” (p. 26). The Pew Internet and American Life Project recently published findings from a survey of US adult Internet users on their use of digital government services, including social media. Approximately 80 percent of these users reported that they recently accessed government services online. Approximately 10 percent of these users used government social media applications. The Pew research further suggests that some minority populations (such as African Americans and Hispanics) are more likely to use certain social media. Historically, cities have had limited communication with minority constituents. Perhaps social media provide tools that will enhance local government outreach to these constituents (Smith 2010).

Social Media Defined³

Social media are relatively closed community environments in which members can interact and conveniently connect. They are part of a fundamental paradigm shift in how the Internet is used.⁴ Initially, the web was content-centered, made accessible through rather static *pages* coded in standard HTML. The web 1.0 experience was a unidirectional content- stream, in which Internet users surfed and selected sites or pages to view, and then digest the material they viewed.

² Research on e-government and information technology in local administration is quite broad in scope, and is rapidly emerging. For a recent, more comprehensive review of this literature, see Yildiz 2007.

³ The following sections of the paper draw extensively from a report of the findings from my initial study of social media use by local governments (Scott 2010.)

⁴ For fuller accounts of the fundamental shift described here, see O’Reilly (2005), Cormode and Krishnamurthy (2008) and Andersen and Wolff (2010).

The advent of social media has moved users much closer to the center of the web experience. These new media allow users to filter and review content and easily create and share their own content. From a business perspective, social media permit you to provide services to customers (or constituents) at low-cost and effective scalability. The user-interface is lightweight and flexible - and accessible on mobile devices. Since users can comment and are connected, they become involved and enrolled in designing and refining products and services. In business parlance, the customers are now partners, contributing to collective intelligence. From a user perspective, the social media web experience is sociable, competitive and enjoyable. Embedded (or programmed) in each social media platform are communication rules, conventions and practices that affect all users' reputations and influence (Cf., Blackshaw 2010). Within social media platforms, third-party programmers develop *applications* that make it easier for users to connect, contribute and build their influence. Platforms such as Facebook adopt a proprietary mark-up language (MacManus 2007) and applications must conform to these standards. As a result, data on Facebook accounts are privately owned, operated, and are not open to search engines such as Google. The new world of social media clearly affects human behavior. A 2010 Nielsen survey that asked respondents to estimate the time they spend each day on the Internet across a variety of activities. Results show that for all the time spent on the Internet by Americans, nearly 25 percent is spent on social media platforms - three times more than the amount of time spent on emails (Nielsenwire 2010). A more recent study finds that nearly two out of three American adults used social media in the last month. Although social media users are somewhat younger and more educated and affluent on average than non-users, they closely align with the overall American public in their opinions about politics and the economy, as well as their perceptions of leading institutions. Social media users, however, reported significantly higher levels of political and community activity, including volunteering for a community organization, signing campaign or community petitions or attending a campaign rally. Social media users also are more likely to consult with others about buying a product or service, and to change their minds about a product or service because of the opinions of others (Smith 2012).

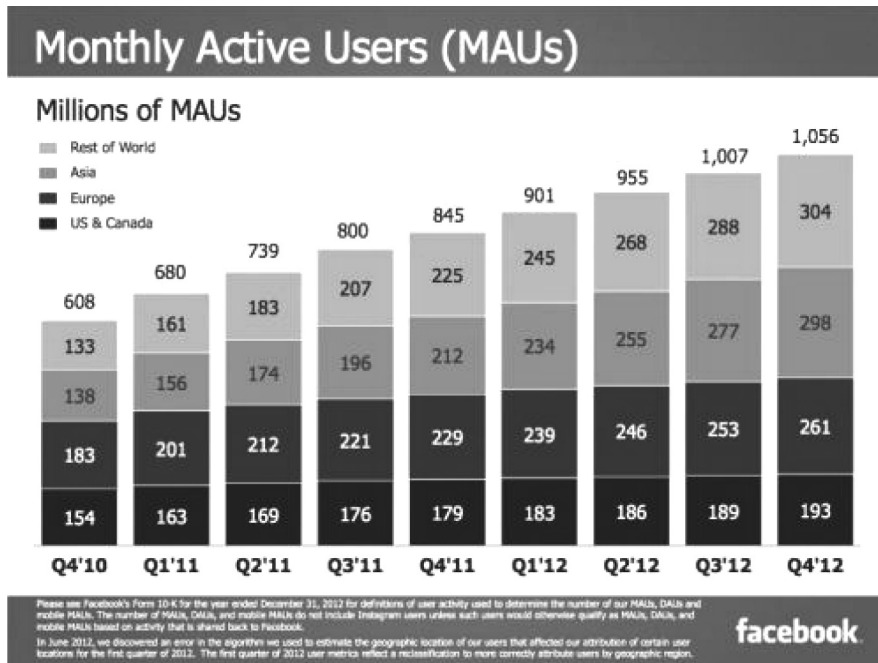
The following section briefly describes three popular social media platforms, on which this study focuses: Facebook, Twitter and YouTube.

Facebook

Facebook is currently the most popular social media platform, with over 1.1 billion accounts across the world. In the US, 135 million people (approximately 50 percent of all US adults online) have a Facebook account. Facebook users tend to be young adults, (under 45) and 56 percent of users are female (Facebakers.com, 2010). Facebook started in 2004 as a service limited to college students in the Boston, Massachusetts area. It was designed to help college students manage and grow their social lives. Each student could build a web page and use it to communicate across his or her extended social networks. It is a very social environment that emulates in many ways how students might communicate in dormitories. On Facebook, friends can compare social networks. They can write on a friend's "wall" (or home page), share and tag photos, and invite their friends' networks to events. After initial success, the Facebook platform was opened to all US university and high school students. By 2006, it adopted an aggressive business model, and was opened to the world (Phillips 2007). The social space it affords (and shapes) is playful, social and competitive. Although it was designed for purely social interaction, over one million

companies now use Facebook pages to promote their products or services commercially. Some providers (such as Inside Facebook) now suggest specific uses and practices for local governments in how to deploy Facebook (Cf., InsideFacebook). Refer to Figure 1.

Figure 1: Recent Growth of Facebook Use (By Region)



Source: Inside Facebook 2012.

The rapid growth of Facebook users is illustrated in figure 1. It depicts the number of active users throughout the world from 2010 to the end of 2012 by quarters. In North America, the number of active users increased from approximately 150 million adults to over 190 million. In Asia, users increased from approximately 140 to over 300 million. Altogether, in the short time between our initial study in 2010 to now, the number of active users grew from about 600 million to more than 1 billion worldwide.

Twitter

Twitter is a remarkably simple publishing tool - making it easy for anyone to publish and share news (Ingram 2010). Twitter was launched in 2006. By April, 2010, it had over 100 million accounts. In July, 2013, the number of registered accounts had grown to 554 million. Twitter now attracts approximately 135,000 new users each day, worldwide. Approximately 40 percent of Twitter users do not post content, but follow others who do.⁵ Approximately 25 percent of online African Americans use Twitter. Nearly two-thirds of US Twitter account holders use

⁵ Statistics Brain 2013. Twitter Statistics. July, 7, 2013. <http://www.businessnewsdaily.com/2655-americans-engaged-social-media-skeptical-trustworthiness.html>. Accessed August 8, 2013.

their smart phone to post (Webster 2010). In exchange for functionality and access to a potentially vast audience, Twitter users must accept both formal and informal constraints. Posts are limited to a maximum of 140 characters. To build an audience and influence, users must also follow conventional practices, etiquettes and protocols on how to connect with members of common interests. Numerous software tools are now widely deployed to help users sort twitter feeds, monitor followers, automate twitter distribution and assist users in building and grooming influence among twitter followers. An estimated 40% of all twitter account holders generate no new tweets, but use twitter to follow others and gather information.

As with Facebook, local governments can find resources on “best practices” in deploying Twitter accounts.

YouTube

Founded in February 2005, YouTube is the world’s most popular online video community, allowing millions of people to discover, view and share originally-created videos. YouTube provides a forum for people to connect, inform, and inspire others across the world, and acts as a distribution platform for original content creators. YouTube allows people to upload and share video clips through websites, mobile devices, blogs, and e-mail. Users can participate in the YouTube community by watching, sharing, and commenting on videos. People can see first-hand accounts of current events, relive their favorite TV moments, find videos about their hobbies and interests, discover new artists and filmmakers, and uncover the quirky and unusual. As more people capture special moments on video, YouTube is empowering them to share their experiences, talents, and expertise with the world. Currently, YouTube logs over 100 million hours of video per minute, generating over 6 billion hours of video viewed per month - doubling viewership since 2012. More than 70 percent of YouTube viewers reside outside the US. Users are quite evenly distributed by gender across age cohorts. Approximately half of these users access YouTube at least once per week (YouTube Statistics 2013.).

Government and Social Media

As with any other technological innovation, government units need to calculate the benefits and costs of adopting social media. Table 1 compares what might motivate (and de-motivate) local governments and their constituents to use social media applications dedicated to municipal government. It is adapted from a recent paper by Foster, Francescucci and West (2010).

First, social media provide local governments with opportunities for unmediated communication channels with known constituent networks. Governments cannot rely on independent media outlets to cover all issues or to represent their position or interests accurately. Media releases on the local government website are also unmediated. However, social media can “push” messages to constituents with particular interests and help mobilize constituents to respond to specific events or issues. In addition, since social media content is hosted by third parties, government organizations can focus more attention on the message, than on the mechanics of managing their own web pages.

Table 1: Factors Influencing Use of Social Media Platforms for Local Governments and Their Constituents

Local governments	Local government constituents
Motivators	Motivators
Opportunity for unmediated communication channel	Personalize or filter information according to interests
Assured accuracy and timeliness of announcements	Access pertinent information via mobile devices
Promote Public Safety	Enhance a sense of belonging
Promote trust	Build personal reputation
Facilitate constituent mobile access	Contribute and influence outcomes
Enhance intelligence	Enhance intelligence
De-Motivators	De-Motivators
Possible loss of control and security	Information overload
Legal issues	Lack of confidence (or knowledge)
Lack of vision (or commitment)	Lack of trust
Lack of resources	Lack of interest

Social media applications can also be used to share accurate information in real-time. Thus, they can promote public safety and support emergency responses that range from local public health crises to traffic management. These applications can promote credibility and trust with constituents. Because social media facilitate constituent comments and questions, governments can also use them to gather information and enhance intelligence (Hansen-Flaschen and Parker 2013; Global Intelligence Alliance 2011). Razmerita, Kirchner and Sudzina (2009) consider social media as possible tools for knowledge management. The complexities of policy decisions and program delivery also sometimes motivate public authorities to seek more citizen involvement. Particularly at the local level, citizens often have a special commitment to and knowledge of places, as well as social networks that can all be mobilized for public decisions and actions that will lead to improved public policy outcomes (Bowles and Gintis 2000).

At the same time, several characteristics or capabilities of social media can motivate constituents' use of local government content. Social media, such as Twitter, can help users filter information according to their (changing) interests (They do not have to monitor whole websites to get the latest news on certain topics - in particularly brief alerts). Because social media platforms have ultra clean and flexible software, users can obtain all the information they need off their mobile devices. Having up-to-date information on city issues also enhances users' sense of community pride and identity (Brogan and Smith 2010). Further, users can mobilize their network, and through comments and posts on social media, influence how government services are designed and delivered (Shirky 2010).

Several characteristics of social media can discourage or deter local governments and their constituents from using these platforms. For example, local governments are required by law to maintain records of public communication. Since government units maintain and control their servers, it is feasible to archive and provide email and webpage content upon request. In social media environments, the postings and content are controlled by a third party (e.g., Facebook, Twitter, YouTube). It may not be possible for local governments to comply

with public records laws. The terms of service offered by third parties may also pose threats to privacy and security standards to which governments aspire (Cf., New York Times 2010). On a more practical level, local governments may lack the human resources or a shared vision of what social media accounts could achieve to enhance public service.

Social media will not reach all constituents. Many people may choose not to use social media because they do not wish to manage any more information. They may also avoid social media because they lack the knowledge or confidence in how to use them effectively. They certainly will not use local government social media accounts if they do not find the content appealing or of value.

Data and Methods

This study explores municipal governments' use of social media for engaging constituents.⁶ It examines municipal government websites of the principle cities in the 100 largest US metropolitan statistical areas as defined by the 2000 US Census Bureau.⁷ The study focuses on the selected municipalities to monitor changes in local government websites begun in 2004 (Cf., Scott 2005 and 2006). Approximately twenty percent of the US population lives in these cities. This percentage increases dramatically when the population in the surrounding suburbs is included. The distribution of the population is heavily concentrated in larger cities, such as New York, Los Angeles, Chicago and Houston. The median population for the cities is 341,131. Most of the cities have a strong Mayor/Council form of government. Forty-three cities use Council/City Manager government.

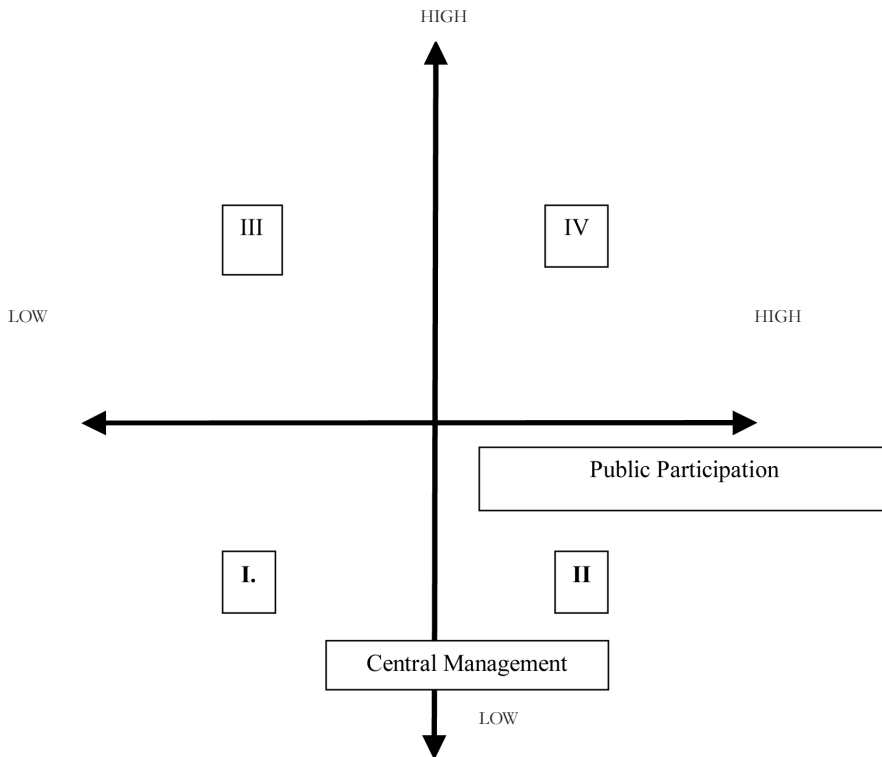
The study developed a survey instrument that measured the presence or absence of a variety of social media applications from these websites, with particular attention to Facebook, Twitter, and YouTube. Specifically, this research pursues four main research questions:

- Which US city governments use social media to engage their constituents?
- To what extent do cities encourage public participation through social media?
- How do these local governments manage social media applications?
- How have local governments altered their use of social media since 2010?

This study attempts to map or classify municipal governments' use of social media in two key dimensions as illustrated in Figure 2. These dimensions represent two sets of strategic questions cities face in deploying social media. The horizontal dimension in this figure assesses the extent to which local governments encourage public participation (or citizen input) with social media. In some cases, social media can be applied with little interest in generating user response. For example, Twitter can *push* real-time announcements to interested users, without monitoring or responding to constituent comments. This is a legitimate way to share information quickly and directly. It can be much more efficient to use social media for these purposes than to update the city government web page.

⁶ DiMaio (2009) and the Human Capital Institute (2010) show that social media are also used by governments for inward-looking purposes, including employee training and professional development, as well as intra- or inter-agency collaboration. However, this study focuses exclusively on outward-looking social media applications.

⁷ Total population of the cities in this research population in 2000 was nearly 56,000,000 - more than twenty percent of US residents.

Figure 2: Local Government Approaches to Social Media

In contrast, local governments can place a high priority on using social media to encourage public participation. Chang and Kannan (2008) argue that they can be used to: 1) interact with constituents to get their feedback on policies, issues, services and plans of the government; 2) encourage feedback on service design and new ideas; 3) stimulate new content from constituents, to enhance the government's content and benefit from *the wisdom of the crowd*. Using social media to build constituent involvement can increase public trust. When there is trust, people will naturally communicate and collaborate. This leads to learning, confidence, and ultimately, enhanced competence among users (Young 2008). However, it requires a significant commitment to monitoring and responding to constituent comments and can be tremendously risky for public officials (Blumenthal 2009). Observations from this study are designed to assess if city governments assign a low or high priority to using social media to encourage public participation. In 2010, we found 26 of the 88 cities demonstrated effort to increase participation via social media.

H₁ - Given the maturity of social media applications, and the rapid increase in their usage, *we expect more cities to facilitate public participation through these applications.*

The vertical dimension in figure 2 focuses on how local governments manage social media applications within and across their organizations. They can assign a low or a high priority to central management of these accounts. Owyang (2010) describes a range of possible

social media management structures or processes for organizations. However, the fundamental issue is whether or not the central administration monitors, directs and coordinates these applications. Opportunities and challenges accrue to each approach. For example, individual agency accounts with limited central oversight can lead to experimentation, rapid response, and strong special interest communities. At the same time, central control may lead to sharing more accurate, credible and authoritative messages to constituents. It may also facilitate strategic use of social media channels. Without central control, it is not possible for agencies within the government to share strategic perspectives.

H₂ - Given the maturity of social media applications, and the legal and political interest in the definition and management of public records, ***we expect an increase in the number of cities that demonstrate commitment to central management of social media.***

Using this analytic framework, the study gathered qualitative observations to classify cities using social media to one of four possible quadrants in Figure 2. The study collected descriptive data on the management philosophy and the general objectives for social media exhibited by observations of the web content. The instrument was pre-tested and revised. In all, thousands of web pages on the 100 municipal government websites were viewed and coded between September 1 and September 14, 2010, and between June 14 and July 20, 2013.

Findings

Results show that most local governments in the research population now use social media. However, many of these seem to use them tentatively or in a premature fashion.

Table 2: Municipal Governments' Social Media Use

Municipal Governments' Social Media Use	2010	2013
No Use of Social Media	12	4
Social Media not evident on Front Page	28	10
Direct Social Media Access on Front Page	60	86
Total	100	100

Table 2 presents initial comparative data that suggest changes in how local governments deploy social media. In 2010, twelve of the 100 municipalities made no social media applications available to their constituents. By 2013, only four cities in the research population do not use social media. These included Bakersfield, California, Montgomery, Alabama, Baton Rouge, Louisiana, and Buffalo, New York. These municipal governments maintain websites that are rather static, with limited design and usability.

In 2010, of 88 municipal governments that deployed social media, twenty-four did not make these applications easily known or accessible via the front page. This suggests that social media use was not a high priority or a valued way to engage constituents. It also suggests that the city government did not readily monitor or manage the use of social media by individual departments or individual employees. It suggests that their deployment was in an early or immature phase. By 2013, only fourteen of 96 municipal governments using social media did not allow user access on the Front web page. We attribute this increased accessibility to a growing familiarity. Refer to Figure 3.

Figure 3: 2010 US Municipalities' Social Media Use - By Quadrant

	HIGH						
	III			IV			
	New York, NY Chicago, IL Houston, TX Philadelphia, PA Phoenix, AZ San Diego, CA Detroit, MI San Jose, CA Jacksonville, FL Austin, TX	Seattle, WA Charlotte, NC Irving, TX Miami, FL Arlington, TX Tampa, FL Corpus Christi, TX Raleigh, NC Riverside, CA St. Petersburg, FL	Birmingham, AL Jersey City, NJ Glendale, AZ Madison, WI Scottsdale, AZ Shreveport, LA Lubbock, TX Richmond, VA Augusta, GA Oklahoma City	Indianapolis, IN San Francisco, CA Baltimore, MD Memphis, TN Boston, MA Washington, DC Denver, CO	Sacramento, CA Mesa, AZ Colo. Springs Anaheim, CA Newark, NJ Anchorage, AK Louisville, KY	Las Vegas, NV Long Beach Fresno, CA Rochester, NY Mobile, AL Tacoma, WA	Public Participation
Low	I			II			HIGH
	Los Angeles Dallas, TX San Antonio Columbus, OH Milwaukee, WI El Paso, TX Fort Worth, TX Tucson, AZ Cleveland, OH Norfolk, VA	Oakland, CA Tulsa, OK Omaha, NE St. Louis, MO Wichita, KS Santa Ana, CA Aurora, CO Stockton, CA	Hialeah, FL Greensboro, NC Garland, TX Fremont, CA Des Moines, IA Grand Rapids, MI Spokane, WA Glendale, CA Albuquerque	Nashville, TN Portland, OR Kansas City, MO Virginia Beach, VA	Minneapolis, MN Buffalo, NY St. Paul, MN	Lincoln, NE Plano, TX Chesapeake, VA	
	Central Management						Low

When classified across the “Management/Participation” dimensions described above, those cities with social media applications are distributed in four groups as listed in figures 3 and 4. (In Figure 4, those cities that changed in classification in this study are listed in bold print.) In 2010, thirty of the cities studied encouraged constituent comments or participation.

Figure 4: 2013 US Municipalities' Social Media Use - By Quadrant

	III			IV			
	New York, NY	Baltimore	Tulsa	Indianapolis, IN	Sacramento, CA	Las Vegas, NV	
	Chicago, IL	Memphis	Jersey City, NJ	San Francisco, CA	Mesa, AZ	Long Beach	
	Houston, TX	Irving, TX	Glendale, AZ	El Paso	Colo. Springs	Plano	
	Philadelphia, PA	Miami, FL	Madison, WI	Seattle*	Anaheim, CA	Rochester, NY	
	Dallas	Greensboro	Grand Rapids	Kansas City	Riverside	Norfolk	
	Phoenix, AZ	Arlington, TX	Scottsdale, AZ	Boston, MA	Newark, NJ	Mobile, AL	
	San Diego, CA	Tampa, FL	Minneapolis	Washington, DC	Virginia Beach	Tacoma, WA	
	Akron*	Corpus Christi, TX	St. Paul	Denver, CO	Louisville, KY	Des Moines, IA	
	San Jose, CA	Raleigh, NC	Hialeah, FL				Public Participation
	Jacksonville, FL	Fresno	Augusta, GA				
Low	Austin, TX	St. Petersburg, FL					HIGH
	I			II			
	Los Angeles	Oakland, CA	Portland	Nashville, TN	Oklahoma City	Lincoln, NE	
	New Orleans*	Fort Wayne	Anchorage	Honolulu	Chesapeake, VA		
	San Antonio	Omaha, NE	Garland, TX				
	Columbus, OH	St. Louis, MO	Fremont, CA				
	Milwaukee, WI	Wichita, KS	Birmingham				
	El Paso, TX	Santa Ana, CA	Shreveport				
	Fort Worth, TX	Aurora, CO	Spokane, WA				
	Tucson, AZ	Lexington-Fayette, KY	Glendale, CA				
	Cleveland, OH	Stockton, CA	Albuquerque				
	Pittsburgh	Yonkers	Lubbock				
	Cincinnati	Detroit	Richmond				
	Toledo	Charlotte					
	Central Management						Low

*Denotes exemplar municipalities for each quadrant.

In Hypothesis 2 (stated above), we expect more cities to use social media to elicit public participation and constituent input. However, findings do not support this hypothesis. In 2013, five cities had increased their commitment to public participation through social media. Of these, three local governments (El Paso, Norfolk and Des Moines) changed from Quadrant I to Quadrant IV. The city of Anchorage, Alaska followed the opposite direction - from Quadrant IV to I. (This may suggest that Anchorage did not see sufficient benefits or returns from investments initially made in social media to continue this approach). Our data suggest that five more cities reduced their efforts to elicit public input through social media channels since 2010.

In Hypothesis 1, we expect that since 2010, the number of cities that manage social media channels centrally will increase. Findings are consistent with this expectation. In our first study, forty-five of 88 municipal governments (more than 50 percent) placed a low priority on central management of social media by its offices and agencies. By 2013, 39 of 96 cities (about 41 percent) did not seem to manage their social media accounts centrally. Our data analysis found that fifty-seven of the cities now inventoried and curated all of its social media accounts, monitored and approved content on these accounts, and maintained central accounts, under the authority of the Mayor's Office or the Head of Communications. Many of these city governments now post fairly comprehensive social media policies on their website, so their management principles are transparent and readily accessible for interested constituents.

Generally, cities that use social media maintain both Twitter and Facebook accounts. Twitter is generally used to make brief announcements. Facebook is used to promote events, activities and programs - particularly for recreation or entertainment purposes. Applications vary across agencies and across local governments; but, these are the predominant trends. Many cities maintain YouTube channels. However, few post regularly or actively; and none of the cities studied attracted heavy viewings of videos posted.

Quadrant I - Low Central Management / Low Public Participation

Beginning with the bottom left quadrant in figure 4, 33 of the 96 active municipalities (34 percent) place low priority on central management (or coordination) and on public participation in their use of social media. These city governments do not post a general social media policy or a directory of social media accounts on their website - even though most of these cities maintain several different accounts across departments. The design elements of social media accounts often vary (e.g., different color scheme, no consistent logos or themes), and the accounts do not link or follow one another. From a managerial perspective, these governments offer their department's maximal flexibility and the ability to experiment. However, they lack the ability to learn directly from one another, or to coordinate messages or even actions.

These cities also do not encourage constituents to provide comments or questions on their social media accounts. They use Twitter and Facebook to make one-way announcements. Their accounts do not link to many constituents. They do not pose questions to followers; and some do not even respond to questions posted by fans on their Facebook pages. This is a quick way to send messages to segmented and interested audiences. However, it does not take advantage of many of the functionalities of social media platforms.

New Orleans is a case in point for cities in this quadrant. It is one of the nine cities that only recently added social media accounts as official communication channels. Most of the city's use flows through the Office of the Mayor. The Mayor attracts fairly large followings on Twitter. However, the accounts seem to be used primarily for unmediated announcements.

They draw (or show) few comments. There is no posted social media policy to articulate the city's intentions or management philosophy. The city government seems to be skeptical or uninterested in the social functionalities of Facebook, Twitter and YouTube. The city's Police force also draws a fairly large number of users. Given resource constraints and persistent law enforcement and public safety challenges, it is not surprising to see this level of constituent interest.

Quadrant II - Low Central Management / High Public Participation

A much smaller group of five municipalities is classified in Quadrant II. These cities of all different sizes do not post social media policies, and they are not centrally managed across departments. However, they seem to encourage experimentation and public participation through social media. For example, Lincoln, Nebraska is a city of 225,000. It is the state capital and dominated by the University of Nebraska. The city shares its web site management and collaborates in other ways with its surrounding county government. Almost all of the social media focus for the city is in one Facebook account. At the time of the study, this account had approximately 45,000 fans. It is not clear how this site is staffed, or what its main objectives are. We observed no comments from city government officials on the page. It is a very active and social environment. The Facebook moderators ask questions that are fun, unifying and important for Lincoln constituents. These comments can stimulate ideas and investment. They elicit many comments that sustain over time - more than any other city government we observed. The comments are free from spam or marketing. However, comments posted show a wide range of opinions (positive and negative). It is evident that Lincoln's Facebook moderators monitor comments carefully, according to a consistent philosophy which guides their overall use of social media. YouTube is the only other social media application for the city; and, it is not particularly active. At the time of the study, it had not been visited for three months, and it drew only 24 subscriptions.

Quadrant III - High Central Management / Low Public Participation

Thirty-two municipalities are classified in the upper left quadrant. Social media are centrally managed in these city governments; but, they do not generate much constituent participation. Strategies vary about whether all social media accounts are written or approved by the Office of the Mayor (or City Manager), or whether individual departments run their own accounts. However, each of these cities provides a directory of all authorized city Facebook, Twitter, YouTube (and other social media) accounts. Design elements are generally consistent and quite well-conceived. At the same time, these cities do not encourage or facilitate constituent participation as a key objective.

Akron, Ohio is a case in point. It is a city of 217,000 - with a declining economic base in manufacturing. In 2010, the city did not use social media. Now, it posts a variety of information directly to constituents on Twitter and Facebook. Much of this content flows through the Office of the Mayor or a city general account. These accounts are managed by the Director of Communication. However, generally these accounts do not encourage public participation. They are used to make announcements. These accounts do not draw many followers.

Quadrant IV - High Central Management / High Public Participation

Quadrant IV includes 20 cities that emphasize both management/coordination and public participation. For example, Seattle has a developed several innovative tools to connect with its

constituents. It has significantly expanded its use of social media to link citizens with both political office holders and city agencies. It provides a clear social media directory, published in a grid which lists departments that have Twitter, Facebook, YouTube and blog accounts, as well as podcasts. Refer to Figure 5.

Figure 5: A Sample Municipal Social Media Directory



Source: <http://www.seattle.gov/html/citizen/socialmedia.htm>

It also posts a comprehensive social media policy. Refer to Figure 6. to clearly articulate the governments intents and management approach.

Figure 6: A Sample Social Media Policy Statement



Source: <http://www.seattle.gov/pan/SocialMediaPolicy.htm>

In addition, Seattle now posts a wide range of datasets on such issues as real time data on 911 (emergency) calls, Public Safety incident and dispatch reports, building permits, public transportation use, as well as a variety of map data layers. Users can not only download these files for review. They can also use them to develop their own unique purpose smartphone applications to share with other interested users. In addition, the city allows users to customize and personalize the city web content to match their information needs and interests through a portal named MySeattle.gov. Users can select features and content of most interest or relevance to them, exclude other options, and redesign the Seattle city government website. This capacity to personalize content is not unique to Seattle and is not an expression of social media. However, it demonstrates the commitment made by the city government to bring users to the center of their web content, and to communicate in ways that are most convenient and attractive to individual constituents. Refer to Figure 7.

Figure 7: 2013 US Municipalities' Change in Social Media Use

City	2010 Quadrant	2013 Quadrant	City	2010 Quadrant	2013 Quadrant
New Orleans	0	1	Kansas City	2	4
Atlanta	0	3	Fresno	4	3
Honolulu	0	2	Virginia Beach	2	4
Pittsburgh	0	1	Tulsa	1	3
Cincinnati	0	1	Minneapolis	2	3
Toledo	0	1	St. Paul	2	3
Akron	0	3	Anchorage	4	1
Fort Wayne	0	1	Riverside	3	4
Yonkers	0	1	Birmingham	3	1
Dallas	1	3	Norfolk	1	4
Detroit	3	1	Hialeah, FL	1	3
Baltimore	4	3	Greensboro	1	3
Memphis	4	3	Plano	2	4
El Paso	1	4	Shreveport	3	1
Seattle	3	4	Lubbock, TX	3	1
Charlotte	3	1	Des Moines	1	4
Portland	2	1	Grand Rapids	1	3
Oklahoma City	3	2	Richmond	3	1
Albuquerque	1	3	Buffalo, NY	2	0

Based on our classification scheme, thirty-eight city governments changed quadrants from 2010 to 2013 as listed in figure 5. Nine cities that did not deploy social media at the time of the first study now manage social media accounts. Most of these use them with minimal central oversight and limited interest in public participation.

Nine cities increased central management of their social media accounts, while six seemed to have decreased such commitment. Only one city - Buffalo, New York - discontinued use of social media. These changes may reflect the rapid growth in social media usage among constituents, as well as the limited resources available to local governments in difficult

economic times. A recent study by Hansen-Flaschen and Parker (2013) supports this assertion. In a survey of US local government managers, they found 81 percent of respondents indicated that the amount of time required to manage their city's use of social media has increased since 2009. Less than one percent of cities in the research population reported that any employee was assigned social media exclusively. Almost no cities have dedicated social media staff. About 95 percent of social media managers say that they operate social media accounts on behalf of city government without a budget.

Further Observations

In addition to the changes noted above since my first study in 2010, this research yields several additional observations. First, we note the proliferation of social media accounts used by these large US city governments. At least eight cities list more than 100 different official accounts, managed by elected officials or city government departments. (New York City has more than 300 such accounts). Since these accounts are listed and posted in social media directories on the cities' website, they have been reviewed and approved as serving the public interest in some way. This suggests that more city staffs are directly involved in generating and reviewing content on social media and that city government officials are finding this as legitimate and appropriate.

Second, since 2010, about the same number of city governments have developed and deployed their own dedicated applications for smart phones. The applications are used for a variety of purposes, including emergency announcements, real-time traffic reports, public transportation schedules and routes, and sharing photos of public properties that need service. These applications can have social networking functions. However, unlike the use of massive social media platforms, such as Twitter or Facebook, these locally-developed applications afford cities much more access to and control of who uses which functions, when and why. Some cities take the use of smartphone applications a step further. They post dozens of city government databases on their websites, and encourage constituents to incorporate them to build their own applications. Cities such as Austin, Washington, DC, Seattle and Chicago post open data, which allows citizens to build applications used to help locate lost pet animals, document maps of police incidents, and organize local assistance for victims of fires, floods or natural disasters. This emerging commitment to local smartphone applications facilitates much more direct and creative connections with users and adds potential for increased transparency and accountability.

Finally, it is critical to note that this research documents increased use of social media to support public safety and law enforcement. In many cities, the most popular Facebook account is managed directly by the local Police department. Law enforcement officials are using social media to interact with constituents, demonstrate responsiveness, establish trust, and elicit citizens' assistance in protecting public safety and solving crimes. This occurs in cities where police departments were once regarded with skepticism and antagonism.

Discussion

This paper reports findings from descriptive research on emerging phenomena. It followed an unobtrusive method, so the study did not influence decisions and actions in municipal governments. In that context, it documents the extent and variety of social media applications in US local governments and provides insight to government officials and e-government researchers.

The study shows a wide use of social media across an array of intent and topical foci. It proposes a 2-dimensional mapping of social media use and identifies case studies within each quadrant. The study reveals innovative uses, which may be adopted or adapted by other local governments. It suggests that usage is not fully mature. Few cities post a social media strategy or policy, and public record and privacy laws have not kept pace with government practice.

This research has important limitations. It provides a snapshot of a rapidly emerging phenomenon. Applications, as well as organizational and legal context may very well shift over time. As an unobtrusive study, the research attempts to infer or impute local governments' intent by observing social media content. Findings do not consider the views of local government officials, social media managers, or constituent experiences. Finally, the study does not include a full or replicable measure of reach. We do not know how many constituents use social media, or to what extent there's overlap between the people reached via traditional, web and social media channels.

Policy

Nevertheless, this exploratory research points to several policy issues for local government officials. First, it is clear that most of the municipalities observed lack a general strategy with respect to social media. DiMaio (2009) argues that this is an essential issue that can cause significant problems without action. Along these lines, establishing appropriate metrics, and measuring return on objectives (Hutton 2009)⁸ is a key practice for private sector firms, and local government officials must also respond. Local governments must also determine how management of social media accounts fit their organizational philosophy. Owyang (2010) describes a number of management models organizations now use in social media. Most heavily regulated corporations (or administrations) currently use a centrally-organized approach.

Next, local governments need to establish social media policies and staff training, whether or not they use them to engage constituents (Human Capital Institute 2010). Hrdina, et.al (2010) describe eight essential features of these policies and provide a wide range of current examples developed by local and state governments. Hansen-Flashen and Parker (2013) share several clear advantages for establishing and posting a policy on social media use.

Future research is needed to address a variety of policy and practical issues, including: 1) measuring the impact (or benefits/costs) of using social media to engage constituents; 2) how to staff social media applications; 3) surveys of local public officials and social media managers on lessons learned and best practices; and 4) how to address legal issues, such as preservation of public records, and maintenance of security and privacy for all involved. In addition, research is needed on the content streams, or interactions among constituents, and between constituents and city officials, to advance understanding about the nature of public participation enabled through social media.

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⁸ (See this graphic).

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Chapter V

The Economic-Democracy Dichotomy in the Decentralization of Power to Lower Tiers of Government in South Africa

Alexius Amtaika

Introduction

Fiscal decentralization and the devolution of powers to the lower tiers of government in South Africa can be understood in the context of the 1996 Constitution of the Republic of South Africa. This Constitution divides the country into three spheres of government, namely (i) the national government; (ii) the nine provincial governments; and (iii) the 284 local governments/municipalities (SA Constitution 1996). While these spheres are “distinctive, interdependent, and interrelated” in terms of section 40(1) of the Constitution, they operate through a bifurcated structure of government, establishing direct relations and responsibilities between the national government and provinces, on one hand, and between the national government and the local governments on the other (ibid). This resulted in the creation of two separate spheres of sub-national governments in South Africa, namely provincial and local government.

The national government consists of all national government departments and other parastatal bodies, forming what is commonly known as *consolidated national government*. Its central priority is to provide basic services to all South Africans, within the constraint of available resources, as set out in Chapter 2 of the Constitution’s Bill of Rights. These rights include: freedom of movement; a protected environment that is not harmful to health and well-being; housing; health care; food; water and sanitation; social security, and education. These responsibilities are shared among spheres of government in terms of the principles of devolution and decentralization. This means that, while the national government has overall powers in the management of national affairs, provincial and local governments are responsible for the provision of basic services.

Provincial governments consist of general departments responsible for delivering most of the range of social services in the areas of education, welfare, and health. Local government is responsible for the provision of local infrastructure and basic services such as sanitation and water reticulation. Local government is tasked to play developmental roles and is responsible for improving the standard of living and quality of life of the people. Such roles require strong leadership with a clear vision, and qualified, experienced and skilled municipal officials who discharge their responsibilities efficiently, responsively, transparently, and accountably. This is the core of good governance, which demands: (i) the existence of efficient and accountable institutions and systems; (ii) entrenched rules that promote development and ensure that people are free to participate in decision-making processes, and be heard on issues of national interest; and (iii) decisions and implementation thereof that directly affect the lives of the people.

The linkages between development, service delivery and local citizen participation revolve around the effort to increase control over resources and regulative institutions by groups and movements excluded from such control. This is central for building democracy in local government. It is in this context that the 1998 White Paper on Local Government mandates and empowers municipalities to develop strategies and mechanisms to continuously engage with citizens in their capacities as: (i) voters to ensure democratic accountability; (ii) citizens who, through a variety of stakeholder organizations, can contribute to policy processes; (iii) consumers and end users who export value for their money and affordable services; and (vi) organized partners engaged in resource mobilization for development objectives (White Paper, 1998). This is crucial and necessary in four ways: (i) to provide information to citizens; (ii) to get information from the citizens; (iii) to improve public decisions, programs, projects, and services; and (iv) to protect individual and minority group rights and interests.

The 1996 Constitution divides local authorities into three categories, namely: category (i) metropolitan municipalities totaling eight; (ii) category B local municipalities totaling 226, and (iii) category C district municipalities totaling 44 (SA Constitution 1996).

Altogether there are 278 municipalities in South Africa. Metropolitan municipalities cover large urban areas and complexes with populations over one million and have executive and legislative authority. They account for 56 percent of all municipal expenditure in the country (National Treasury 2011). Local municipalities cover smaller and medium-size jurisdictions which are primarily located in urban areas containing secondary cities. Section 152 of the Constitution empowers these municipalities to: (i) provide democratic and accountable government for local communities; (ii) ensure the provision of services to communities in a sustainable manner; (iii) promote social and economic development; (iv) promote a safe and healthy environment; and (v) encourage the involvement of communities and community organizations in matters of local government (SA Constitution 1996). To undertake these duties, category B local governments require large budgets. In some areas of the country these municipalities share executive and legislative authority with the district municipality within whose area they fall. This is because district municipalities cover several local or category B municipalities and have executive and legislative authority in areas that include more than one municipality. The Constitution mandates district municipalities to coordinate integrated development planning for the entire district and provide services on behalf of weak, category B municipalities situated within the district boundaries, especially in the rural areas. In brief, Section 153 of the Constitution empowers and mandates local government to structure and manage their administration and budgeting and planning processes in order: (i) to give priority to the basic needs of the community; (ii) to promote the social and economic development of the community, and (iii) to participate in national and provincial development programs (ibid). The key service delivery municipal functions include: (i) water and sanitation services (potable water supply systems, domestic waste-water and sewage disposal); (ii) refuse removal; (iii) electricity; (iv) roads; and (v) storm water management (ibid).

For local government to provide these services efficiently, it requires resources. In recognition of this, Section 214 of the Constitution entitles local government to an equitable share of national revenues to assist in providing basic services to poor households (ibid). In terms of sections 40-41 and 154 of the Constitution, which guide the principles of co-operative government and intergovernmental relations, the national and provincial governments are required by law to support and strengthen the capacity of municipalities to manage their own affairs, exercise their powers, and perform their functions (ibid). The Constitution also grants national and provincial governments oversight and control powers over municipalities.

The assignment of powers and expenditure functions of municipalities vary considerably within and across categories of municipalities. Metropolitan municipalities in large urban areas with greater ability and capacity provide an extensive range of services, whereas some category B and C municipalities render few basic services. Section 229 of the Constitution gives powers to municipalities to raise their own revenues through rates on property, licenses, traffic fines and surcharges on fees for services provided by, or on behalf of, the municipality (ibid). Municipalities are allowed by law to collect taxes authorized by national legislation. Such taxes exclude income tax, value added tax, general sales tax, and customs duties (ibid). This means that, while the national government provides funds to municipalities, municipalities also have powers to raise their own revenue.

In terms of the principles of cooperative governance, Sections 156 and 229 of the Constitution, and Sections 83 and 84 of the 1998 Local Government Municipal Structures Act, stipulate that powers and functions may be divided by the national legislation and provinces and between the district and local municipalities within the area of the district municipality. This legislation makes it difficult to distinguish between the functional competencies of the district and local municipalities. This led to the setting up of the Financial and Fiscal Commission of 2000, which clarified that district municipalities are authorized to provide only water and sanitation services while metropolitan and local municipalities are authorized to provide all four basic services, water, sanitation, electricity, and refuse removal (The Financial and Fiscal Commission 2010).

Two conclusions can be drawn from the above. The first is that the fundamental goal of a democratic system is citizen satisfaction. The second is that the effectiveness of good local governance can be judged by the capacity of local government structures to provide an integrated development approach to social and economic development issues and to supply essential services congruent with the needs and desires of the local communities. The primary roles of municipalities can thus be cited as: (i) identifying and prioritizing local needs; (ii) determining adequate levels of services and (iii) allocating necessary resources to the public. In short, the primary objective of South Africa's intergovernmental fiscal arrangements is to ensure that these inter-governmental responsibilities are carried out in the spirit of cooperation, equity, and efficiency, for the well-being of all citizens.

The empowering of municipalities by the Constitution to raise their own revenues boils down to the principle of fiscal decentralization. Before we begin examining how fiscal decentralization advantages and disadvantages government, an exploration of its conceptual exposition is essential.

Conceptual Underpinnings of Fiscal Decentralization

The traditional economic liberal theory of fiscal decentralization holds that devolution of expenditure responsibilities and revenue powers from higher spheres of government to lower spheres of government should aim to improve accountability, responsiveness, and good governance of local governments. This is especially true when fiscal decentralization is accompanied by political and administrative decentralization, since service delivery and allocation of resources in this structural setting take into account: (i) the wishes of the citizens; and (ii) economies of scale and jurisdictional spillovers. This forms two types of fiscal decentralization, known as

“expenditure decentralization” and “revenue decentralization”. Expenditure decentralization refers to the degree to which expenditure responsibilities are devolved to the lower spheres of government (Smoke 2001). Revenue decentralization refers to: (i) the degree to which revenue sources are devolved to the lower spheres of government; (ii) the degree to which tax revenue sources are devolved to the lower spheres of government; (iii) the degree to which local governments have control over the fiscal resources at their disposal; and (iv) the degree to which the lower spheres of governments rely on national government revenues to support their expenditure (ibid). Fiscal decentralization thus reinforces the efficiency of government in service delivery in three ways: (i) through central government oversight; (ii) through citizen participation in decision-making processes; and (iii) through the monitoring and evaluation of civil society organizations. These measures, in turn, allow citizens: (i) to articulate their needs and their preferences to local government officials who are closer to the people and have a comparative advantage through knowledge of local circumstances; and (ii) to demand accountability in terms of service delivery through tax compliance (Financial and Fiscal Commission 2011). Fiscal decentralization thus allows citizen participation in planning and service delivery for the flourishing of democracy and good governance. In this way, citizens become an integral part of the institution and the political dialogue.

Traditionally, fiscal decentralization of revenues from the higher spheres of government to sub-national levels of government revolves around four fundamental pillars, namely (i) the assignment of functions and expenditure responsibilities; (ii) the assignment of revenue sources to lower tiers of governments; (iii) the allocation of intergovernmental fiscal transfers; and (iv) rules on lower spheres of government’s borrowing. These pillars are summed up in the three core assumptions of fiscal decentralization, namely: (i) the *subsidiarity principle* of fiscal decentralization - which assumes that services provided at the lowest level of government should always be compatible with the “benefit area” of the service (Martinez-Vazquez 2011); (ii) the *decentralization theorem* - which stipulates that public services provided by the jurisdiction having control over the minimum geographic area should internalize benefits and costs of such provision, and for which there are no production economies of scale (Smoke 2001); and (iii) the *correspondence principle* - which stipulates that a jurisdiction of any sub-national government be assigned to taxes that are related to its assigned expenditure responsibilities (Bird 2001).

From a practical point of view, fiscal decentralization in the South African context of cooperative governance exudes many characteristics of the assumptions outlined above. The 1996 Constitution of South Africa, for instance, assigns expenditure responsibilities to the nine provincial governments, but at the same time distinguishes between exclusive functions performed by the provinces, on one hand and the concurrent functions that are shared between different spheres of government, on the other. This provision was made in Schedule 5 of the Constitution, which conferred a wide range of exclusive functions to provinces, such as provincial roads, ambulance services, provincial planning, and provincial recreation and amenities (SA Constitution 1996). Schedule 4 of the Constitution went on to assign a variety of concurrent functions (functions are shared between national and provincial governments) to provinces, such as elementary and secondary education, health services, social welfare services, housing, public transport, tourism and agriculture (ibid). The Constitution not only provides for division of responsibilities; it also provides for equitable sharing of revenues. Sections 214 and 227 of the Constitution, for instance, stipulate that provincial governments are entitled to an equitable share of national revenue provided for by an Act of Parliament (ibid). This means that each provincial government in South Africa is entitled to an annual share in the national

revenue, as calculated by a formula determined and updated in a special Division of Revenue Bill of Parliament. The Division of Revenue Act was passed by parliament to provide for: (i) the equitable division of revenue raised nationally among the national, provincial, and local spheres of government for each financial year; (ii) an explanation of the formula and criteria for the division of the provincial and local government equitable shares of revenue; and (iii) the term's conditional grants to provinces and municipalities (Financial and Fiscal Commission 2011). In terms of the provisions of Section 227 of the Constitution, local government and each province are entitled to an equitable share of revenue raised nationally to enable them to provide basic services and perform the functions allocated to them and may receive other allocations from national government revenue, either conditionally or unconditionally (SA Constitution 1996). It cautions that "additional revenue raised by provinces or municipalities may not be deducted from their share of revenue raised nationally, or from other allocations made to them out of national government revenue"(ibid).

From the cooperative governance point of view, the Constitution approaches the requirement for equity in a particular manner and requires the mechanisms of "equitable allocations" to play an important role in financing the equity that is to be achieved through provincial and municipal programs. At a minimum, the equitable allocation of the resources: (i) include an entitlement to enable the provision of basic services by provinces and local governments; and (ii) must be adequate and distributed appropriately, to ensure that all citizens have access to those basic services for which provinces and municipalities are responsible, subject to the constraint of available resources.

While the national government is obliged by the Constitution to provide revenues to sub-national government, it is required by law to balance its various commitments and obligations with the macroeconomic constraints under which it has to manage public finances and the economy in general. This is in terms of the provisions of Section 24 of Constitution on financial and budgetary issues as stipulated in clauses (d),(e),(f),(g),(h), and(i). These clauses are specifically pertinent to local government's ability to: (i) provide services and perform its functions; (ii) develop its fiscal capacity and be economically efficient; (iii) be developmental in its policy objectives; (iv) take into account social economic disparities within its jurisdictions; (v) recognize its obligations in terms of national legislation; and (vi) receive stable and predictable allocations of revenue shares (ibid). These requirements cover a wide spectrum of national requirements, from the macroeconomic to the microeconomic, and constitute important considerations for national government in determining the equitable division of national revenue allocations through a formula-driven process.

Although municipalities are better placed to focus on infrastructure project priorities and plans informed by the needs of their communities, the above requirements are beyond the scope of local government's competency and are extremely onerous for municipalities to consider when preparing applications for financing infrastructure projects. However, in the spirit of cooperative governance, the national government uses its fiscal capacity and economic efficiency assessments as key indicators for compensating municipalities for any shortfalls in infrastructure project finance. This means that municipalities are generally concerned about microeconomic impacts of public infrastructure and maximizing equity and efficiency within their own jurisdictions rather than about national macroeconomic growth and development strategies. The problem is that these so-called development strategies often leave the present inequalities of income distribution unchanged, and in some cases even make them worse; since

efficiency and equity cannot usually be simultaneously maximized. There is thus usually a trade-off of efficiency and equality, and deciding where the balance lies is perhaps one of the hardest tasks facing development planners (Hansen 1978).

Not only do the lower spheres of government receive funds from the central government, but they are also given powers to raise their own revenues. Section 228 of the Constitution authorizes provinces to levy a flat-rate surcharge on any tax other than corporate income tax, value-added tax, and rates on property or custom duties (SA Constitution 1996). This restriction suggests that provincial governments' revenues constitute a relatively small portion of total revenue since they have limited taxing powers and are dependent upon the national government for funding of the exclusive and concurrent powers and functions allocated to them. As a result of this, provincial governments' revenues come from: (i) tax receipts from casino taxes, horse racing taxes, liquor licenses and motor vehicle licenses; (ii) non-tax receipts; (iii) transfers received; (iv) sales of capital assets; and (v) other own-revenue sources.

Local government raises its revenue mainly from rates and grants from central government, in the form of the Municipal Infrastructure Grant (MIG). The MIG allocations fall within the long-term vision of the inter-governmental system in South Africa. They are the catalyst for the building of public infrastructure necessary for local governments to provide key public services to which communities, households, and individuals are entitled (Department of Provincial and Local Government 2005). These services are fundamental rights as stipulated in the Bill of Rights (Chapter 2) of the Constitution, to which everyone is entitled. They include: (i) access to adequate housing and health care services; (ii) sufficient food and water; (iii) social security; and (iv) basic and further education (ibid). In terms of fiscal decentralization, these basic services are provided within reason and subject to availability of resources.

One fundamental issue that emerged in the above discussion as a central core of fiscal decentralization is the ability of the spheres of government to balance the sources of their revenue and the ability to manage and monitor their expenditure. This balance is summed up in two terms, namely vertical fiscal balance and horizontal fiscal balance. Vertical fiscal balance occurs or is achieved, when the expenditure responsibilities assigned to each level of government and its revenue-raising powers, or the fiscal resources available to them to finance these responsibilities, are commensurate or correspond. It entails the matching of the revenue sources assigned to each level of government with its expenditure responsibility (Boex, Jamie, Jorge Martínez-Vazquez, and Timofeev 2004). Horizontal fiscal imbalance occurs between lower tiers of government within the same tier structure due to variations in their ability to mobilize revenues and variations in their expenditure needs and costs (Kelly 1998).

The difference between vertical fiscal balance and horizontal fiscal balance can be illustrated by the expenditure of the three tiers of government in South Africa. For instance, between the 2000 and 2011 financial years, the expenditure of the national government in South Africa was at 70 percent, and the share of local government expenditure in total government expenditure was averaged at 30 percent, for the same period (National Treasury 2011). This suggests that there is a clear trend toward expenditure decentralization in the country, with provinces and municipalities having considerable autonomy to make decisions on expenditure. In terms of the revenue shares, the share of lower tiers of government's *tax* revenues in total government revenues was averaged between three and four percent for the period 2000-2011, with a figure of four percent in 2011 (ibid). The local government tax revenue share during the

same period was four percent on average, affirming that provincial governments raise remarkably little revenue on their own and rely heavily on intergovernmental transfers (ibid). But, more importantly, this four percent share of sub-national government *tax* revenue is well below the expenditure level of 70 percent of overall national government, pointing to the limited revenue powers and significant expenditure responsibilities assigned to sub-national government in South Africa (ibid). This point is reinforced by a substantial vertical imbalance, averaging 72 percent during the period 2000-2011.

The Impact of Economic Policy on Service Rendering at the Lower Tiers of Government

The economic policies of the South African government have a direct impact on service rendering at the lower tiers of government, in general, and local government, in particular. The decision-making processes of these microeconomic policies are naturally a “top-down affair,” contrary to the precepts of democracy, which by nature are a “bottom-up affair.” It goes without saying that decision-making processes of the microeconomic policies are undemocratic and elitist and are often engineered and steered by unelected personnel or officials. The cases in point here are the two principal microeconomic policies of the African National Congress (ANC) government since 1994, namely the Reconstruction and Development Program (RDP) (1994), and the Growth, Employment and Redistribution (GEAR) (1996) program.

The RDP was adopted in 1994 as an integrated, coherent, socio-economic policy framework aimed at meeting basic needs, developing human resources, democratizing the state and implementing development programs (RDP 1994). The policy was seen as the election manifesto of the ANC. It maintained the elements of the Congress Alliance’s 1955 Freedom Charter, which aimed at ending social and economic inequalities generated by segregationist and apartheid regimes in South Africa. The RDP election manifesto was put into effect in 1994, with the adoption of the 1994 the Reconstruction and Development Program White Paper (RDPWP). It embraced a set of “Keynesian” macroeconomic measures, which empowered the state to take a lead in service rendering of sanitation, water reticulation, electrification, housing, and infrastructure to the majority of poor South Africans.

The implementation of the RDP was fraught with serious challenges as government at all levels lacked proper implementation skills. This was compounded by extensive backlogs in providing access to basic services. The failure of government to create jobs and deliver basic services led to dissatisfaction amongst ordinary people. It is estimated that only R5 billions of R15 billion allocated to reconstruction and development was spent between 1994 and 1996 (Marais, 2001). During the same period, the government achieved an economic growth rate of a mere 2.5 percent, instead of the projected 4.6 percent (ibid). Such indifferent growth meant that the government failed to mobilize sufficient funds to meet the objectives of the RDP without redirecting allocations from the mainstream government departments. This resulted in intense competition among cabinet ministers, fearing the prospects of their budgets being appropriated by the RDP programs. This, unsurprisingly, led in 1996 to the first significant financial crisis in South Africa; resulting in the plummeting of the local currency, the rand, which depreciated by more than 25 percent (Biggs 1997).

The government reacted by abandoning the RDP and adopted and embraced a conservative macroeconomic strategy, commonly known as GEAR, to enhance the credibility of the state. GEAR was based on four socio-economic principles: (i) a competitive, fast-growing economy which creates sufficient jobs for all job-seekers; (ii) a redistribution of income and opportunities in favor of the poor; (iii) a society in which sound health, education, and other services are available to all; and (iv) an environment in which homes are secure, and places of work are productive (GEAR 1996). GEAR differed considerably from the RDP in two ways: (i) it was based on neo-liberal principles, whereas the RDP was premised on the imperative of people-driven development, and (ii) the RDP was formulated along the principles of a developmental state and an expansionary government, whereas GEAR advocated for a minimalist state and a reduction in government spending.

Contrary to the perception of the RDP as a state driven-policy, evidence shows that the RDP election manifesto contained some neo-liberal elements, alongside Keynesianism. This was evident in the Reconstruction and Development Programs White Paper (RDPWP), which stipulated the need for and the terms of, establishing a partnership between the government and the private sector in rendering service (RDPWP 1994). Such provisions suggest that the ANC did not merely step into a neo-liberal state overnight and take its programs on board in the form of GEAR. Rather, it actively endorsed and adopted neo-liberal frameworks after winning the first non-racial democratic elections in 1994.

The adoption of GEAR firmly consolidated the ANC's neoliberal orientation approach to the state and the free market economy in three ways: (i) promotion of privatization of "non-strategic" state assets and services; (ii) liberalization of trade; and (iii) promotion of a flexible labor market (Biggs 1997). This marked a decisive shift from the Keynesian policies of the Freedom Charter of 1955. Critics of GEAR reason that neo-liberal policies of the ANC represented a weakening of the South African state. This is not true. Neo-liberalism does not change or dilute the state's roles in the economy and development. It merely designates its different roles to focus on: (i) maintaining law; (ii) protecting private property; (iii) creating a suitable environment for the functioning of the market and (iv) providing of an infrastructure for the benefit of business (Narsiah 2003). Thus, neo-liberalism undermines the role of the state in intervening directly in the markets, but does not undermine the state itself.

It came as no surprise, therefore, that at the core of GEAR was the principle of privatization, which refers to the state selling off public enterprises to capitalists. It bases its assumptions on three premises: (i) that privatization of public assets improves service delivery, efficiency and cost effectiveness; (ii) that unfettered competition in the free market will deliver the greatest good to the greatest number of people; and (iii) that state intervention into markets, namely owning and operating enterprises which the state itself subsidizes, leads to un-competitiveness (higher prices for consumers) and inefficiency in service delivery (see Biggs 1997; Narsiah 2003). GEAR, therefore, promoted privatization as a means of attaining efficient and far-reaching service delivery through a more efficient private sector.

In practice, GEAR was implemented through the privatization of electricity provision to the private sector and the installation of prepaid electricity meters in township homes. Ironically, the installation of the pre-paid meters ensured that the price of electricity shot up dramatically, up to 40 per cent in some cases. This hurt poor households in the rural areas and

townships. The government reasoned that the privatization of electricity was necessary to make the delivery of services more efficient and to help municipalities, in particular, to save money so that they could provide better services (Marais 2001). The reasoning behind privatization was that not only would the selling off of non-strategic assets allow the state to commit less capital and administrative capacity, but would also allow it to raise capital for other projects from the proceeds of selling the asset to a private sector buyer. In other words, the government's contention was that GEAR was the means by which the goals of the RDP could be achieved. In reality, GEAR marked the beginning of the consolidation of the ANC's neo-liberal policies, which paved the way for the flourishing of the private sector and the abandonment of Keynesian policies, which were biased towards the poor. The ANC justified the imposition of neo-liberal restructuring by appropriating some of the Keynesian and developmental language and rhetoric from aspects of the RDP.

Such mutations of microeconomic policies had serious implications on the implementation of the precepts of democracy and certain aspects of human rights. An analysis of this contradiction is essential.

Contradictions between Democracy and Economic Policies

I reasoned in the introduction that the formulation of economic policies do not usually follow democratic principles, mainly because of the hierarchical structural characteristics of the state that are common to all states. In terms of economic decision-making processes, all states are fundamentally undemocratic and largely unaccountable to the citizenry. Those at the top of the decision-making ladder are unaccountable to those at the bottom. Consequently, most microeconomic policy decisions have a bias in favor of serving the long-term interests of the ruling classes. These characteristics are evident in the nature of the South African state at all levels of government and have implications in service rendering and the mismanagement of state funds and resources.

I pointed out that the installation of democracy in South Africa in 1994 was accompanied by the adoption of the new economic policies to mobilize the state's resources in order to eradicate apartheid and build a new democratic, non-racial, and non-sexist society. In this endeavor, the government adopted the RDP to address the basic needs of the people, such as job creation, land and agrarian reform, housing, water and sanitation, energy supply, transport, nutrition, health care, the environment, social welfare, and security (RDP 1994). The provision of these basic needs was in line with the Constitution's Bill of Rights, which stipulated that all citizens are entitled to social security. Thus, the RDP was premised upon progressive and developmental principles of economic growth and development. Its strategies were integrated and mainstreamed in all spheres of government, namely national, provincial, and local government programs. It recognized that nation-building required to be linked with reconstruction and development. It broke away from the traditional thinking which views growth and development, or growth and redistribution, as contradictory. Traditionally, growth, which is a measurable increase in the output of modern industrial economy, is usually seen as the priority that precedes development; and development is portrayed as a marginal effort of redistribution to areas of urban and rural poverty. From this vantage point, development is not seen as an integral part of growth, but as a by-product of growth (ibid).

Contrary to this belief, the RDP, as the economic policy of the ANC, integrated growth, development, and redistribution into one program. It constituted an infrastructural program which aimed at providing access to modern and effective services such as electricity, water, telecommunications, transport, health, education and training for all the people. It was also aimed at meeting basic needs, as well as opening up previously suppressed economic and human potentials and opportunities in urban and rural areas. This was expected to lead to an increased output in all sectors of the economy, by modernizing infrastructure and human resource development. It was also aimed at enhancing and increasing export capacity. The linkage between reconstruction and development was thus seen as crucial for achieving peace and security for all (RDP 1994).

There were contradictions in the principles of the RDP as espoused in the Reconstruction and Development Programs White Paper (RDPWP). The RDPWP was adopted to complement the original RDP plan. However, these two documents contradicted each other on some essential principles. First, the RDP White Paper redefined the relationship between the RDP administration and line function departments and stipulated that funds would be removed from departmental allocations and be reassigned, subject to compliance with new priorities (RDPWP 1994). This gave the RDP Minister the authority and power to intervene and determine priorities in other government departments. Second, the original RDP outlined six fundamental principles as its core objectives. The RDP White Paper modified and extended some of these principles along neo-liberal policies. This was termed an encroachment of a purely leftist developmental agenda. It was evident in the extension of the first principle of the RDP, which included a statement: “Due regard will be given to affordability, given our commitment to sustainability and to achievable goals” (RDPWP 1994). This gave the RDPWR leeway to make fiscal discipline its key element, resulting in lower government budgets for implementation of social services. The White Paper thus no longer committed the government to providing basic welfare rights to all South Africans. Its focus was on improving the efficiency of delivering welfare to those with entitlement.

Third, the RDP White Paper stipulated in its policy framework that “attention will be paid to those economic factors inhibiting growth and investment and placing obstacles in the way of private sector expansion” (RDPWP 1994). This was in stark contrast to the ANC’s economic policy in the Freedom Charter of 1955, which declared nationalization of strategic sectors of the economy such as mining and telecommunications, to roll back the poverty and inequality initiated by the former apartheid government.

Fourth, the original RDP policy defined the role of the state as that of implementing development programs to meet the goals and objectives of the RDP. It empowered the democratic government to play a leading and enabling roles in guiding the economy and the market towards reconstruction and development (RDP 1994). However, the RDP White Paper minimized the role of government in the implementation of the RDP to that of merely managing the transformation.

A clear shift in economic thinking of the South African ruling elite came in 1996, when the government jettisoned the RDP altogether, in favor of a new microeconomic policy called Growth, Employment and Redistribution (GEAR). GEAR was clearly a neo-liberal macro-economic policy advocating fiscal austerity, export-oriented production and privatization of public sector services (GEAR 1996). It had many similarities with the Structural Adjustment Programs (SAPs), which were formulated by the World Bank and the International Monetary

Fund, which listed preconditions for giving aid and loans to developing countries. Developing countries seeking loans or aid from these monetary regimes were required to meet certain preconditions, such as the devaluation of their currencies, guiding principles, balancing of their budgets, and removal of price controls and state subsidies (Whirled Bank Group 2003). SAPs guiding principles were similar to those of GEAR, in that both advocated export-led growth, liberalization and privatization.

It came as no surprise that GEAR became the source of tension among the ruling elites within the ANC itself and with its alliance partners. At issue was the fact that GEAR's projections stipulated that the economy would grow by 6 percent per annum between 1999 and 2000, and that 400, 000 jobs would be created during the same time (GEAR 1996). However, the opposite happened. Employment decreased by 3.6 percent during the same period, and over 484 000 jobs were lost in the formal sector (Narsiah 2003). The average economic growth between 1999 and 2011 remained a shocking 3 percent (ibid). Its provision for tight monetary policy, controlled by the South African Reserve Bank to reduce inflation to below 10 percent of Growth Domestic Product (GDP), led to a significant rise in interest rates, resulting in higher costs of borrowing. This hurt the poor and the private sectors alike as consumers had less money to spend and companies struggled to make profits and grow due to higher interest rates. More importantly, the free trade envisaged in GEAR opened up the floodgates, as multinational corporations moved into South African markets to buy shares in local firms. One example of this was the privatization of Telkom South Africa to South Western Bell Communication. This led to the massive dismissal of 17 000 workers at the firm (Madisha 2001). Labor federations and opposition parties faulted GEAR for failing to achieve its stated goals. They called for a modified, people-friendly macro-economic policy framework, based on the traditions of democracy. This clearly implied that the government's microeconomic policies failed to complement the precepts of democracy.

Disagreements on economic policies suitable for South Africa's young democracy exist not only among these groups, but also within the ruling ANC itself. The ANC, as the ruling party, is divided between two schools of thought, the "disciplined leftist" and the "orthodox right". The leftist favors: (i) a strong role for state-owned enterprises in directing the economy; (ii) a less orthodox monetary policy; and (iii) deliberate exchange-rate management in support of interventionist industrial and potential protectionist trade policies (Draper and Dawes 2010). This school consists of the think tanks of two government departments, namely Trade and Industry, and Economic Development, which command a powerful set of economic policy resources such as the Industrial Development Corporation. Their orientation is informed by the need to implement principles of social democracy.

The "orthodox right," on the other hand, favors: (i) market-led reform, including the privatization of state-owned enterprises; (ii) more orthodox monetary policy, (iii) no exchange-rate intervention; and (iv) macroeconomic reforms, which include trade liberalization and not necessarily the industrial policies *per se* (Draper and Dawes 2010). This school of thought controls three powerful state institutions, the Treasury, the Reserve Bank and the Department of National Planning. This school of thought coalesces around GEAR and its neo-liberal ideas. Thus, not only is the issue of economic policies suitable for addressing South Africa's inequalities articulated by the government or opposition parties, but it is also articulated by labor federations, the media, academics, civil society and ordinary citizens in general, from the perspectives of either the "disciplined left" or the "orthodox right."

In an attempt to bridge the gap between the “leftist” and the “orthodox right”, the government adopted a new economic policy called the New Growth Path (NGP), partly as a response to the severe economic downturn of 2008 and 2010, and partly to improve and increase the acceleration of technological changes (NGP 2010). It contains a number of proposals, ranging from employment, monetary and fiscal policy, to labor market policies. It prioritizes efforts to support employment in sectors such as: (i) infrastructure; (ii) agricultural value chains; (iii) mining value chains; (iv) green economy; (v) manufacturing sectors, as included in the Industrial Policy Action Plan; and (vi) tourism and certain high-level services.

However, the NGP, like GEAR, suffers from the blemish of being essentially a top-down government project. Its critics reason that neither the broad ANC membership in the branches nor other formations of the Alliance partners were consulted or given an opportunity to interrogate it and make meaningful inputs. The NGP and GEAR are therefore similar, in that both are not products of extensive consultation. Both are elitist top-down policies. Both make provision for job creation, labor regulation, trade and industry. Consequently, many people expressed doubts that the NGP would achieve its intended objectives, due to a number of factors such as: (i) the tightening of labor laws, which potentially deter investors from investing in the country (Democratic Alliance 2011); (ii) concerns about attempts to create employment from the little-known green sector, instead of focusing on tried and tested sectors; and (iii) concerns about massive retrenchments in the mining and agriculture sectors, which shed 189 000 and 135 000 jobs, respectively, since 2001 (COSATU 2010). From this vantage point, critics contend that the NGP was essentially a red-herring that failed to address the real causes of unemployment. They reason that the R9 billion intended for the establishment of a job fund should rather be spent on building schools and improving the quality of education in the country.

While the search for an appropriate economic policy continues, South Africa’s economic system continues to face perennial crises. The Congress of South African Trade Union (COSATU) projects a dim picture of South Africa’s socio-economic crisis, in terms of high levels of unemployment, disproportionate inequality of income, and disparities in terms of the redistribution of wealth and access to basic services (COSATU 2011). All these point to the failure of the economic policies to complement the principle of cooperative governance. The sphere of government in which these disparities are felt the most is in the local government.

Local government is certainly under duress due to lack of resources, mismanagement of resources and lack of accountability by public officials. These problems can be divided between two challenges, namely financial management challenges, and institutional and human factor challenges in local government. Let us primarily examine the financial management challenges in local government.

Financial Management Challenges in Local Government

The inability of the national government’s economic policies to address and solve the country’s social and economic challenges is reflected in the crisis facing local government across the country. The government’s own 2011/2012 reports declared that more than half of the country’s municipalities are unable to fulfill their basic functions. At issue is the small revenue base, especially in most of the municipalities in poor areas. Efforts to overcome this problem

are being undermined by three key factors, namely financial mismanagement, corruption and partisan appointment of senior officials based on political connectivity. Lack of capacity is blamed for the inability of municipalities to comply with financial regulations set by the Auditor-General. The 2011-2012 Auditor-General's annual report pointed out that only 17 of 278 municipalities received clean audits and that many municipalities submitted their financial statements late or did not submit their financial statements at all (The Times 2013). The report revealed that most municipalities failed to collect enough revenue to pay for service delivery, and that at least 230 of 278 municipalities had difficulty collecting sufficient revenue to finance the provision of services (ibid). This led the report to conclude that "debt management and the basis of income generation might not provide sufficient funds for delivering the services expected of municipalities," thus questioning the sustainability of service provision by local government (ibid). In the main, the Auditor-General's report cited lack of skilled personnel as one of the key factors behind the failure to collect a debt. The report revealed that the number of clean audits remained at 5 percent for the past three years.

In the previous financial year that is 2010-2011, the Auditor-General's report put the number of municipal audit disclaimers at 47 percent (AG's Consolidated General Report, 2001-2011). During the same period, 40 municipalities were not yet audited, due to their failure to submit annual financial statements on time. Only 45 percent of 284 municipalities achieved at least a financially unqualified audit opinion, the same as in the previous year (ibid). Only 13 of 278 municipalities received clean audits in the country, less than 5 percent of municipalities achieving the required benchmarks (ibid). The assessment of municipalities in terms of the provincial breakdown showed KwaZulu-Natal as a leading province, with 85 percent of its 61 municipalities achieving unqualified or better audit opinions. The Western Cape Province came second, at 74 percent and Gauteng third, at 60 percent (ibid). North West Province had the worst performance, with only 8 percent unqualified audit outcomes, and 63 percent of its municipalities did not submit financial statements on time (ibid).

The irony was that lack of skilled personnel in municipalities was compounded by over-spending on the salaries of underperforming and under-qualified managers. In terms of government legislation, municipalities are allowed to spend more than 30 percent of their budget on salaries. They are required to spend 70 percent of their budgets on infrastructure and service delivery. However, most municipalities across the country spend 60 percent of their budgets on salaries. In the 2011-2012 financial year, for instance, the amount paid in salaries to councilors and municipal officials outstripped spending on services by nearly R12 billion, or 10 percent of the total municipal budget (Auditor General's Report 2011/2012). Municipal managers in most municipalities across the country earn annual salaries of more than R2.2 million, the national average being close to the R1.7 mark before performance bonuses (Donnelly 2010). This suggests that municipal managers are often rewarded in spite their failure to run their municipalities properly. A large number of them are under-qualified, in spite of the stipulation of the Municipal Structures Act that municipal managers should have "*relevant qualifications*" and "*expertise to perform duties associated with their posts*". Most municipalities ignored these requirements. The 2011/2012 Auditor-General's report, for instance, shows that only 8 percent of government workers are qualified as "highly skilled", and 90 percent are considered either low or semi-skilled (Auditor-General Report 2011/2012). Similarly, the 2011 report prepared by the Department of Cooperative Governance and Traditional Affairs shows that as many as 36 percent of managers have only matriculation certificates, with a diploma or less, and one municipal manager does not even have a matriculation qualification (CoGTA, 2011).

It also shows that 37 percent of municipal managers have fewer than five years experience in local government while 74 percent have 11 or less years experience in local government (ibid). It attributes these factors to policies of “transformation” and “employment equity considerations”, and the tendency to appoint politically-connected individuals as municipal managers and senior managers (ibid). Consequently, suitably qualified and skilled professionals are denied job opportunities in municipalities, simply for being outside the party political networks through which recruitments are done on partisan and political patronage.

As part of efforts to curb the problem of financial mismanagement and under-spending, the government adopted the Local Government Turnaround Strategy (LGTAS) and Cooperative Government and Traditional Affairs (CoGTA) Operation Clean Audit. These strategies were conceptualized to create what came to be known as “ideal municipalities.” The government also established the Municipal Infrastructure Support Agency, to support municipalities in their quest to achieve sustainable turnaround and operational improvement. However, inadequate execution and slow progress hindered the achievement of the objectives of LGTAS and Operation Clean Audit. The reasons for the slow progress include: (i) insufficient skills and capacity within municipalities to execute such turnaround strategies; (ii) lack of sufficient funding for the required interventions; (iii) insufficient coordination and support by national and provincial governments due to deployment of support teams which did not have the requisite skills, mandate or funding to ensure sustainable change; and (v) many municipalities were not economically viable, given their economic base, demographics, location, history, and access to skills and resources (ibid). Such municipalities were primarily reliant on grants from the national government and so attempts at implementing “turnaround strategies” yielded modest success.

What puzzles many people is that, while a high percentage of the budget of municipalities is spent on salaries of municipal officials, many municipalities are entangled with problems of under-spending, lack of delivery, and service delivery protests. In the 2009-2010 financial year, for instance, the national treasury reported that municipalities under-spent their budgets by R18.9 billion (National Treasury 2010). In the previous financial year, 2008-2009, the aggregate net under-spending was recorded at R16.6 billion (National Treasury 2009). Yet salaries of top municipal officials rose by 53 percent between the 2006-2007 and 2009-2010 financial years, while salaries of ordinary municipal employees at lower levels rose by a mere 4 percent in the same period (National Treasury 2010).

The failure to deliver services has led to violent service delivery protests in over 50 towns and cities across the country. Data collected by Statistics South Africa in 2010 indicated that 203 out of 278 municipalities were unable to provide sanitation to 40 percent of their residents (Statistics South Africa 2010). The majority of the people living in almost 71 percent of municipal areas did not have flush toilets (ibid). Only 27.4 million of 49 million people (or 57 % of the population) had access to a flush toilet; 887, 329 people still use the bucket system (ibid). Five million people, or 10.5 percent of the population, had no access to sanitation at all (ibid).

Only 3.2 million households had access to prepaid electricity and 300 000 households had access to metered electricity (ibid). Thirty-seven municipalities could not provide any free basic electricity, due to lack of capacity” (ibid). Only 17.9 million people (or 37.7 % of South Africa’s population) had access to piped water in their homes, while 36 percent of the population had no access to water, either in their dwellings or in their yard (ibid). A total of 3.7 million people, or 8 percent of the population, had no access to water at all (ibid).

With such enormous backlogs, a major concern facing most municipalities is finding alternative sources of revenue, to replace the recently abolished Regional Service Council (RSC) levies. Many poor municipalities relied on the RSC levies as their main source of revenue. The abolition of these levies meant that they had no sustainable tax bases and therefore became totally dependent on Municipal Infrastructure Grants (MIG's) for infrastructure development. The MIGs were established for the provision of basic infrastructure to municipalities with infrastructure backlogs and high levels of poverty and inequality indicators (The Department of Provincial and Local Government 2005). It constituted the largest single national transfer to municipalities. In terms of the objectives of the MIGs, municipalities were required to prioritize public residential bulk infrastructure for the delivery of water, sanitation, electricity, refuse removal, street lights, roads, and solid waste removal. Their implementation plans were expected to be aligned with the relevant government department's sector policy objectives set before the municipal financial year (*ibid*). However, the MIGs attached certain conditions to all the grants given to municipalities, to compel them to meet certain national priorities, norms, and standards. These conditions limited the flexibility of local governments in attaining their objectives, as they were required to provide adequate project management plans, irrespective of their financial and human resource capacity. Such stringent conditions were blamed for the under-spending of municipal budgets.

Institutional and Human Factor Challenges in Local Government

Two of the major precepts of democracy are accountability and responsiveness. These precepts stem from the principles of democracy, which demand that the government listens to the people, does what the majority asks, if that is possible, and, where it is not, works with citizens to ensure that what is done is as close to what they want as can be. Accountability and responsiveness thus stem from the idea that government works better for citizens when it listens to them.

In South Africa, local government is in distress due to problems arising from the absence of these principles. It faces service delivery backlogs as a consequence of poor leadership and management, poor governance, corruption, fraud, poor financial management, and lack of capacity to perform its functions. These problems have their roots in the lack of qualified personnel, high vacancy rates, poor performance management, and inadequate training of municipal officials. Because of this, local government across the country suffers from: (i) the systemic underinvestment in people; (ii) lack of technical, management, and leadership skills; (iii) lack of defined minimum competencies for critical positions; and (iv) the impact of undue political interference in management decisions. As a result of these problems, there are no creative responses, such as partnering with the private sector in search of shared services options. These short-comings are compounded by cadre deployment without the adequate assessment of skills.

These difficulties have their roots in the lack of accountability and responsiveness of public officials, and one gets the sense that South Africa is fundamentally undemocratic, since: (i) state managers are not accountable to their constituents. People can only vote for new state managers once every five years and have no control over them in the interim period; (ii) the hierarchical structure of top level managers are not accountable to subordinate workers in the state. Consequently, top management can exercise managerial prerogative (authoritarian decision-making) to promote their own interests ahead of those

of subordinates and ahead of the interests of the popular classes; (iii) by virtue of the local state's undemocratic and hierarchical structure, it can be used by the ruling classes to secure the interests of the ruling class (the state managers and capitalists), at the expense of the popular classes (the workers and the poor). Three factors explain why services are not delivered to the poor: (i) the statist structure of municipalities (regardless of the party in power); (ii) privatization of basic services; (iii) pervasive corruption and mismanagement; and (iv) under-spending of budgets and over-spending on managers' salaries. Because of all these maladies, the poor themselves have little say in determining how services ought to be delivered.

The issue of endemic corruption is particularly disturbing, since it predates the democratic transition. It is evident in tender deals with private firms and outright theft of state funds and property. This is blamed on the lack of effective anti-corruption policies, laws and checks and balances, making public officials unaccountable to the national state or the public. More importantly, citizens have no control over corruption, as there is no information on or control over, how the money in municipalities is spent.

The institutional capacities of municipalities to provide services efficiently is hampered by a number of factors, namely: (i) large numbers of job vacancies; and (ii) low education levels of the municipal managers (MMs), chief financial officers (CFOs), and managers for technical services (TSMs). High proportions of job vacancies reflect the difficulties in attracting qualified and experienced personnel. Not only does this impact on the day-to-day functioning of the municipality, but also on its efficiency in service delivery. The number of job vacancies in municipalities is determined by the provisions of Section 57 of the Local Government Municipal Systems Act (No. 32 of 2000). First, the Act measures the percentage of vacant posts to total posts in a municipality, by comparing the positions of MMs, CFOs, and other managers who are politically appointed for a period of five years. Second, it measures the percentage of vacant posts to total posts in the organogram, which refers to other permanent positions within the municipality. The MMs and CFOs are responsible for coordinating and implementing municipal administration and municipal works. They constitute the top management of a municipality's administration. In terms of the Municipal Finance Management Act No. 56 of 2003, Sections 60-79, and the Municipal Structures Act, Section 82(a) (b), the MM is the accounting officer of the municipality.

The elected council constitutes the political arm of the municipality. Members are commonly known as councilors. Councilors approve policies and by-laws, pass the municipal budget every year and oversee the work of the municipal administration. There is no minimum educational requirement or qualification for one to become a councilor. On average, councilors across the country have very low levels of education. This undermines their role as overseers of the work of the MMs and department heads, because the latter usually attain higher levels of education, experience and skills. These disparities result in tensions between councilors and top management officials arising from mistrust of the other party's abilities to fulfill his or her duties. These challenges take place within an environment characterized by weak monitoring, poor oversight, and weak application of checks.

Political tensions between councilors and top officials and among political parties within municipal councils, negatively affect service delivery. Tensions between political parties arise due to a lack of democratic checks and balances between the opposition

party and the majority party in the municipal council. The fact that the majority of councilors across South African municipalities have low levels of education mean that ward communities are not fully operational, resulting in poor communication between the municipal councils and communities. Ward committees represent the voices of communities. However, their dysfunctionality raises many questions concerning: (i) their effectiveness as institutions; (ii) their usefulness as conduits for community involvement in local governance; (iii) their capability to play the critical role expected of them as platforms for public participation; and (iv) their ability to create opportunities for real power-sharing between municipalities and citizen. The answers to these question point to the fact that ward committees typically elicit quite negative views. Communities are critical of ward committees for their dysfunctionality as public forums. They see them merely as highly partisan structures aligned to party political agendas.

Conclusion

From the viewpoint of democracy, the devolution of powers to the lower tiers of government brought about the concept of cooperative governance to speed up service delivery and participation of citizens in decision-making processes and governance. However, from the socio-economic vantage point, financial and fiscal decentralization have been marred by many problems, including financial mismanagement, corruption, under-spending, and lack of accountability. These factors have prompted calls for a rethink of fiscal allocation to lower tiers of government in order to improve socioeconomic conditions of the citizens. Such a rethink is crucial in determining how best the national government can redistribute national revenues with a view to equity and poverty alleviation and how best the government can build the financial and development capacity of local governments to effectively discharge their constitutional mandate. It is the mandate of the national government to improve the second pillar of fiscal decentralization, by assigning greater revenue autonomy to local municipalities, while taking into account wide disparities across municipalities in their abilities to raise revenue. There is a need for the current intergovernmental fiscal system and the equitable distribution of the national revenue to consider: (i) the differing challenges and the relationships between the rural and the urban environments; (ii) the availability of human resource capacity; and (iii) the degree of economic activity and overall institutional strength. These disparities demonstrate the anomaly in the distribution of resources among municipalities in terms of their needs and economic capabilities. Consequently, local authorities, especially those in categories B and C (local and district), are in distress and face serious economic challenges in meeting their constitutional obligations. Yet the key financial policy objectives for sustainable local government in South Africa are derived from Constitutional obligations. Legally, the Constitution obliges municipalities to identify needs, and plan and budget their intended programs to equitably target the provision of basic services and socio-economic development for all their citizens. In terms of budgeting, the government established the MIGs as a source of funding for municipalities to achieve their infrastructure service delivery targets. In spite of this endeavor, not only is inadequate municipal infrastructure impacted negatively for the delivery of services, but it also hampered economic growth and development. Municipalities have not shown any marked progress in construction, maintenance, and repair of basic infrastructure. Such challenges raise serious questions concerning the fiscal capacity of municipalities and the efficiency and effectiveness of the current intergovernmental fiscal relations (IGFR) system.

These difficulties call for a need to review and restructure the political system, partly to cultivate the principle of responsiveness, and partly to devise new participatory methods to engage and increase citizen participation in local governance structures. Such restructuring may include the creation of public forums, public debates, and popular communication outlets such as radio and soap operas. Such structures could provide much-needed new spaces, where citizens of all economic and social groups could: (i) engage with the local government; (ii) mobilize and make demands; (iii) put pressure on local government officials; and (iv) monitor their performance to ensure an efficient provision of services. These initiatives might not work if the motivation of local officials is to control citizen participation. The main objective of creating such spaces is to ensure that local officials are held accountable, at the grassroots level, for efficiency and effectiveness of every scarce resource available. More importantly, the improvement and encouragement of the culture of public participation would promote inclusive participation and actively incorporate public inputs on vital governance issues as enhancement of democratic principles. Local democracy entails participatory and inclusive decision-making processes, in which citizens have a say in determining local government developmental agendas. Not only does citizen participation enhance community awareness of rights and obligations, but it also sensitizes citizens' roles in municipal affairs and in the implementation of development and economic projects in their localities. Thus, not only is public participation a key tenet of democratic governance, but it is also a core principle of legislation. This means that the efficiency of local government does not only depend on the availability of skilled personnel and financial resources, but also on the role played by communities in the structures.

The enforcement of the legislation on public participation needs to be undertaken simultaneously with building the capacities of municipal officials in order to fulfill and achieve their obligations, as envisaged in the Constitution and in other national policies. Capacity building is essential in bridging the gap in what is expected of municipal officials and what they can deliver. One way of addressing the issue of capacity building is the transformation of local government skills development. Skills development is of paramount importance, since it lays the foundations for people-oriented local government systems, which are key to meeting the demands of the people for democracy, reconstruction, and development. This entails investment in capacity building of councilors and officials and may include: (i) appointment of qualified personnel in top management positions in the municipality's administration, especially municipal managers, chief financial officers, and managers for technical services; (ii) a review of the constraints of municipal capacity; and (iii) devising incentive mechanisms to attract skilled capacity in secondary cities and rural areas in the country.

Ways also need to be found to manage political and administrative tensions in municipalities, in order to enhance and deepen local democracy. It is imperative that top management officials be apolitical so that they can dispense their duties objectively. At the same time there is a need to balance the relationship between politics and administration, to ensure that partisan concerns do not compromise the management of the administration which is the core element of ensuring delivery. This means that councilors, who are political representatives of citizens, should desist from exerting undue pressure on officials to act in the interest of particular constituencies. Most importantly, innovative ways of curbing corruption and other administrative malpractices within municipalities need to be devised. One way of achieving this is to improve sound financial management requirements, as envisaged in the statutory framework. This entails appointments of qualified and

capable officials with the correct and appropriate skills in key positions such as chief financial officers and internal auditors. Such qualified and skillful personnel would: (i) take charge of responsibilities and account for results for budget spending; (ii) be responsible for resources transferred to local government from national government; (iii) strengthen the institutions that enforce accountability of public resources; (iv) play crucial roles in fighting against the scourge of maladministration, mismanagement of municipal finances, fraud, and corruption.; (v) strengthen the existing internal control systems that detect these deficiencies; and (vi) verify the quality and appropriateness of internal audit and audit committees. All these require effective monitoring by the officials in managerial positions, to make local government accountable, transparent, and open to public scrutiny. Open government is thus the key to the management of local affairs.

All of this suggests that the effectiveness of municipalities to deliver on their mandate is largely dependent on their ability to plan and allocate public resources in a developmental and sustainable manner. Local municipalities need to take into account and integrate the needs of their communities in their development plans during budget allocation. This can be achieved by designing and adopting Integrated Development Plans (IDPs). Such an exercise is crucial because the formulation of IDPs is dictated and informed by the resources which can be afforded and allocated through the budget process. Municipalities thus align their budgets with the IDPs and their objectives and strategies. Not only does this point at the symbiotic relationship between the processes of planning and budgeting, but also at the centrality and significance of community participation in the formulation of IDPs and budget allocations. IDPs represent and reflect on the consensus reached with the community through various community participation processes. The IDPs also enable communities to hold the council accountable for failure to attain the goals and targets set in the IDP. It goes without saying, therefore, that the failure of municipalities to adopt or to implement goals and targets contained in the IDPs is the main reason for the protests and disgruntlement at local government level. While the causes of the protests differ from one province to another, and from one municipality to another, citizens' protests have centered on the fight against the government's failure to uphold the Bill of Rights of the Constitution. Municipalities have not responded adequately to the needs and values of the communities, especially the poor and disadvantaged sectors of the community. The planning, the budget and the IDPs have not been sufficiently reflective of the needs of the community. Poor service delivery, corruption, staff and skills shortages, lack of accountability, transparency, and responsiveness by councilors and municipal officials, dysfunctionality of ward committees, lack of citizen participation in decision-making processes and in issues of governance, non-compliant municipal legislation and other by-laws, failure to prioritize goals and targets the IDP and community needs, failure to realign budgeting and planning processes, tensions between councilors and top municipal administrative officials in the municipalities, and weak financial basis and viability of the municipalities, have tremendously affected the functioning of municipalities. To solve these problems, four key areas need urgent attention to boost social and economic development. First, the question of leadership and strategic human resources recruitment needs special attention in order to retain, recruit, and develop the best available talent and skills. Second, measures to enhance performance management need to be devised to create an environment of responsiveness, high performance, and clear accountability. This may include linking rewards and remuneration to performance, to set the tone at the top. Third, planning, governance structures, the people, processes,

systems, infrastructure and oversight mechanisms need to be integrated into realistic Integrated Development Plans (IDPs) and into applicable legislation, to achieve a balance between the needs and availability of resources. Finally, financial sustainability and management needs to be addressed to ensure economic and financial viability and prosperity of the municipality, to facilitate the growth of the local economy, the creation of jobs, and the developmental mandate of municipalities.

In spite of all these challenges, local government has been central in playing crucial roles in enhancing democracy and in uplifting the living standards of the people for the realization of an equal society, and improvement of the living standards of the people. The availability of resources, coupled with appropriate leadership, plans, partners, political will and perseverance, have the potential to propel the government to achieve its elusive dream of sustainable turnaround and clean audit.

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Chapter VI

Keeping People's Hope Alive through HOPES: Social Contributions of Thailand's National Lottery Office

Police Major General Attagrit Tharechat

History and Development of Lottery in Thailand

The Chinese immigrants introduced some forms of lottery to Thailand during the reign of King Rama III, who granted a lottery operations concession to a group of Chinese businessmen. While the exact date of the introduction of lottery to Thailand is not known, it is recorded that the first lottery draw in the country was held in 1835. It is also known that the Chinese immigrants who resided in the capital city of Bangkok during those days were among the first group of regular patrons of the lottery. To determine the winners, the Chinese used a pool of their alphabets, not numeric, to draw for the winning prizes. This made it difficult for the Thais to participate and bet for the winning prizes. This also explains why, at first, the lottery was popular and played almost exclusively among the Chinese immigrants.

Later on, the competition for the concession of lottery operations became fiercer because there were more Chinese businessmen who wanted to operate the lotteries. The net result was more lottery operators and higher concessionary fees. New marketing strategies were, therefore, needed to attract large untapped Thai potential players. The most innovative one, by that day's standard, was the replacement of Thai for the Chinese alphabet. This change made it easier for the Thais to understand how the game was played and could decide what alphabets they wanted to buy. This form of lottery became very popular among the residents of Bangkok, particularly those Thais who were enticed by a dream of becoming rich. The numbers of the Thais who patronized the lottery increased rapidly and constantly for nearly 40 years, to the point that the Chinese lottery operators had to quell the thirst of the Thais for a lottery ticket by selling and drawing it twice a day, once in the morning before noon and once in the evening before dusk.

The modern form of lottery, using numbers rather than alphabets, did not come to Thailand until the year 1874, during the reign of King Chulalongkorn (Rama V). The person who brought this form of lottery to Thailand was Henry Alabaster (2013), a former British diplomat to the Court of Siam. He introduced lottery to Thailand as a fundraising scheme. At that time the king granted the Royal Bodyguard Department permission to operate a lottery on the occasion of his birthday. The proceeds from the sales of the first lottery draw were used to assist and defray the cost that the foreign merchants had to bear for bringing goods to display at the Museum in Concadia Building located in the compound of the Grand Palace.

This numeric form of lottery, however, was not considered as an effective fundraising device until 1917, when the British government wanted to borrow money from the government of Thailand to fund and balance its budget deficits caused by the staggeringly high costs of World War I. Thailand, as an ally of England, wanted to help out, but was afraid that this would affect the fiscal stability of the country. King Vajiravudh (Rama VI), therefore, granted permission to a group of Thai citizens to issue lottery tickets in order to collect the proceeds from the sales and use them as a loan to the British government from the people of Thailand. The drawing of this lottery was conducted at the British Embassy in December 1917.

Evidently, the Thai government during the reign of King Rama VI, more specifically the members of the royal court and the elites, viewed the lottery as an effective fundraising device for the goal of collecting enough proceeds to support government-initiated projects on some special occasion or event. The second organized lottery of this model was later issued and drawn at the Winter Fair. The proceeds from the sale of this lottery were mainly used to cover the cost of this Winter Fair, which was held to celebrate King Rama VI's birthday in 1918. At the same time the British Government was also authorized to issue lottery tickets in Thailand.

In 1923, King Rama VI granted special royal permission to issue a sale of one million lottery tickets, at the price of one baht each. The goal was to raise a one million baht fund to buy guns and to cover for the management and operational costs of Wild Tiger Corps (Sue Pa Volunteer Unit). The actual draw of the lottery prizes was carried out in early 1924. Three more draws were carried out later in the year. But, it was found that the operations of this special lottery for the support of Wild Tiger Corps were plagued with some irregularities, and had to cease its operations.

In early 1933, during the reign of King Prajadhipok (King Rama 7), the Siamese Red Cross applied for permission to run a lottery sale in order to collect proceeds to balance its budgets. Prince Boriphat granted the permission and reasoned that this was a public charity. The number of tickets printed for sale was 500,000, and each ticket was sold at the price of one baht. The tickets were sold out, and the drawing itself attracted much more attention from the public than the previous ones.

As the lottery became more popular and succeeded in raising funds for public use, Mr. PridiPhanomyong proposed, in 1933, that a state lottery be formed for the benefit of the country as demonstrated in Britain and France. As a result, the government of Thailand set up the Siam Lottery Office. This office set up a regular drawing schedule of four times a year. Because of the popularity and a greater demand, the number of printed tickets was increased to 1,000,000. The ticket price remained at one baht each.

Also in 1933, the Thai government, led by Premier Phraya Paholpolpayuhasena, had a policy to reduce draft deferment tax rate. In so doing, it had to find revenues from other sources to compensate for the lost tax revenue. The government decided to use the lottery as a mechanism to raise funds for that purpose. Rather than using the Siam Lottery Office, which had just been recently formed, the government authorized the Revenue Department to run this operation. The government enacted the Gambling Act to stipulate that the Revenue Department run the operations throughout the country. At this time the tickets were sold and drawn by a specified time period and schedule. The Thai government lottery enjoyed the highest level of

popularity throughout the country up to that time. At the first draw, there were winners from 68 of 70 provinces of the country.

By 1934, as the Thai Government needed more revenue for various purposes, the Government assigned the Revenue Department to oversee the printing and sale of lottery tickets. The drawing for winning numbers was made periodically three to four times a year. By this time, it was clearly visible that the eager patrons of the government lottery were largely the low-income earners, those who did not earn wages or salaries regularly. For understandable reasons, these are the groups of people who had high hopes for a better life, if not for being rich one day. They are the ones who prayed diligently to the God of Chance. They viewed that their chance of winning the lottery is within the Providence of some divine power. Praying and hoping are what they could do.

To prevent the Government lottery from being stereotyped as a game for only the poor, the Revenue Department issued a special lottery to evoke interest, and marketed it specifically to those who were wealthy or earned a regular salary. This met with some degrees of success. In addition, the Ministry of Interior was also authorized to run a special kind of lottery to fund municipal programs. The prize drawing dates were scheduled for the months in which there was no drawing for the lottery issued by the Revenue Department. These were done in order to avoid a competition in lottery marketing with the Revenue Department. There were two kinds of municipal lottery: General Municipal Lottery and Provincial Municipal Lottery. The tickets of the first type of lottery were sold throughout the country. The proceeds went to government public work projects, such as the construction of hospitals, schools and sport stadia. The proceeds from the sales of the second type of lottery came almost exclusively from two major cities: the capital city of Bangkok and the city of Thonburi.

It should be noted that, at that point in time, there was more than one major operator of Government lottery. To avoid the stiff competition in marketing strategies and to reduce the confusion in terms of authority, the Thai government transferred the Ministry of Interior control of the Government lottery to the Ministry of Finance on April 20, 1939. Prior to that, on April 5, 1939, the Ministry of Finance set up the first Government Lottery Committee, with its office housed in the City Hall of Bangkok and Thonburi. This office later on was named the Government Lottery Office (GLO). In June of 1939, the number of draws increased from three to four times a year to once every month. The number of lottery tickets sold in the market, at the price of one baht each, increased dramatically from 1,000,000 to 5,000,000. After 1944, the lottery sales steadily increased, as did prices. Today, the number of tickets sold is 72,000,000 per drawing and the market price is 40 baht each. The frequency of draws has increased to twice a month.

The Ardent Supporters of Thai Government Lottery

Some academicians argue that the lottery is a kind of regressive tax; defined as a tax that takes larger percentages of income from low-income earners than from high-income people (Borg and Mason 1988; Clotfelter and Cook 1987; Hansen, Miyazaki, and Sprott 2000; Price

and Novak 1999). In general, a regressive tax is applied uniformly. This means that it hits low-income persons harder. The way lottery disguised itself as a regressive tax is through people's hope. People in low-income brackets, in general, have more hope for a better life than those in high-income brackets.

In theory, most poor people are structurally poor, meaning that they are stuck in poverty. In this instance, societal norms and practices work against them and subsequently hinder their upward mobility. To elaborate further, it is said, as an example, that, in general, a child who is born to poor farmers who have a low level of education and live in a hostile environment, are destined to poor, when he or she grows up. In the future, the progenies of that child will also more than likely be poor. Structurally, poor people normally do not possess the means to help them overcome the structural discrimination they have to face. We call this phenomenon a "poverty trap," that entraps the children of the poor into the vicious cycle of poverty.

It is necessary to consider whether the structure of Thai society contributes to the continuing impoverishment of a significant segment of society. We can indirectly look at this issue through studies of income distribution and the percentages of people whose annual income chronically lies below poverty levels.

When we examined the pace of economic development of Thailand, we found an impressive record. For the three decades since 1960, the country has experienced a satisfactorily high rate of economic growth (Hutaserani and Jitsuchon 1988). In 2013, it was reported that Thai economy grew by 6.5 percent (Bank of Thailand 2013).

Thailand's longer-term record in poverty reduction has also been equally impressive. Thailand measures poverty incidence by comparing per capita household income against the poverty line, which is the income level that is sufficient for an individual to live at the minimum standard of living in Thailand. The proportion of people living under the poverty line gradually declined from over 57 percent in the early 1960s (The World Bank 2011) to 45 percent of the population in 1988 before it decreased to 17 percent in 1996. The incidence of poverty increased to 21 percent in 2000 before it declined again to 11 percent in 2004, (Office of the National Economic and Social Development Board n.d.) which is the level that has already met the Millennium Development Goals set by the United Nations.

The problem of structural poverty still remains in spite of these impressive improvements. The disparities among regions and groups are still noted. The incidence of poverty is still concentrated in the Northeast and the North. These two regions combined represent nearly 80 percent of the poor in the country. This translates into 5.81 million persons. A disaggregation of the total number of the poor in the whole country by urban and rural categories indicates that more than half of the poor live in rural areas. Most of the poor have low educational attainment, which limits their job opportunity or their ability to find a higher-earning job. More than half were in the agricultural sector, and the majority were landless farmers.

Another way of unraveling the existing structural discrimination against the economic advancement of the poor is by analyzing the studies on income distribution in

Thailand. Based on the results of many studies, we found that the overall reduction in poverty is encouraging. But when we turn to the issues of income distribution and income inequality, it is less reassuring. Our literature reviews indicate that just as poverty consistently fell throughout the country (though not uniformly) the levels of income disparity among the rich and the poor became wider.

We use the Gini Index to measure the extent to which the distribution of income among individuals deviates from an ideal equal distribution. A Gini Index of 0 represents perfect equality, whereas an index of 100 signifies maximum degree of income inequality. In 2006, Thailand's Gini Index of 43 was ranked 47, and tied with Cambodia, in the global comparison (CIA World Factbook 2011). This index rose to 54 at the end of the decade (The World Bank 2011). With the poor showing on the index, Thailand does worse on the issue of income distribution than many countries in Asia and stays in the middle among the ten member countries of ASEAN.

More insight about income inequality can be gained by looking at how much money the rich and the poor make in their earnings. Statistics on income earning by groups show that the richest 20 percent in Thailand makes 15 times more than the poorest 20 percent (Johnston 2011, Seagraves 2010, The World Bank 2011 & Trading Economics 2013). For the nation as a whole, the ratio of the income of the richest 10 percent to that of the poorest 10 percent is 28 (The World Bank 2011). The bottom 60 percent of the population's share of income is only 25 percent, meaning the other 75 percent share of total national income goes to 40 percent of the population (Seagraves 2010). These statistics are the reason for concern. At least for one reason, income inequality has a negative impact on poverty reduction. Had income inequality not risen, the level of the population living under the poverty line would have been much lower.

Now that we have looked into the pictures of poverty and income inequality, it is interesting to look at how they are related to lottery sales. In order to understand the relationships between the two, we first establish the premise that as long as humans live there is always hope for the betterment of tomorrow. There is no difference by color of skin, religion, gender, age, occupation, or place of residence; people always live with hope. The only difference is in what they are hoping for. But the poor certainly hope to become wealthy one day. For them, wealth is associated with many good amenities in life that most people wish for. How to become wealthy is an obscure question that has no clear answer, particularly for a poor person who is entrapped by poverty.

In order to shed some light on the relationships between economic disparities and the demand for lotteries, we reviewed research conducted in other countries and have come to a conclusion that, in statistical terms, there are positive relationships between the two variables. For example, Freund and Morris (2005), using data from the United States, found that, when controlling for other factors, the states with legal lotteries have a higher level of income inequality than those states that have no legal lotteries. When the unit of analysis was individuals, rather than state, a study in Taiwan found a small and not significant impact of income inequality on lottery sales. The authors attribute the results of the study to the small degree of income inequality in Taiwan, which has a low effect on lottery expenditures. Yet, there is still evidence that lottery tickets are disproportionately consumed by the poor, who

eventually, become the heavy bearers of the implicit progressivity of the lottery tax (Chen, Chie, Fan & Yu 2009).

Based on the findings of a positive relationship between the percentage of people under the poverty line and volume of lottery sales, on one hand, and income inequality and lottery sales on the other, we can infer that the future demand for lotteries in Thailand will undoubtedly increase. But in order to better comprehend this inference, we need to recognize one disturbing fact that the low-income earners, particularly those below the poverty line, are the regular patrons and staunch supporters of government (or state) lotteries. The increase in Gini Coefficient in Thailand over a period of time reflects that, with a larger population size now than before, a large proportion of, if not more, people will still be entrapped by poverty. Keeping in mind that, the term ‘poverty’ here is only relative, and it is not an absolute or abject poverty, which means that those people who live under the poverty line also enjoy the rising per capita income, except that their percentage share of the increase in income is dwindling. As a result they will always find it hard to free themselves from the poverty trap. But they are still as free as ever to patronize both the government and underground lotteries, which is the topic that will not be discussed in this paper.

A study in the U.S. indicates that state lotteries consumed at least 9 percent of take-home income from households making less than \$13,000 a year. The average amount spent per household is \$645 a year (Rosefield 2013; Williams 2010). In Thailand, we also found some similarly disturbing results. A preliminary tabulation from a research study commissioned to the College of Local Administration (COLA) by the GLO shows similar findings. There is a negative correlation between income and the extent of playing the lottery that is full of hope, and sometimes only a daydream. Needless to say, again, the poor spend a higher percentage of their income on lottery buying. Worse is that the low-income earners are more likely to be the regular and loyal supporters of underground (illegal) 2 or 3-digit lotteries. To them underground lotteries, which focus more on the probability of winning a prize, are more, probabilistically speaking, responsive to their desire to make their dreams come true, supposedly by winning a prize that will help make ends meet.

Social Contributions of Thailand’s National Lottery Office

From the onset, the National Lottery Office was authorized with a clear mandate from the Ministry of Finance to support and help the government balance its budget. It is stipulated by law that the office has to send 28 percent of its proceeds from the sales of lottery tickets to the Ministry of Finance. The payout to the buyers of the tickets amounts to 60 percent of the earnings. Nine percent is earmarked for sales commission. After all these figures are totaled, only 3 percent of the money from ticket selling goes to office management and operations. On average, from the years 2004 to 2012, the national Lottery Office has made an annual contribution of approximately 12,000 million baht to the national coffers. The total of the contributions from 2004 to 2012 amounts to more than 120,000 million baht. All these moneys were sent to the Ministry of Finance. The spending of the funds has to undergo a process of budget approval by the Parliament. How the funds were spent was not under the control of the office.

The GLO only has a 3 percent share of the proceeds from lottery sales to balance the budget under its own discretion. Of this discretionary money, the office spends approximately 90 percent (2.7% of the proceeds) for personnel, compensation, office operations and indirect costs, and is still able to discretionarily allocate close to 10 percent of its budget for relatively small scale philanthropic activities. Regularly, the office has donated, on a case by case basis, to education, sports, health, religion, arts and culture development and promotes programs in a humble way.

Realizing that it has a responsibility to behave ethically and contribute to improving the quality of life of the members of Thai society, the National Lottery Office has sought and has received approval from the government to operate special charitable lotteries. Of the total number of 72,000,000 lottery tickets, sold each 15 days, which are drawn on the first and sixteenth days of month, 22,000,000 are printed and designated as a charity lottery. The proceeds from these charity lottery tickets are earmarked for socially responsible projects. For example, the National Lottery Office has regularly and almost routinely allocated the largest proportion of the proceeds from charity lottery tickets to help the Thai Red Cross. In addition, during the period of last 10 years, more than 10 billion baht have been donated to improve services at public hospitals throughout the country. The largest part of the money has been well spent for the construction of patient care facilities, medical equipment acquisition, health research, and health technology development. The GLO has also been trying to close the gap in health care quality between the hospitals located in the rural areas and those in the urban areas. It has been reasoned that by reducing the rural and urban divide, it not only improves the quality of health services and the quality of life of people in the peripheral areas, but it also has a spillover effect of reducing, if not solving, the overcrowding problems of hospitals in urban areas.

The GLO also allocated a large sum of the proceeds from these charity tickets to support education development. Many schools in the remote rural areas received a donation to cover the costs of class room buildings, books procurement for libraries and other learning facilities. Physical improvement such as development of children's playground has also been a major component of the GLO's corporate social responsibility program. In addition, the office has provided scholarships to the children of low-income earners. The manner in which these scholarships are awarded to the needy persons are both directly to selected individual students and indirectly through Anada Mahidol Foundation's selection of the awardees for studying abroad.

Environmental protection has also been a vital part of the active socially responsible programs of the GLO. Many environmental concerned agencies, both private and public, have requested and received financial assistance from the GLO to cover operational costs of their reforestation and wild life reserve projects. Promoting ecological balance and preservation of natural foods for both wild life and humans are also a crucial thrust of the environmental protection program, which also includes watershed protection and improvement or construction of reservoirs. Other environmental friendly programs such as development of clean and efficient alternative energy sources also received financial support from the office.

Keeping People's Hope Alive

We have mentioned in the previous section that the staunch supporters and the major contributors to government (or state) lotteries in all countries around the globe are the poor, who spend a large proportion of their income to buy lottery tickets. The poor buy lottery tickets with an earnest hope that they would win a prize; if not the jackpot. Comparatively speaking, the poor have a stronger hope to win the lottery tickets than their rich counterparts. Normally, and at least in Thailand, when the poor decide to spend a sizeable chunk of their hard earned money to buy a lottery ticket, they are not just making a wish that they win a prize, but they actually pray diligently to the God of Chance to help them win. We name the money they spend to buy lottery tickets as “praying money;” and it is this money that we want to see returned to the poor and the disadvantaged in a recognizable way. It is quite dismal to learn that their hope vanishes at the end of each lottery draw.

We are well aware that the lottery is a game of hope, and our business is selling hope to people who almost always have to gamble with the little money they have. This money spent on lottery tickets helps keep their hope alive and helps them forget the suffering and the pain of being poor. Most of them are the people who have little or no opportunity to improve their own life quality, and that of the members of their immediate family, whom they also have to take care of. Because of the hope of winning we are selling, we are compelled to make the hope of people last beyond the end of the draw. We reflect and ask ourselves what we are really doing and we find ourselves *banding (H) opportunity (O) to people's (P) enterprises (E) in a socially responsible manner (S)*. From this reflection, we form the acronym of HOPES. We employ HOPES as a concept upon which a specific strategy to enliven the hope of people can be based.

In the last section, we describe, in brief, what and how much we have done for the people and for society. We could do a lot more with the same old paradigm that we have employed, and the poor will still be as poor as ever. What we need to do is to free the poor from the poverty trap. We ask ourselves again how we can operationalize and translate HOPES into some action. We reviewed our philanthropic programs and realize that our office has served as a fund raising machine for the central government. The proceeds we collected and transferred were treated as national revenue which we generally had no control over. Only those with high political power, particularly, those who can impose their power and political will on bureaucracy can decide how the money from the poor will be spent.

With the mandates from the cabinets' resolutions which are embroiled as policy instruction from the government, the GLO has an authority to issue charity lottery tickets. All along, our office has been regarded as a conduit of funds to support many more and larger scale projects, with an increase in requested budget of nearly or greater than one billion baht each. The requests usually come from a high place, which are normally channeled through the minister of different ministries for approval at a cabinet meeting. And because of the perception of those with high political power that the GLO is a fund raising apparatus for the government, we, by ourselves, are not in a good position to advocate any pro-poor project to enliven the hope of the poor. Such action will be regarded as ideological and will be a politically and socially sensitive issue that our office should not initiate. Therefore, it is

advisable that we find a strategic partner to implement the concept of HOPES. We have thought that the strategic partner we are looking for must have a status of legal entity and not only represent but be close to the roots of people. It is with this qualification that we have our eyes on Local Administration Organizations (LAO). One advantage of working with and through LAOs is that they are able to pass any ordinance that creates a sustained positive impact on people at the lower level. Another advantage is that, because of its proximity to the poor and to the marginal groups, who normally cannot make their voice heard, they are more informed about and more responsive to the problems and needs of people who are far away from the centers of political, social and economic power.

The concept of HOPE was first implemented in the US state of Georgia in 1992, after Georgia voters passed the lottery amendment by a narrow margin of 95,666 votes (1,146,340 to 1,050,674). That lottery amendment provided revenue for the HOPE program. Unlike HOPES, HOPE stands for Helping Outstanding Pupils Educationally. The 1992 Georgia's HOPE program was created and based on a merit scholarship aimed to motivate Georgia high school students to pursue education after high school. In 1994, the program expanded to provide support for tuition and mandatory fees and books for four years. The increase in demand for higher education and the rising costs of higher education forced the program to make some operational adjustment, or otherwise the budget reserve would be drained (see Berman and Jones 2012). Other US states such as Delaware, Florida, New Mexico and Tennessee have learned from the experiences of Georgia and adapted it to suit the local situation.

To apply the HOPES scheme, we will seek approval from the cabinet to issue a special lottery to raise endowment funds for local governments to carry out the scheme. The HOPES scheme consists of 5 elements to improve the quality of life of poor people. The five elements are: H for health, O for occupation, P for poverty, E for education and S for security. Theoretically, these five elements form a vicious cycle that creates a poverty trap. People are poor because they have low salary. People have low salary because they do not have good or stable occupation, or sometimes because they have low productivity, or their business failed. This is because they lack occupational skill and technology, as a result of low or no ongoing education. Research also shows that schools that hire the least qualified teachers also produce students that perform lower than the norm. This leads to certain schools not producing many students that go on to college.

Poverty is both a cause and a result of ill health. For example, poverty causes illness because it leads to inadequate or improper food and poor sanitation as the poor often live in overcrowded places, and have inadequate access to health facilities. Poverty can also be a result of illness, as people who are sick usually lose income or often even their job. Also because health care is costly it may push people into poverty. There is also a theoretical link between poverty and human security (Sanusi and Nass 2013). At the individual level, poor people frequently face high risks from domestic violence, and crime. At the community level, the poorest communities are particularly vulnerable, and often can only survive by short-term coping strategies (Department of Economic and Social Affairs, United Nations 2008). Because of social exclusion, both the poorest persons and poorest communities cannot participate in the process of economic development, which in the long run increases their exposure to all risks.

By supporting LAOs, the GLO will be able to effectively break the poverty trap. In effect, the GLO will provide both start up and endowment funds to tackle problems of health, occupation, poverty, education and security of people at the local level. A standing committee comprised of representatives from all types of local governments and experts in local development administration will be set up and chaired by the Director of the GLO. The committee should also be made up of local business men, women, professionals and people with expertise in promoting local economic development. The GLO will serve as the secretariat of the committee, and also provide policy guidelines as well as technical input to LAOs. The selection and awarding of the grants in aid are carried out annually on the basis of needs, merits, and availability of funds for the proposed HOPES project. The committee may appoint a subcommittee to evaluate the feasibility and the cost benefits of the proposed projects. The opinions of this subcommittee will be provided to the committee before making awards. Another subcommittee on monitoring and evaluation may also need to be set up for management function. This subcommittee will assist both the standing committee and the implementers (LAOs) of the awarded projects in determining the extent to which the project is on track and the need to make any needed adjustment. Particularly, it will make it easier for the standing committee to make an informed decision regarding operations management and service delivery. Moreover, it will ensure the most effective and efficient use of resources, and finally to evaluate the extent to which projects under the HOPES concept have achieved the goal of not just keeping people's hope alive but actually whether the poverty trap has been dismantled.

In the final analysis, the criteria used for evaluating the merits of the proposed projects is to look at total or net impact of the projects on socio-cultural and economic development at the local level. A recently conducted a study by COLA (Kamnuansilpa et al 2013) indicates that LAOs are quite inactive in promoting economic development. They tend to see this as a task of central government and not their concern. Therefore, the preparedness of local government for local development should also be taken into serious consideration. Only representatives of local communities know what the needs of the local people are, and whether they are able to solve the problems on their own. In effect, the HOPES concept, as advocated in this paper, will help make local governments an engine for economic development. After all, we avail ourselves as a partner of LAOs, not as a God of Chance.

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Chapter VII

Balancing Accountability with Responsiveness: Building Responsible Flexibility in Local Government

Richard Pratt

Introduction

Societies cannot prosper politically, economically or socially without effective, public-regarding public institutions. They simultaneously reflect and sustain democracy, encourage and channel the forces of market economies, and store legitimate shared values.

How well government organizations have performed these roles varies from place to place, and is subject to debate. In many parts of the world, there are concerted efforts to enlarge the responsibilities of local governments through decentralization. This critical shift is driven by the hope that these empowered organizations not only will pick up responsibilities that have heretofore been centralized, but also will do this in a way that is more public-regarding.

Public bureaucracies have been a significant challenge to realizing this hope. The obstacles they present to all levels of government are reflected in the global conversation that has taken place over the last thirty years.

To provide context for what follows, this paper first briefly reviews the dilemmas that bureaucracies present and the efforts made to address them. It then suggests that dissatisfaction with those recent alternatives has created an opportunity to experiment with other more realistic approaches and that this may be especially opportune for local government. In this context, the idea of responsible flexibility is explored as a means of balancing essential levels of accountability with desirable levels of responsiveness. An example of responsible flexibility is presented, and the paper concludes by suggesting criteria for judging to what degree an initiative represents “responsible flexibility.”

The Challenges Faced by Public Organizations

Bureaucracies, both private and public, have been the targets of criticism in Western industrial societies for almost as long as they themselves were adopted as an improvement over earlier tradition and personality driven organizations. Recurring complaints include, among others, over defined roles and excessive specialization; internal segmentation (“siloeing”) and organizational rigidity; inability to adapt to changing environments; excessive rules, often disconnected from organizational goals; the separation of knowledge from the authority to act on it; and

information hoarding as a source of power. Public bureaucracies, which today are referred to as “traditional” organizations, also have faced charges of being unaccountable (“There is no one responsible.”) despite their claims of giving accountability the highest priority.

Over the last 30 years, such traditional public organizations have faced global challenges from several directions. One challenge has come from repeated economic crises that have simultaneously increased the need for critical public services while producing budget deficits in national and local governments.

Another has come from advocates for business and market solutions who argue forcefully that public organizations need to face competition and to utilize private sector practices. They have urged re-thinking, in a business-oriented way, the rules that govern key areas such as personnel, budgets and purchasing. Their recommendations include the privatization of functions, contracting out work to private and nonprofit companies and, within the organization, giving managers more authority to hire, promote and fire. Proposals of this kind collectively were referred to as New Public Management (NPM).¹

NPM generally has been judged as promising more than it delivered (c.f., Dunleavy 2006; Manning 2001; Sarker 2006; and Vigod-Gadot 2005). This is partly the result of a “one size fits all” prescription that undervalued the importance of context. It also was harmed by its advocate’s apparent belief that there is only one right way to undertake reform. An unexpected outcome of NPM is that it has set the stage for a period in which efforts at reform can have more realism while retaining their urgency (For more detail on this point see Pratt 2007.).

In this context, one of the most challenging questions to be addressed is how organizations with public responsibilities will balance the demand to be more responsive and adaptive against the need to be publicly responsible and accountable. Greater responsiveness may make it possible for public organizations to perform with more agility, but this risks abandoning or weakening rules that emphasize equal treatment and guard against various forms of corruption. An emphasis on accountability can help ensure services are provided equitably and reduce the misuse of public resources, but hobble the organization’s performance and under-utilize its employees. These opposing priorities present a dilemma that public organizations will find it harder to avoid addressing: what is the optimum balance between an emphasis on “order” (clear lines of authority, defined roles, and respect for rules) and “flexibility” (more distributed authority, loosely defined roles, and discretionary rules). It is helpful to refer to efforts finding this balance as the search for responsible flexibility.

Local governments are promising environments for experiments in responsible flexibility. Transferring certain functions to organizations that are less rigid than those at the national level, without sacrificing public accountability, is an important goal of decentralization. Local organizations in turn usually have less role specialization and role rigidity because they undertake a broader range of responsibilities with fewer staffing resources. Both of these factors suggest there is fertile ground for experimenting with responsible flexibility. Even with

¹ George Jones summarizes the characteristics of NPM, in contrast to “Old Public Administration,” that (a) governing is like running a business, (b) public functions should ideally be privatized, (c) fragmentation to facilitate competition rather than coordination is preferred, and (d) the public and private sectors should be closely intertwined in collaborative activities. (p.66).

this advantage, the leaders of these organizations, as well as the communities they serve, may under appreciate the opportunities to make changes or overstate the risks involved in doing so.

The remainder of this paper describes an experiment in responsible flexibility at the local level and draws lessons from it.

A New Kind of Community Place in Japan

Public libraries epitomize the challenges facing public organizations. The function they have performed has been accepted historically as an important resource for communities and a platform for democracy. The explosion of information resources, combined with how quickly local libraries become targets for cuts when public budgets are stressed, threaten their future. Can libraries adapt to their new environment by re-balancing order and flexibility, and if they can, what lessons are there for other public organizations?

The Context for Local Innovation

Near the Musashino-Sakai rail station in Musashino City about 30 kilometers from central Tokyo is a building with large, oral windows. Call Musashino Place, from a distance it looks like a contemporary office building. A closer look, however, reveals not only a new community resource but also an experiment in responsible flexibility. Something fascinating is going on here.

Musashino Place's uniqueness as a public organization is tied to its historical and institutional background. It is a new public facility, but also the realization of the City's long-term commitment to comprehensive planning and public participation. In addition, in its story are many signs of national decentralization, local experimentation, and a spirit of challenge to centralized rules and regulations.²

Musashino Place opened in July 2011 after two years of construction. The full title of the facility at the entrance is "Musashino Place - a House for People, Town, Information and Creation." For most people, it was a sudden, surprising appearance of a new public facility, but for those involved in the planning processes, it was the realization of a community vision that evolved over several decades.

Musashino Place --Multiple Functions

The library is named Musashino Place, not Musashino City Library. "Place" is intentional and points to its mission as a physical space where several functions are brought together on behalf of individuals and community. In this place, *individuals* are expected to have support for

² Musashino City has been a pioneering local government in terms of long-term comprehensive planning and policy innovation. The City's first long-term plan covered the period from 1971 to 1980. The word Musashino Place did not appear in the plan, but its basic idea was contained in it. It was in the third Long-term Plan (1993-2004) that the idea of establishing a new multi-purpose cultural facility through a public library was stipulated clearly.

learning across the life cycle, and the *community* to find a resource for what it wants to be today and what it hopes to become tomorrow.

To achieve this, Musashino Place is attempting to seamlessly integrate four functions -- that is, to bring them together without the divisions, boundaries and rigidities that so often are disappointing when functions “belong to” individual programs in a traditional organization. This integration is at the heart of the experiment. These four functions are lifelong learning, citizen group activities, engaging children and youth, and being a rich source of information.

A. Providing Diverse Lifelong Learning Opportunities

This is intended to meet the needs of individuals across the life cycle. Its importance is driven by contemporary changes in Japan, primarily because of the multiple effects of globalization and information technology. Japanese today embody a greater diversity of values, interests and opinions than was true historically. Throughout their life, they must be able to make decisions that reflect whom they are. This creates a need for a place that can support individuals to gain enough autonomy, self-confidence and relevant information to make those decisions.

At the same time, there is in Japan, like in some many places, a universe of easily accessible information through the constantly expanding digital revolution. This instant availability can not only be exhilarating, but also overwhelming and isolating to individuals. This creates the need for a place where people can gather to connect around shared interests and concerns, the very kind of community environment that is shrinking in urban and suburban Japan.

Putting these two together, Musashino Places’ lifelong learning function seeks to reframe two contemporary phenomena that normally are seen to be in conflict -- increasing individual diversity and the desire for community -- into issues that can be addressed together.

B. Citizen Group Activities

Musashino Place is where groups can organize. This function is served in two primary ways. The first is by means of physical design and library policy, affording easy access to spaces in which diverse groups can form and meet. It includes larger community gatherings for special events, such as speakers, forums and films. “Space” in this case includes recognition that these kinds of activities will produce noise not accepted in a traditional library.

The second way community organizing is supported is through a deliberate focus on networking. The staff cultivates an awareness of the interests of individuals and groups and then look for opportunities to cross-fertilize those interests if it appears the parties involved may benefit. For example, a staff member may know several individuals or small groups that are concerned about environmental issues and might decide to initiate an informal get acquainted meeting to explore possibilities for cooperation and shared planning.

C. Engaging Children and Youth

Parts of Musashino Place are set-aside for children and their parents, and some for older youth. The 2nd level basement “belongs” to youth no older than 18, and other library users are not

allowed into this space. It contains, among other things, workstations for individuals and small groups, a game room, music and dance rooms, and room for cooking and crafts. It is, in short, a place that offers youth a variety of ways to get together on an informal basis. Staff promotes these connections- for example by facilitating development of a mentor program - but with the understanding that users can do whatever they like as long as they respect others following their interests. In addition, staff has to take into account that these activities too can generate noise at a level not tolerated at a traditional library. This is accepted as part of what Musashino Place is; something that, if managed carefully, not only can co-exist but also enrich the library's other functions.

D. A Rich Source of Information

This comes closest to what libraries traditionally have been. Musashino Place contains book collections for children and youth as well as general and specialized books for adults. Like other libraries, it maintains hardcopy resources so that users are better equipped to interpret information from television, radio and the Internet. It provides general introductions to topical areas, with the option of exploring specific subject matter in greater depth. Staff let users know what resources are available, as well as being sensitive to what level of information is most appropriate for a specific person.

A library attempting to fulfill these four functions is unusual, but not unique. What is particularly unusual is how the library integrates these functions across what would be rigid boundaries in a traditional Japanese public organization. For this to work each function must be something for which all staff members not only accept some responsibility but also have the discretionary authority to act. Organizationally, what is required organizationally to do this?

Musashino Place as a Public Organization³

Musashino Place is the newest of three libraries in Musashino City, opened in July 2011. The three libraries -- Musashino Place, Kichijoji Library and Chuo Library -are staffed by City employees and operate within the same broad set of rules and regulations common to both bureaucracies and the civil service. The City provides funding, but there is a notable exception in the case of Musashino Place. Funding for it comes in two ways, and this difference gives it a carefully calculated degree of independence that is the basis of its experiment as a public organization.

Chuo Library organizes a budget through discussion with all three libraries. As is common practice, each library proposes what it wants and then requests that it be included in the budget. Chuo Library administration then applies to Musashino City government for the funding. Once approved, the money is allocated, and purchases are overseen by Chuo Library staff.

The budget covers *all* of the operating costs for the Chuo and Kichijoji libraries, including personnel. For Musashino Place, however, while covering such things as purchasing

³ Musashino Place is also interesting as a physical space. It is designed to emphasize openness and the absence of boundaries, and in a sense to be like a small village where someone makes the rounds, seeing other community members and sometimes coming across the expected. For more on this point see Pratt and Nishio (2013).

books and periodicals and holding events that involve the three libraries, the budget excludes significant employee expenses. This leads to an important difference with the two other City libraries and with public organizations in general, in the rules governing personnel. When the library opened in July 2011 it was only partially staffed by City civil service employees.⁴ Funding for the remaining staff also was from Musashino City, but it came from a designated administrative organization, “Musashino Place Lifelong Learning Foundation.”⁵ The Foundation, a “public interest incorporated foundation,” is not a civil service organization, but has its own administrator who oversees funds for Musashino Place and one other public organization in Musashino City, a community recreational center.

Since they are hired through the Foundation these library employees are not subject to the same employment rules that apply to their civil service counterparts. This, in turn, gives the director of Musashino Place, himself a civil service employee, broader decision-making authority regarding personnel matters. He has much broader latitude in hiring decisions and in defining job responsibilities, both of which have wide ramifications for any organization. For new employees he can decide to prioritize hiring a specialist in a particular field; someone with less, or more, experience; or a person who as a valued team member and fits well with the mission regardless of his or her specific knowledge. This would be extremely difficult under existing civil service arrangements. For current employees, he can define what responsibilities belong, or do not belong, in a job. Alternately, he can be less precise, emphasizing instead that work support the library’s mission of integration across its four functions. Why has this arrangement been made?

Musashino Place represents an effort to establish a more flexible, mission-focused organization while retaining a high degree of public accountability. This can be seen in the following areas.

(1) *Openness*. Bureaucratic organizations are well known for the ways in which the hierarchy of authority and the functional statements that define units stifles communication.⁶ Musashino Place is relying on an organizational structure that is flatter and less centered around individual programs.⁷

In practical terms, it means any staff member has permission to talk to any other staff member, regardless of his or her position. This freedom may seem obvious, but in bureaucratic organizations it frequently is not possible because of the emphasis on role specialization and hierarchy. Japanese bureaucratic organizations give particular emphasis to sectional boundaries. It is “normal” for an employee seeking the help of a counterpart in another unit to have to make a request through his or her boss. That boss in turn communicates with the individual’s boss for approval.

⁴ They remain with the library today. Depending on the direction this experiment takes, civil service numbers may shrink proportionally if not replaced after transfer to other City positions or retirement.

⁵ In 2012, in a new legal framework, the Foundation became a public interest incorporated foundation, but the essential structure and functions remain the same, fully funded by Musashino City as before.

⁶ In English these invisible but powerful boundaries are referred as a “silos,” which refers to the towers built on farms to store crops and protect them from the outside environment.

⁷ This openness is reinforced by the curving, edgeless architecture and the unobstructed sightlines on each floor.

(2) *Mission focused.* The open structure is complemented by a focus on mission rather than on role responsibilities. It is harder to adapt and respond quickly to what has to be done to meet the mission when roles are rigidly defined. Lead-time, planning and negotiations are needed. Greater role flexibility, on the other hand, means staff can be expected to use their own discretion about the best way to use time and energy on behalf of shared goals.

In practical terms, a staff member can take time to look for connections between users or groups, or join with colleagues from other sections of the library on a specific project or event planning. It also sets up an expectation that this mission focused orientation will be supported by training that helps employees know how to manage basic library functions - acquisitions, cataloguing, counter service and checkout -- while at the same time not seeing themselves as traditional “librarians.”

(3) *Sensitive Rule Enforcement.* Every organization has rules whose purpose is to reward, channel or restrain certain kinds of behaviors, so they are in line with broader organizational policies. In a traditional library, for example, rules are used to maintain an environment in which people can concentrate on reading or writing without continuous disturbances. In such settings staff enforces these rules against noise and food with little need for judgment.

The issue of judgment highlights the fact that rules, while necessary in any organization, also present problems and can lead to dysfunction.⁸This happens when conditions change that led to the rules, the organizational setting sends conflicting messages about which rules have priority, the staff is not given the discretion to make judgments in specific situations, and when rule enforcement is used as a source of power.

Musashino Place’s integrated multiple functions will, by their sheer nature, at times be in tension with one another. The library accepts food and drink, even alcoholic drinks, in the café, which shares the first floor with the journal and newspaper reading areas. It also understands noise is what comes with the “noisy connections” of children, youth, community groups and special events. Noise and quiet at times must be at odds with one another, presenting a potential dilemma. “Sensitive enforcement” in which staff exercises discretion and judgment is required to avoid that dilemma. Too much rigidity will turn away users whose activities include noise while being too lax will drive off users looking for a quiet place. Either outcome would undermine the goal of integrating the four functions synergistically. For this integration to be successful the staff must be able to exercise discretion and use judgment in relation to shared but sometimes conflicting organizational priorities. This broad-based, continuous exercise of discretion and judgment in a more flexible rule environment is unusual in a public organization.

(4) *Integrating sub-contractors.* Today, for a variety of reasons, it is common for public organizations to contract out services to the private or not-for-profit (NGO) sectors. Sometimes it is for cost savings; other times it is a service the organization would like to offer but for which it does not have, and perhaps does not wish to develop, the expertise. Sub-contracting becomes more attractive if the service can generate a revenue stream that partially or entirely supports it. Of course from a budgetary standpoint, the most desirable situation is if the service produces revenue for the larger organization.

⁸ For an interesting analysis of functional and dysfunctional rules in organizations, see Bozeman and Feeney (2011).

Musashino Place's sub-contracting appears to be a service it wanted to provide, but for which it did not have or wish to have the expertise. The service offered -- a cafe whose menu ranges from coffee and tea to complete meals, and includes beer and wine after sunset -- is quite unusual for a public library. In order to make the cafe part of this library, and consistent with priority given to the integration of functions, a provision stipulates that the cafe must sponsor activities supportive of Musashino Place's mission. The café staff does this by participating in book readings, author forums and through a program called "Talking About" that invites dialogues on a wide range of general interest topics.

Musashino Place: Formative Processes

If this is a different kind of government organization, then what can we learn from the formative processes that created it?

A. Vision and Persistence

Any organizational innovation first requires openness to an alternative to what currently exists - that is, to what is "normal." There are no realistic alternatives without *compelling* images that show how things might be different.

The vision statement for what Musashino Place eventually became was written 15 years before it became a reality. The vision's endurance shows that some people were moved by a promising image. That compelling vision fueled what also was needed: persistence. Persistence is required because few ideas, no matter how convincing, become realities based simply on their merit. One reason for this is that innovations are virtually assured to be threats to current practices, despite the shortcomings of those practices. The threats may be widespread and diverse, or from a small, powerful group. Either way the benefits that are derived from, or simply the familiarity with, what exists provide strong incentives to protect the status quo. This is why it is easier to start a new organization, like Musashino Place, than to re-make one. Even so, the kind of persistence shown by the champions of Musashino Place is critical.

B. Community Environment

It is hard to try something new in a community setting that is apprehensive about, unfamiliar with or perhaps even hostile to innovation. Communities differ in their openness to change, and this openness may vary over time. A community might be more open if it is facing a crisis, and the feeling of threats shared. On the other hand, being fiscally stable may make support for new ideas harder to obtain. For whatever historical and contemporary reasons, Musashino City appears open to innovation, even to the point of prizing the identity of innovator in comparison to neighboring communities. That self-perception provided fertile ground for an experiment like Musashino Place.

C. Clearly Better Than Alternatives

It is easier to promote an innovation if it can be shown to deliver something of value that is better than other options. This requires recognizing the factors that make sense to different constituencies, inside and outside of the organization. In the case of Musashino Place the high

cost of scarce land played an pivotal role. It was broadly accepted that merging the four functions in one place, rather than constructing three or four separate buildings, was more cost effective. On the other hand, a public-private partnership that joined the library with a shopping center or some other retail activity was a potentially more cost effective alternative. This approach, which required combining public and private goals, was widely seen as dampening the strong commitment to community building that Musashino Place was intended to embody.

D. Good Timing

Doors of opportunity open and close, generally beyond anyone's control. Doors are closed when factors critical to success are not aligned. This likely foretells the end of an initiative. Open doors may signify that something, perhaps at best problematic earlier, now is possible. Planning to elevate the Musashi-Sakai JR Station occurred during the same period as that for Musashino Place. The justification for funding to raise the rail line rested in part on helping to re-join the north and south of the community that the rail had divided. This was important because the library's goal of community building paralleled the goal of the station work and it received valuable public funding. Preparation and persistence, with attention to when circumstances open doors, can bring unfavorable timing.

E. Organizational Leadership

A new organization requires, in addition to good day-to-day management, leadership that is appropriate for the particular challenges accompanying beginnings. Leadership has to do at least two things in this environment. The first is to embody in practice the values of the new organization. "Role modeling" is one way to refer to this; another is the contemporary American English phrase "walk the talk."

If an organization is trying to adopt new practices being able to observe someone who embodies what is expected in the new setting will help its employees. That will be true especially in a public organization that must push aside strongly internalized, traditional bureaucratic patterns. Aligning talk and action is critical because, although exciting, a new organization is fragile in the early days when a culture is being invented, shaped and tested. A leader who is saying one thing and doing something else will be especially destructive, potentially undermining the credibility of the whole effort.

A leader also needs to communicate a compelling vision of the new organization to its various constituencies. This can be challenging because there are many constituencies - different types of users, tax payers and elected officials, to name a few -- that want to have their interests and concerns taken into account. They have to be communicated with over and over again. The leader's work is to know which message is appropriate, and be willing and able to offer it repeatedly and with passion.

Musashino Place: Measures of Success

It is too early to have gathered information that clarifies whether the public investment in Musashino Place is justified. At this point there are only a few indicators. Library data indicate

Musashino Place is doing remarkably well on one conventional “output” measure. Over 4,000 patrons come in on weekdays, and about 7,000 on each weekend day. This is 1.5 times above projections, and, taking into account days it is closed, translates into around 1.3 million visitors annually. This is remarkable in a relatively small community. This measure can be joined in the future to other quantitative measures, such as the time it takes to check out a book or video, the waiting time for other services, and user responses to survey questions about the library experience. Over time library staff as well as an evaluation committee within the Board of Education will monitor these and other measures.

These measurements are meaningful and relatively inexpensive. However they fall short of what is needed to determine if Musashino Place is having a significant impact related to its mission of creating synergies and helping the community become what it wants to be. Measures that do this are referred to as mission-related “outcomes” and are ultimately what is needed to know if a public organization is deserving of public support.

Outcome measures for public organizations present challenges. They almost always are more difficult to measure than the kind of “outputs” described above. How do you assess Musashino Place’s effect on community identity or, more relevant to the focus of this paper, its degree of responsible flexibility? In addition, outcome measures typically are expensive to design and use. These expenses, of time and money, are consequential for any organization, and especially significant for public organizations vulnerable to criticism for engaging in costly endeavors not directly related to user services. Finally, no matter how well designed and applied, they will not be equally relevant or convincing to every constituent. What is an important measure of responsible flexibility to an elected official who is accountable to taxpayers is unlikely to be the same for the mother of a three year-old or a community group. It is necessary to first ask what “success” looks like from diverse perspectives, and then find the right combination of output and outcome measures.

Given all of this, what kind of questions should we seek to answer in the future? Here are some suggestions:

- **Conditions of employment of non civil service staff.** Is non civil service staff being treated fairly in terms of job responsibilities and job security? In what ways do their working conditions and job benefits vary from civil service employees? What is the working relationship between civil service and non civil service employees? Is there high turnover? Is Musashino Place regarded as a desirable place to work?
- **Leadership Tenure and Style.** Has leadership shown a consistent orientation, or have there been swings between more traditional and more adaptive styles? How has this affected the organization’s culture? What mechanisms have been developed to help make appropriate leadership transitions?
- **Workplace Integration.** Do staff feel that they are able to cover responsibilities in their functional areas as well participate across the four areas? To what degree does this cause stress and dissatisfaction? What training programs are in place to facilitate balancing section focus and integration?
- **Organizational Integrity and Ethics.** Has the flexibility that staff enjoys been misused, such as by treating users differently. Have library resources been appropriated for personal benefit? Do the public and elected officials view Musashino Place as a publicly responsible organization?

- **Public Understanding.** Do residents of Musashino City understand Musashino Place’s synergistic mission of serving individuals and building community? Is that mission valued?
- **Measuring Outcomes.** Are outcome measures being used that address Musashino Place’s ability to meet its mission? Are the measures affordable and sustainable, and do they address the concerns and interests of different constituencies?
- **Role Model.** Have other communities adopted some or all of the Musashino Place experiment? What directions has the adaptation taken?

These and other questions will be worth asking over the next years. Answers to them will show how things are going with Musashino Place, but also suggest what is possible for other public organizations in Japan. It is possible that libraries are sufficiently different from other services that there is not much transference, but that is not clear. It seems equally possible that with creative thinking Musashino Place may offer lessons in ways that innovation can take place at the local level.

Reflections on the Idea of Responsible Flexibility

In “The Future of Governing” by B. Guy Peters (2001) described and assessed four models of public organizations proposed as ways of “rebalancing” the traditional public bureaucracy. The models derived from a global conversation about alternatives to traditional public organizations. He labels the alternatives “The Market Model,” “The Participatory State,” “Flexible Government” and “Deregulated Government.”

“Deregulated Government” comes closest to capturing what is being attempted at Musashino Place. It emphasizes relaxing rules to make better use of knowledge and skills of employees and to encourage more risk taking and experimentation. Deregulation is expected to be especially valuable to local governments because their staffs typically are smaller less specialization is possible, and more role flexibility is needed.

Each alternative to a traditional public bureaucracy brings potential concerns, and there are several for the deregulation model. The possibility of mistakes is increased in an environment where rules are less constraining of behavior and more individual discretion is exercised. Deregulation may foster abuses, with some taking advantage of fewer rules with which to comply. The balance between flexibility, consistency and fairness is also a concern. A de-regulated environment may emphasize the efficiency gains of fewer rules to the point that public services are unpredictable or uneven. The organization may benefit from the ability to redefine roles and employee relationships, but there is a risk the staff will be treated unfairly in the form of increased responsibilities, difficult working hours, or reduced compensation. To take one small example, Musashino Place has instituted a rotating shift system for non civil service staff in which shifts will change from day to day. This is an efficient way to provide coverage across the longer hours the library is open, but what about the impact on employees and their families?

The choice between flexibility and order presents a dilemma, something that cannot be solved but must continuously be addressed. At its core the re-balancing is an on-going effort to achieve responsible flexibility. If a public organization is responsibly flexible it has found a way to avoid too much rigidity and too much openness while gaining the public-regarding benefits of having some of each. Finding the right balance will be challenging, and the balance point will vary from organization to organization. The mission of some public organizations will be better served by greater flexibility; others will require greater order. In addition, the balance is likely to change over time for an organization as its mission and external environment evolve.

The Musashino Place experiment emphasizes maintaining traditional budgetary accountability while introducing flexibility in staffing. It allows time to determine the right mix in the number of civil service and non-civil service employees. The issues presented by this experiment are more likely to be about abuses of, or by, personnel than about, for example, fiscal mismanagement or corruption. Other experiments will be shaped by what is needed in a particular context. These can take place in a variety of areas, including budgets and funding sources, procurement, the uses of technology, and the process of rule-making and rule eliminating. However they occur certain questions can be asked about the likelihood of maintaining a public-regarding balance between order and flexibility.

First, is there a high level of transparency in designing, implementing and maintaining the experiment? Do different public constituencies (users, elected officials, other agencies,) understand the goal? Is information relevant to each of these groups made easily available?

Second, are forms of accountability built into the new process? Can results be evaluated using both output and outcome measures? Are these measures affordable and sustainable? Is there a commitment to using what is learned to make adjustments to the process?

Next, is the effort at responsible flexibility fair to employees and does it create a more, rather than less, desirable place to work? Are there opportunities for employees to participate in the process, including its evaluation? Both of these, but especially the first, are essential for attracting and maintaining high quality staff in local government. Changes that reduce the quality of the work experience will make it harder for local government to compete with the private sector and nongovernmental organizations in recruiting and retaining competent staff. From that perspective, responsibility flexibility offers an opportunity to reverse the negative view “government employment” has in many places.

Finally, is leadership effective in its support? In particular are there sustained efforts to cultivate a strong public service ethic among elected officials and staff? An ethic of public service helps to ensure that greater flexibility will be exercised in public-regarding ways. In the absence of such an ethic, on-going concerns about mistakes and corruption are likely to remain. Ironically, this could result in pressure for less, rather than more, desirable flexibility.

Conclusion

Local governments in many parts of the world will be given more responsibilities and resources in an era when decentralization is in favor. Whether or not local governments succeed

in meeting the promise to more effectively meet public needs depends in part on the organizational systems they adopt. Traditional public organizations, such as those common at national levels, have been the target of criticism for a very long time. The business-oriented alternatives spawned by those criticisms in recent years have been disappointing, but also have made it possible to approach the issue of creating more effective public organizations with both urgency and realism. In this context the concept of responsible flexibility provides a way of thinking about what is needed. Local governments are optimal places to experiment with responsible flexibility in different areas. This paper has described one such effort in local government in Japan. Other local government organizations can benefit from this and other experiments by being aware of the questions that should be asked in the process of pursuing responsible flexibility.

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Appendix A

Questions asked of the Musashino Place Director, Mr. Yoichi Maeda and his staff.

How much autonomy does this have as a public organization?

What rules had to be changed for this to work?

Given this degree of flexibility, how do you show you are accountable?

What was the process for getting to this degree of flexibility?

Where are you still experimenting (i.e., most important areas)?

The style and vision of Mr. Maeda and other leaders has been crucial. Can it be passed on?

What advice do you have for others who would like to do something like this?

Chapter VIII

The Declining Significance of Form: A Search for Connections between Municipal Governmental Forms and Expenditure Decisions

Charles Sampson

Introduction

A main concern of municipal governments¹ in the United States is their capacity to finance the services and programs for their residents, predictably and reasonably. Scholars have questioned whether that capacity is impacted by the structure of administrative authority in various municipal governments. The existence of the notion of whether the structure of administrative authority has an independent effect on policy (expenditure decisions) is characterized by many titles and occupies much space in the literature. This research intends to observe data and make an empirical assessment of whether two forms of municipal administrative authority are distinguished by their expenditure patterns.

Municipal governments spend their money on a variety of services including education, transportation, health, welfare, safety and housing. The larger municipalities spend a greater percentage of their budget on education services and health, hospitals, and public welfare. Smaller municipalities spend a greater percentage on transportation and environment, housing and waste management (National League of Cities 2006). Municipal governments differ along the line of their size, election method and administrative authority. Administrative (and political) arrangements are left to the respective states that (in turn) grant municipal status vis-à-vis charters. This state of affairs holds largely due to the fact that the Constitution of the United States makes no mention of local government. Administrative authority is determined by the form of government granted in a charter and there are five distinct forms: council manager (58 percent) mayor-council (38 percent); commission (3 percent); town meeting and representative town meeting (<1 percent); (Renner 1988; Boynton and DeSantis 1990). The 2006 National Municipal Form of Government Survey conducted by the International City Management Association (ICMA), indicates that the vast majority of American cities have either the Council-Manager or the Mayor-Council form of government.

¹ As defined for census statistics on governments, municipal governments are political subdivisions within which a municipal corporation has been established to provide general local government for a specific population concentration in a defined area. This includes all active governmental units officially designated as cities, boroughs, (except in Alaska), towns, (except in the six New England States, Minnesota, New York, and Wisconsin), and villages. In Alaska, the term 'borough' corresponds to units classed as county governments. In New England, Minnesota, New York, and Wisconsin, the term 'town' refers to an area subdivision which may be legally termed a municipal corporation and have a similar governmental organization but has no necessary relationship to a concentration of population, and thus corresponds to the term 'township in other states.

Complementary and Competing Theories about Municipal Expenditures and Form of Government

Social scientists have studied municipal expenditures and governance from several theoretical perspectives, and as one might expect there is more than one school of thought about whether and/or how municipal expenditure patterns can be explained by form of government (FOG). The impact of continuously changing forms of American local governments is partially explained in social science theory generally described as institutionalism or new institutionalism (Rogers 2007; March and Olsen 1989; DiMaggio and Powell 1983; Lynn 1998; and Frederickson, Johnson and Wood 2004). There is no single *new* institutional approach; instead there are a number of variants such as historical institutionalism, sociological institutionalism, and rational choice institutionalism (Hall and Taylor 1996; Peters 1999). Peters (1999) outlines four features of institutions that help to demarcate institutions from other entities. First, institutions are “in some way a structural feature of society” (p.18). These can be formal (organizations) or informal (networks) both of which work to shape relations between actors. Second, institutions entail an element of stability; Third, institutions, impact behavior and fourth, there is “some sense of shared values and meanings” among the members of an institution. Institutionalism reflects are “the sets of rules that guide and constrain actors’ behavior” (Lowndes 2001 p. 1958). Scharpf (1997 p. 38) sees institutions as “systems of rules that structure the courses of actions that a set of actors may choose.”

When I apply the institutional lens to American local government, I see structural characteristics, i.e., administrative arrangements or forms of city government that represent collective institutions. A form of government represents a particular institutional nuance and these administrative arrangements may be connected to a municipal government’s capacity to finance, predictably and reasonably, services and programs for their residents.

Basic Municipal Forms of Government and Their Significance

Municipal governments differ along the line of their size, election method, and their administrative and political arrangements. Twice in each decade the International City Management Association (ICMA) surveys municipal governments in the United States. These surveys reveal that there are five common organizational arrangements (forms) for municipal governments: 1) mayor-council, 2) council-manager, 3) commission, 4) town meeting and 5) representative town meeting. The legislative bodies are the result of charters, ordinances or other actions of their respective state governments that, on their face, facilitate political constitutions for the cities. Observations of the ICMA surveys for the period between 1981 and 2006 reveals that the most frequently cited forms of government identified by respondent cities are the council-manager and the mayor-council forms. These two forms are used by 84 percent of the cities which participate in that survey.

The basic council-manager form is a structural arrangement for a non-political executive as the administrative centerpiece of a municipal government. It parallels the organization of the business corporation complete with voters as stockholders who elect a board of directors (council) and a mayor as chair of that board. The board and chair appoint a chief administrative officer (manager) who is expected to foster administrative competence and efficiency.

The parallel model for political authority is the mayor-council (MC) form which is intended to highlight representative government at the municipal level. In the strong-mayor form of this government, the mayor is given almost total administrative authority, with the power to appoint and dismiss department heads without council approval. Likewise, the mayor prepares and administers the budget, although that budget often must be approved by the city council. In some strong-mayor governments, the mayor will appoint a chief administrative officer (CAO) who will supervise department heads, prepare the budget, and coordinate departments. This CAO is responsible only to the mayor. In the weak-mayor form of this government the council possesses both legislative and executive authority. The council may appoint officials and must approve of mayoral nominations. The council also exercises primary control over the municipal budget. As indicated by the ICMA data, the commission form and the town hall meeting forms have virtually disappeared.

The fact that cities are continuously changing frameworks for governance is arguably a response to battles between competing municipal-based forces in a democratic society, but more important are the outcomes of these redesign processes. Frederickson, et al (2004) imply that continuous change in the governance framework erases some of the distinguishing features between basic structures and subsequently results in structures that increasingly resemble each other. Their contribution is referred to as the “adapted cities framework” which posits the notion that demands for mayoral leadership, political responsiveness and administrative efficiency is conciliated and best captured as the “Type III city.” This form attempts to capture the best of both the elements of administrative efficiency and political responsiveness.

The majority of the literature supports that reform governments, i.e., council manager (CM) are more business-like than all others. Public choice theories suggest the expected effects of government form and of other variables on municipal expenditures. Booms (1966) is credited with demonstrating that city managers are more likely than mayor-council forms of government to minimize the cost of municipal services. That work was one of the first in urban public finance literature to investigate the efficiency of Council Manager Cities as measured by spending level differences. It hypothesized that the form of city government has as important effect on the levels of public expenditures for municipal functions and that city managers are more likely than elected mayors to minimize the cost of producing municipal services. DeSantis and Renner (1994) report that structural characteristics of local governments are important and that CM types spend less than MC types. Lineberry and Ferguson (1967) are credited with being the scholars to systematically investigate the direct and indirect effects of reformed city structures. Their study purports that CM forms plus at large elections tend to lower tax and spend at lower levels than MC forms. They conclude that political structure is a significant intervening variable that affects the relationship between the socio-economic characteristics of municipalities and their policy outputs. Specifically MC municipalities tend to be more responsive to the demographic characteristics of their constituents compared to CM forms. They argue that CM governments make public policy less responsive to the demands arising out of social conflicts in the population. Lyons (1978) supports Lineberry and Fowler’s findings that reformed cities react more readily to pressure from groups that want lower taxes and less spending. Feiock, Jeong, and Kim (2003) report that CM forms allow administrators and elected officials to more easily resist opportunistic behaviors. A substantial segment of the literature counters the claim of CM superiority or argues that form of government makes for no difference relative to policy decisions. Clark (1968) stated that municipal reform types are correlated with the highest levels of aggregate spending; Liebert (1974) suggests that if the

functional inclusiveness of municipalities is controlled, the relationship between structure and policy outputs disappears altogether. A number of studies argue that there is no difference in form of government as it relates to municipal expenditures: Deno and Mehay (1987); Farnham (1987); Hayes and Chong (1990); Morgan and Pelissero (1980) and Reid (1991).

Most of the related literature treats the administrative authority issue as exogenous; however, Sass (1991) and Fahey (1998) argue that structure is endogenous. Contributions by McDonald (2005) complement both Sass and Fahey by arguing that if a structure of local government produces inefficient choices the structure would eventually change.

When in Doubt, Follow the Money

This study attempts to “follow the money.” By observing municipal expenditure data, we empirically assess whether and/or how the most frequently used forms of municipal administrative authority are connected to expenditure patterns. The units of analysis (ICMA, 2006) are the two forms of organizational arrangements most frequently found in American municipalities: the council-manager and the mayor-council forms.

Data Description

This data set consists of numerical and qualitative variables from 126 cities, each with population's greater than 100,000 with a mayor-council or council-manager form of government (FOG) during the period 1967 - 2007, a forty year time span. The data captured in this study were collected by the Census of Governments which conducts an enumeration twice in each decade (during the second and seventh years). The data in this study are for October of the year preceding the Census e.g., 2006, 2001, and so forth and reflect the spending activity of the observed officials. Thus, there are $t=9$ time-indexed measurements for each variable for each city. Each time point is also described by a dichotomous variable representing the minority status of the mayor for that given year.

Dependent Variables

Scholars of urban politics tend to classify spending into three basic categories: allocational, developmental and redistributive spending (Peterson 1981; Stein 1990). There is no universally accepted model for placing specific spending subcategories into these three larger spending areas.

Allocational policy is defined as spending on a range of basic city services that can be considered housekeeping services. Allocational spending funds developmentally and distributionally neutral housekeeping obligations. These expenditures function with less than perfect efficiency and spillovers of social benefits and social costs cannot always be identified. Moreover, many allocational functions involve sub functions for which the amount of inter-community spillover varies. It is difficult to define an area of benefit consumption for certain services; many of the beneficiaries (especially the indirect beneficiaries) cannot even be identified, and, therefore, the area to which benefits extend cannot be circumscribed.

In this study, allocational spending includes: 1) education, 2) education other than capital, 3) fire protection, 4) police protection, 5) sewerage, 6) electric utilities, 7) gas utilities and 8) general expenditures. This categorization of spending is defined by the Technical Documentation Manual and roughly parallels core divisions in the urban political arena.

By contrast, developmental expenditures include what Molotch (1976) refers to as preconditions of growth they include expenditures as defined by the Technical Documentation Manual, e.g., 1) water utilities fund the operation, maintenance, and construction of public water supply systems; 2) regular highways include expenditures for the maintenance, operation, repair, and construction of non-toll highways, streets, roads, alleys, sidewalks, bridges, and related structures; 3) parks and recreation funds the provision and support of recreational and cultural-scientific facilities; 4) sewerage expenditures fund the provision, maintenance, and operation of sanitary and storm sewer systems and sewage disposal and treatment facilities; 5) central staff services funds government-wide executive, administrative, and staff service agencies; 6) general public buildings covers spending for construction, equipping, maintenance, and operation of general public buildings not related to specific functions or agencies; 7) parking facilities funds the provision, construction, maintenance, and operation of local government public parking facilities operated on a commercial basis; and 8) health services other funds the provision of services for the conservation and improvement of public health. These expenditures have historically supported business development and sustained cities, and they continue to be the significant dynamic of contemporary local political economy and are critical to public resources and local issue agenda. Our listing is intended to complement Tiebout (1956), and Logan and Molotch (1987) arguments that cities will spend funds to attract businesses and tax-paying residents.

Finally, redistributive policies are those that tend to target and benefit less-advantaged residents. In this study, they are operationalized to include health, hospitals other than capital, welfare, and limited public housing. Hajnal and Trounstein (2010) state that a range of different kinds of surveys all find that poor minority residents are especially concerned about redistribution and social services, whereas Whites and the middle class are especially concerned about attracting businesses and other aspects of development, reducing taxes and improving their quality of life through better parks and recreation and easier transportation (Clark and Ferguson 1983; Lovrich 1984; Welch, Sigelman, Bledsoe and Combs 2001). Thus, the three dependent variables in this study are three types of municipal expenditures, i.e., allocational, developmental, and redistributive.

Independent Variables/Covariates

There are two independent variables used in this analysis -- race and form of government. For mayoral race/ethnicity, we use a binary variable coded as 1 for minority mayor and 0 for non-minority (white) mayor. Sources for the race variable include the Census of Governments, and International City Management Association database. A second covariate in our data is the form of government (FOG), with only two possible outcomes, mayor council (coded as 1) and city manager (coded as 2). These two (of five organizational arrangements) account for >85 percent of all American municipal forms of government according to International City Management Association (ICMA, 2006). It should be noted that FOG is the only covariate that is time-invariant for all 8 time periods. The other independent variable, Race, is a time varying covariate.

The Hypothesis

Much of the public management literature which treats municipal government structure argue that mayor council (MC) forms of government are inclined to favor political responsiveness as a behavior that is more important than administrative efficiency. Thus, I develop an argument for two related hypothesis along the three forms of spending that cities engage 1) allocational; 2) developmental and 3) redistributive:

H₁ Mayor council governments (MC) will spend more per capita in allocational spending, than CM because this type of spending covers the “housekeeping” functions of city government such as police and fire operations; garbage collection, etc., likewise;

H₂ CM (council-manager) governments will invest more, per capita, in developmental spending, than MC cities, since CM governments are inclined toward administrative efficiency and favor business-like activity which attract industries that are likely to generate employment while attracting comparatively higher income residents. Thus, spending on transportation infrastructure, parks and recreation, tax support for entrepreneurial development, i.e., tax increment districts, and activities which attract businesses that provide jobs and attract high income residents will distinguish that set of behaviors from officials in MC operations.; and

H₃ MC governments will devote more per capita to redistributive activities, than CM governments, although neither of the municipal operations will favor redistributive spending. Municipal spending on housing, health-care and welfare for the populations that are more financially dependent is likely to be found in an institutional setting which is organized to be more politically responsive.

Method of Statistical Analysis: The Unconditional Linear Growth Model

To begin, I present the growth model which includes time as a single predictor and allows for random slope and intercept terms. This random coefficient regression model can be used to fit city-specific linear models for the expenditure data for each of the three dependent variables, developmental, allocational and redistributive. Diagnostic checks establish the goodness of fit for the model so that additional analysis to ascertain the effect, if any, of the independent variables can follow.

Level 1: $Y_{ij} = \pi_{0j} + \pi_{1j}(TIME)_{ij} + r_{ij}$, where $r_{ij} \sim N(0, \sigma^2)$, and

Level 2: $\pi_{0j} = \beta_{00} + u_{0j}$,

$\pi_{1j} = \beta_{10} + u_{1j}$, where $\begin{pmatrix} \pi_{0j} \\ \pi_{1j} \end{pmatrix} \sim N \left[\begin{pmatrix} 0 \\ 0 \end{pmatrix}, \begin{pmatrix} \tau_{00} & \tau_{01} \\ \tau_{10} & \tau_{11} \end{pmatrix} \right]$

The parameters β_{00} and β_{10} can be interpreted as the average (across all cities) intercept and slope across all 125 cities. Graphs of our data indicate nonzero intercepts and slopes, so it is expected that these parameters are significantly different from zero. If the variance components τ_{00} and τ_{11} are statistically significant, this verifies that modeling the intercept and slope as random was a good strategy. For each city, predictions at each time point can be plotted along with the original data to investigate how well the linear model fits.

Assessment of Form of Government

Testing the effect of form of government (FOG) is straightforward. Since the form of government stays constant for each of the eight time points for each city, it is examined by including it as a level-2 predictor. The model from above becomes:

$$\text{Level 1: } Y_{ij} = \pi_{0j} + \pi_{1j}(\text{TIME})_{ij} + r_{ij}, \text{ where } r_{ij} \sim N(0, \sigma^2), \text{ and}$$

$$\text{Level 2: } \pi_{0j} = \beta_{00} + \beta_{01}(\text{FOG})_j + u_{0j},$$

$$\pi_{1j} = \beta_{10} + \beta_{11}(\text{FOG})_j + u_{1j}, \text{ where } \begin{pmatrix} \pi_{0j} \\ \pi_{1j} \end{pmatrix} \sim N \left[\begin{pmatrix} 0 \\ 0 \end{pmatrix}, \begin{pmatrix} \tau_{00} & \tau_{01} \\ \tau_{10} & \tau_{11} \end{pmatrix} \right]$$

Rejection of the hypothesis $H_0: \beta_{01} = 0$ implies that form of government has an effect on the intercepts; significance of β_{11} implies a relationship between form of government and the slope.

Assessment of Minority Mayor

For assessing the effect of race, I use two methods. The first approach is to examine the residuals from the fitted growth curves, where the model does not include race as a covariate. If race is not affecting expenditures, then the set of residuals corresponding to the minority mayors should have the same zero-mean distribution as the set of residuals for white majors. This method is popular in litigation statistics, (Gastwirth 1975, 1984, 1988, 2000; Gastwirth and Wang 1987) in which a multiple regression model is used to predict salary, and then the distributions of female residuals is compared to that of males.

For comparing these two distributions, I use both parametric methods (which assume normality of the underlying densities) and nonparametric, distribution-free methods. The parametric method is the two sample t-test, which compares the true means. For the nonparametric methods, I compare the medians using the Wilcoxon test. Finally, a distribution-free test of equality of the two distributions is carried out using the Kolmogorov-Smirnoff procedure.

As an alternative, I can include race as a time-varying random effect. In this approach, each city is modeled as a function of both time and race. The predicted values no longer appear linear because the time points corresponding to a minority mayor are adjusted for the estimated race effect. The model becomes:

Level 1: $Y_{ij} = \pi_{0j} + \pi_{1j}(TIME)_{ij} + \pi_{2j}(Race)_{ij} + r_{ij}$, where $r_{ij} \sim N(0, \sigma^2)$,

Level 2: $\pi_{0j} = \beta_{00} + u_{0j}$,

$$\pi_{1j} = \beta_{10} + u_{1j}, \quad \text{where} \begin{pmatrix} \pi_{0j} \\ \pi_{1j} \\ \pi_{2j} \end{pmatrix} \sim N \left[\begin{pmatrix} 0 \\ 0 \\ 0 \end{pmatrix}, \begin{pmatrix} \tau_{00} & \tau_{01} & \tau_{02} \\ \tau_{10} & \tau_{11} & \tau_{12} \\ \tau_{20} & \tau_{21} & \tau_{22} \end{pmatrix} \right]$$

$$\pi_{2j} = \beta_{20} + u_{2j}.$$

Significance of π_{2j} implies a race effect. If the variance component τ_{22} is statistically significant, then the race effect varies across cities.

Results and Discussion

Table 1, below, provides descriptive statistics while controlling for inflation by using for per capita spending for the three types of municipal expenditures. The data demonstrate that mayor-council governments spend more than city-manager governments in all three areas of spending. Moreover, in the instances where there is a minority mayor associated with the FOG, spending in each of the three categories is greater in comparison with the white mayor in each FOG.

Table 1: Descriptive Statistics for the Three Types of Governmental Expenditures (Per Capita)

<i>Variables</i>	<i>N</i>	<i>Mean</i>	<i>StdDev</i>	
Developmental				
FOG	Mayor Council (MC)	450	66.699	90.597
	City Manager (CM)	569	58.130	70.759
Race	White	959	55.122	72.780
	Minority	141	99.456	104.280
Allocational				
FOG	Mayor Council (MC)	458	321.933	528.207
	City Manager (CM)	569	261.213	376.370
Race	White	967	258.280	423.745
	Minority	141	484.794	565.255
Redistributive				
FOG	Mayor Council (MC)	456	29.316	63.409
	City Manager (CM)	556	17.580	36.869
Race	White	957	18.661	42.903
	Minority	135	48.087	77.963

Note: The measurement unit is dollar per 1000 people. N=1027

Developmental Expenditures

The log transformed development data shows the need for a variance-stabilizing transformation, so the log transform was used.

Table 2: Results of the Linear Growth Model for Developmental Expenditure

		Parameter	Linear Growth Model
<i>Fixed Effects</i>			Estimate (Standard Err)
Initial status, π_{0j}	Intercept	β_{00}	1.2638*** (0.0440)
Rate of Change, π_{1j}	Slope	β_{10}	0.5017*** (0.0065)
<i>Variance Components</i>			
Level 1	Within person	σ^2	0.1982*** (0.0096)
Level 2	In initial status	τ_{00}	0.1613*** (0.3199)
	In Rate of Change	τ_{11}	0.0018** (0.0062)
	Covariance	τ_{10}	0.0001 (0.0035)

Note: * $p < .05$, ** $p < .01$, *** $p < .001$

In this linear growth model, the parameters contain fixed effects and random effects. β_{00} is the fixed effect parameter that can be interpreted as the average (across all cities) intercept when TIME=0 (year of 1967), and β_{10} is the fixed effect parameter that can be interpreted as the average slope across cities. Significance of the variance components indicates that the cities have different slopes and intercepts. Results of the Conditional Linear Growth Model (for developmental expenditures, below) show fixed effects impact for time and FOG.

Table 3: Results of the Conditional Linear Growth Model for Developmental Expenditure

		Parameter	Linear Growth Model
<i>Fixed Effects</i>			Estimate (Standard Err)
Initial status, π_{0j}	Intercept	β_{00}	1.3501*** (0.1518)
Rate of Change, π_{1j}	Time	β_{10}	0.5173*** (0.0227)
	FOG	β_{01}	-0.0450 (0.0928)
	Time*FOG	β_{11}	-0.0103 (0.0139)
<i>Variance Components</i>			
Level 1	Within person	σ^2	0.1973*** (0.0099)
Level 2	Intercept	τ_{00}	0.1658*** (0.0326)
	Time	τ_{11}	0.0020** (0.0007)
	Covariance	τ_{10}	0.0003 (0.0037)
<i>Fixed Effects</i>			
Initial status, π_{0j}	Intercept	β_{00}	1.2571*** (0.0439)
Rate of Change, π_{1j}	Time	β_{10}	0.4975*** (0.0065)
	Race	β_{20}	0.1807** (0.0576)
<i>Variance Components</i>			
Level 1	Within person	σ^2	0.1952*** (0.0010)
Level 2	Intercept	τ_{00}	0.1612*** (0.0307)
	Time	τ_{11}	0.0017** (0.0007)
	Race	τ_{22}	0.0271 (0.0376)
	Covariance	τ_{10}	-0.0003 (0.0035)
		τ_{20}	0.0171 (0.0260)
		τ_{21}	-0.0018 (0.0049)

Note: * $p < .05$, ** $p < .01$, *** $p < .001$; Time: 0, 1, 2, 3, 4, 5, 6, 7, 8; Race: 1=Minority, 0=White; FOG: 1= Mayor Council, 2= City Manager

Form of Government

Results of the Linear Growth Model for Developmental expenditure, including form of government as a covariate are shown in the table. The results show that developmental expenditures are not affected by the form of government.

Table 4: Results of the Linear Growth Model for Development Expenditures

		Parameter	Linear Growth Model
<i>Fixed Effects</i>			Estimate (Standard Err)
Initial status, π_{0j}	Intercept	β_{00}	3.0491 (0.1519) ***
Rate of Change, π_{1j}	Time	β_{10}	0.2821 (0.02270) ***
	FOG	β_{01}	-0.04879 (0.09288)
	Time*FOG	β_{11}	-0.00659 (0.001388)
<i>Variance Components</i>			
Level 1	Within person	σ^2	0.1369 (0.006880)***
Level 2	Intercept	τ_{00}	0.1891 (0.003253)***
	Time	τ_{11}	0.0003096 (0.00073)***
	Covariance	τ_{10}	-0.00382 (0.003666)

The Minority Mayor

The residuals for each city at each time point from the linear growth model are used to further explore the expenditure pattern between white and non-white mayors. Positive residuals indicate a mayor spent more on the average development expenditure than predicted; whereas negative residuals indicate a mayor spent less on the average development expenditure than predicted.

The parametric t test was performed on these residuals to compare the average between white and non-white mayors. The results show that there was moderate statistical significance between the averages, ($t = -1.85, p = 0.0642$) with the mean for non-white larger than that for white.

For the nonparametric test, I find significance of the race effect on developmental spending. The Wilcoxon test was performed on these residuals to compare the median residuals between white and non-white mayors. The results show that there was a statistical significance between the median residuals for white and non-white mayors ($W = 84276, Z = 1.889, p = 0.0294$). Kolmogorov-Smirnov test was performed on these residuals to examine the distribution of residuals for white and non-white mayor. The results show that there was statistical significance between the residuals' distributions for white and non-white mayors ($D = 0.128, p = 0.0352$).

Method 2: Minority Mayor as a Level-1 Covariate

Table 5, again, shows that there is more evidence of the effect of race, since the parameter for race is significant at the .05 level.

Table 5: Results of the Linear Growth Model for Developmental expenditure

		Parameter	Linear Growth Model	
<i>Fixed Effects</i>			Estimate (Standard Err)	
Initial status, π_{0j}	Intercept	β_{00}	2.9535 (0.04378) ***	
Rate of Change, π_{1j}	Time	β_{10}	0.2651 (0.006610) ***	
	Race	β_{20}	0.1203 (0.04882) *	
<i>Variance Components</i>			Estimate (Standard Err)	
Level 1	Within person	σ^2	0.1355 (0.006733) ***	
Level 2	Intercept	τ_{00}	0.1825 (0.03036) ***	
	Time	τ_{11}	0.002896 (0.00069) ***	
	Race	τ_{22}	0.02073 (0.02536)	
	Covariance		τ_{10}	-0.00445 (0.003467)
			τ_{20}	0.02674 (0.02226)
		τ_{21}	-0.00372 (0.004029)	

Time: 0, 1, 2, 3, 4, 5, 6, 7, 8; Race: 1=Black, 0=white

Allocational Expenditures

Table 6: Results of the Linear Growth Model for Allocational expenditure

		Parameter	Linear Growth Model
<i>Fixed Effects</i>			Estimate (Standard Err)
Initial status, π_{0j}	Intercept	β_{00}	4.0577 (0.03771) ***
Rate of Change, π_{1j}	Slope	β_{10}	0.3379 (0.00551) ***
<i>Variance Components</i>			Estimate (Standard Err)
Level 1	Within person	σ^2	0.07087 (0.003415) ***
Level 2	In initial status	τ_{00}	0.1486 (0.02277) ***
	In Rate of Change	τ_{11}	0.002558 (0.00049) ***
	Covariance	τ_{10}	-0.00319 (0.002442)

Form of Government

		Parameter	Linear Growth Model	
<i>Fixed Effects</i>			Estimate (Standard Err)	
Initial status, π_{0j}	Intercept	β_{00}	4.2481(0.1288)***	
Rate of Change, π_{1j}	Time	β_{10}	0.3580 (0.01846)***	
	FOG	β_{01}	-0.1189 (0.07897)	
	Time*FOG		β_{11}	-0.01315 (0.01132)
<i>Variance Components</i>				
Level 1	Within person	σ^2	0.07067 (0.003537)***	
Level 2	Intercept	τ_{00}	0.1495 (0.02387)***	
	Time	τ_{11}	0.002435 (0.000495)***	
	Covariance	τ_{10}	-0.00343 (0.002520)	

The results in Table 6 show that allocational expenditures are not affected by the form of government.

Method 1 for Assessing Minority Mayor

The residuals for each city at each time point from the linear growth model are used to further explore the expenditure pattern between white and non-white mayors. Positive residuals indicate a mayor spent more on the average development expenditure than predicted; whereas negative residuals indicate a mayor spent less on the average development expenditure than predicted.

T test was performed on these residuals to compare the average residuals between white and non-white mayors. The results show that there was no statistical significance between the average residuals for white and non-white mayors ($t = -0.53, p = 0.59$).

The Wilcoxon test was performed on these residuals to compare the median residuals between white and non-white mayors. The results show that there was no statistical significance between the median residuals for white and non-white mayors ($W = 80517, Z = 0.6569, p = 0.2556$). Kolmogorov-Smirnov test was performed on these residuals to examine the distribution of residuals for white and non-white mayor. The results show that there was no statistical significance between the residuals' distributions for white and non-white mayors ($D = 0.0532, p = 0.8764$).

Table 7: Results of the Linear Growth Model for Allocational expenditure with a level-1 race covariate confirm the previous results of insignificance of race on allocational spending.

		Parameter	Linear Growth Model	
<i>Fixed Effects</i>			Estimate (Standard Err)	
Initial status, π_{0j}	Intercept	β_{00}	4.0524 (0.03770) ***	
Rate of Change, π_{1j}	Time	β_{10}	0.3382 (0.005735)***	
	Race	β_{20}	0.04099 (0.04159)	
<i>Variance Components</i>				
Level 1	Within person	σ^2	0.06828 (0.003394) ***	
Level 2	Intercept	τ_{00}	0.1489 (0.02273) ***	
	Time	τ_{11}	0.002795 (0.000537)***	
	Race	τ_{22}	0.04164 (0.02113) *	
	Covariance		τ_{10}	-0.00356 (0.002531)
			τ_{20}	0.004420 (0.01752)
		τ_{21}	-0.00528 (0.002955)	

Redistributive Expenditures

Table 8: Results of the Linear Growth Model for Redistributive Expenditure

		Parameter	Linear Growth Model
<i>Fixed Effects</i>			Estimate (Standard Err)
Initial status, π_{0j}	Intercept	β_{00}	0.7204 (0.1428) ***
Rate of Change, π_{1j}	Slope	β_{10}	0.4167 (0.01956) ***
<i>Variance Components</i>			
Level 1	Within person	σ^2	0.5510 (0.02750) ***
Level 2	In initial status	τ_{00}	2.2866(0.3223) ***
	In Rate of Change	τ_{11}	0.03647(0.006191) ***
	Covariance	τ_{10}	-0.2391(0.04048) ***
Form of Government			
		Parameter	Linear Growth Model
<i>Fixed Effects</i>			Estimate (Standard Err)
Initial status, π_{0j}	Intercept	β_{00}	2.0844 (0.3161) ***
Rate of Change, π_{1j}	Time	β_{10}	0.3144 (0.04444) ***
	FOG	β_{01}	-0.5305 (0.1943) **
	Time*FOG	β_{11}	0.01468 (0.02731)
<i>Variance Components</i>			
Level 1	Within person	σ^2	0.2981 (0.01511) ***
Level 2	Intercept	τ_{00}	0.9629 (0.1437) ***
	Time	τ_{11}	0.01587 (0.002901) ***
	Covariance	τ_{10}	-0.7206 (0.01684) ***

The results of the Linear Growth Model for Redistributive expenditure in Table 8 are different that the previous expenditure categories. Here, form of government is a statistically significant factor for redistributive (p-value < .01.) The negative estimated coefficient for β_{01} is -.531, indicating that the mayor council form spends more on redistributive than city manager.

Assessing Minority Status: Analysis of the Residuals

Residual analysis can be used to explore the expenditure pattern between white and non-white mayors. Positive residuals indicate a mayor spent more on the average development expenditure than predicted; whereas negative residuals indicate a mayor spent less on the average development expenditure than predicted. We carried out the parametric two sample t-test to compare the means of the residuals between white and non-white mayors. The results show that there was moderate statistical significance between the average residuals for white and non-white mayors (t= -1.89, p=0.0605). The Figure below shows that the average for minority mayors is larger than for white mayors.

Next I summarize the nonparametric methods. The Wilcoxon test was performed on these residuals to compare the median residuals between white and non-white mayors, and the results show that there was a statistical significance between the median residuals for white and non-white mayors ($W=82915, Z=2.6636, p=0.0039$). The nonparametric Kolmogorov-Smirnov two-sample test for the residuals' distribution shows that there was a statistical significance between the residuals' distributions for white and non-white mayors ($D=0.1705, p=0.0021$), with the distribution for minority mayors having larger percentiles than that for white mayors.

Method 2: Minority Mayor as a Level-1 Covariate

Table 9: Results of the Linear Growth Model for Redistributive expenditure

		Parameter	Linear Growth Model	
<i>Fixed Effects</i>			Estimate (Standard Err)	
Initial status, π_{0j}	Intercept	β_{00}	1.2417 (0.09511) ***	
Rate of Change, π_{1j}	Time	β_{10}	0.3322 (0.01314) ***	
	Race	β_{20}	0.1687 (0.06748) *	
<i>Variance Components</i>				
Level 1	Within person	σ^2	0.2949 (0.01444) ***	
Level 2	Intercept	τ_{00}	1.0108 (0.1438) ***	
	Time	τ_{11}	0.01578 (0.002805) ***	
	Race	τ_{22}	0	
	Covariance		τ_{10}	-0.0729 (0.01647) ***
			τ_{20}	0.02171 (0.06921)
		τ_{21}	-0.00841 (0.01182)	

In this linear growth model, the parameter β_{20} is the difference between Black and White mayor in the log Redistributive expenditure, and is significant at the .05 level. The variance component τ_{22} is not statistically different from zero, indicating that the moderate race effect is consistent across cities.

Summary and Conclusions

Municipal officials, i.e., mayors and councils shape their expenditure decisions by defining the situations, determining their roles, assessing the appropriateness of different expenditures and responding to the situations in a manner that meets their challenge within the constraints of their financial where withal. The appropriateness of the different spending decisions is discussed below.

With regard to developmental spending the analysis indicated that such expenditures are not affected by the form of government. Developmental spending policy has the goal of

enhancing the local fiscal base and of subsequently attracting high-end taxpayers. It is a policy that virtually every municipality would pursue; a sort of pump priming activity that is vital to attracting businesses and jobs. Such an expenditure approach is connected to fiscal capacity theory which argues that local jurisdictions must fight for wealthier residents and businesses and simultaneously balance a competitive tax-rate that is low enough to attract wealthier residents and businesses with the provision of goods and services.

City officials buy into a strict division of labor between governmental and private sector entities in control and manipulation of resources (Imbroscio, 1998). Such spending decisions emphasize the interdependence of governmental and non-governmental forces in meeting economic and social challenges. Therefore, it is not surprising that we find no sufficient statistical evidence suggesting that form of government affects developmental spending.

On the other hand, it does appear that developmental spending is different between minority and white governed cities. The MGM is challenged to emphasize developmental spending because there is an understanding of the linkage between urban government and the business sector. Because MGM cities have a larger concentration of disadvantaged citizens and they also have the goal of attracting more business, they will spend more on developmental efforts. As city governments adjust their efforts, it is not unreasonable to find that expenditure decisions are also affected. There was insufficient statistical evidence to show that allocational spending is affected by the form of government and minority status of mayor. Allocational spending by municipal governments reduce the likelihood of catastrophic conflagrations, wholesale violations of personal property, community epidemics and the use of public spaces as dumps and junkyards. Thus, it is not surprising that the majority of empirical studies, including this one, have found little difference in the levels of allocational policies by white and black mayors (Keller 1978; Nelson 1978). Moreover, these findings complement previous studies that examined policy priorities of black mayors in the United States and subsequently developed a typology of black mayoral agendas and a profile of their terms. Her study concluded that while there is a high level of congruence in agenda priorities among the country's black mayors, the policies do not appear to be different from those of non-black mayors. Our research here uses modern statistical methods and complements these findings.

Perhaps the most intriguing finding is that exogenous factors such as mayoral race and institutional factors such as a form of government are statistically significant for redistributive spending behavior. This observation invites a number of noteworthy linkages to previous works. First, I believe my contribution sheds light on Peterson's redistributive construct and elucidates the theory of need responsiveness which suggests that redistributive spending will increase as the number of needy residents rise. Likewise, Schneider's (1987) community homogeneity hypothesis was conducted at a time when there were not many instances of minority governed municipalities. The community homogeneity hypothesis rationalized that, within fiscally heterogeneous communities, we can expect to see lower redistributive spending because the nature of redistributive spending is more obvious and thereby prompts vocal resistance from higher income residents. It also was conducted when there was a dearth of MGM's. Since minority governed cities are more homogeneous, than are majority governed municipalities, our observation of higher redistributive spending is consistent with Schneider.

Emergence of MGM's began gradually after Friesema's (1969) characterization of the minority mayor-ship as a "hollow prize." This "hollow prize" was a constellation of impoverished

central cities with dependent populations that the new black mayor inherited; it is now demonstrable that this rising class of new black mayors inherited a set of conditions which would not easily allow spending policies designed to discourage concentrations of those dependent populations because they were already in residence. This study uncovers an acute irony: the “hollow prize” has become emblematic of unintended challenges of PL 89-110: herculean leadership challenges with limited resources for this new set of leaders. It also convinces us that institutionalism does not account for existence of the hollow prize, but it does distinguish its presence.

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Chapter IX

Thailand Local Government Structural Reform: A Bumpy Road Ahead

Peerasit Kamnuansilpa

Introduction

Many Thai historians of local government regarded the establishment and designation of the first Sanitary Area in the capital city of Bangkok, by King Rama V in 1897, as a local governing body; and that was also considered being the onset of local government in Thailand. However, since the head and the committee members of the Sanitary Area were appointed without any participation from people in the area, many scholars did not recognize the Sanitary Area as a bona fide form of local government. In 1933, King Rama VII expressed the view that people in local areas required local administration in order to learn more about and develop the principle of democracy. That initiated local administration in Thailand. This royal vision was the starting point for the local administrative movements in the country (Chayabutr 1996).

Because of that royal vision, Thailand began its first local government structural adjustment. The juristic entity of local government in the form of Municipality was enacted in 1933. At first, in 1935, it began by changing the status of all 35 Sanitary Areas throughout the country, which was formed before since the reign of King Rama 5, into Municipality. Already, even as early as that time, the municipalities were classified into three types as Tambon Municipality, Town Municipality and City Municipality, depending on the size of population and revenues. The Municipality, regardless of size, at that time came into existence because of the royal wish of King Rama VII, who granted the governing and sovereign power to the people of Thailand. He stated unequivocally that he wanted to wield his power to the people of Siam (the name of the country at that time), not to a group or person. The wishes of King Rama VII became a reality, but it was only short lived. What we saw at that time was that while the centralized power of the Monarchy gradually shifted down to the people, a distinctive administrative power structure (which also formed a ruling class) was built around the Monarchy and usurped or snatched that power bestowed to people. In the process, the strong modern Thai Bureaucracy was born (Wyatt 2003; Riggs 1996).

The Ministry of Interior (MOI) has been one of the most powerful bureaucracies in Thailand. In fact, it is second only to the military, which overtly or covertly ruled the country for the most of time after the revolution of 1932. The result of the revolution changed the country's political power and administrative structure from absolute monarchy to a constitutional monarchy. In 1952, the MOI was able to exercise its strong power through the ministerial announcement that enabled it to classify some geographical areas that were of interest to the bureaucrats in the ministry as the Sanitary Areas. This was the reincarnation of the previously defunct Sanitary Areas. The only difference was that this time it was born with a much

stronger ruling power from the legal legitimacy of being a juristic person. The district office chief was delegated full power to head the Sanitary Area. This appointment facilitated the management arm of the provincial governor. Both officers were appointed by the central government in Bangkok. The MOI used this form of Sanitation Area as a public relations gimmick, if not official propaganda device, to mislead the people to believe that this was truly self-governing. This was a Machiavellian gesture that caused people believe that local administration power was in the hands of the people. The gesture succeeded in part because people could see that their village headmen and Kamnan (chief of village headmen) were from their own neighborhood. These officers were appointed to serve as committee members for the Sanitation Area.

The governing power of the MOI that penetrated and pervaded through the Sanitary Areas, and, to a lesser extent, through municipalities throughout the country was not unified and was difficult to consolidate. As such, there was a need on the part of the MOI to create an administrative arm, the likes of which would allow the MOI indirect control over all so-called local governing units in the country. Legally speaking, it was not expedient to devise a direct control mechanism since it would appear to be contravening the royal wish of King Rama VII, who wanted to see that the power granted by him went down to the people.

Ingenuously, the MOI was able to disguise itself not only as an advocate but also a creator of a new impressive structure of so-called local government. In 1955, the MOI's proposal was submitted to the cabinet to facilitate enactment of the Provincial Administrative Organization (PAO). The PAO Act won the strong support of the Parliament. The PAO was placed under the supervision of the provincial governor, who served as the representative of the MOI. The PAO was authorized to oversee all provincial affairs, an act which simulated the same responsibility which was assigned to the provincial governor. As power and responsibility are two sides of the same coin in public administration terms, this allowed the PAO to supersede the power of both Sanitary Areas and Municipalities in the province. Up until 1997, the provincial governor was by law the chief executive of the PAO. The amendment of the PAO Act in 1997 allowed the provincial councilors to elect one of the provincial councilors to be the chief executive. This means that, in theory, the provincial governor could no longer wear two hats, not both as a representative of central government and as the chief executive of a local government. In practice, however, the administrative power of the provincial governor today still supersedes that of the head of any type of local government.

In 1994, the Thai Parliament approved legislation to create the Tambon Administrative Organization (TAO), as another type and at the lowest tier of local government. The TAO was vested with the responsibility to address hardship issues and promote the well-being of the local population. By creating the TAO, the PAO was left with fewer responsibilities and less authority. To allow the PAO to manifest its same functional power, a new law was passed in 1997, which specified the revised role and jurisdiction of the PAO (Nakhonsithammraja PAO, 2013).

With this historical backdrop, two special types of local government were also added to the total picture of local administration: Bangkok Metropolitan Area (BMA), which was enacted under the Bangkok Metropolitan Administration Act of 1972, and the City of Pattaya, which was established in 1978. Table 1 shows that currently there are 7,853 Local Administrative Organizations (LAO) in Thailand. Of this number, 76 are PAO; 2,266 are municipalities of

different sizes, and the TAO comprise the largest number with 5,509. With 5 types of local government of different sizes, all of which were born from the womb of a bureaucracy characterized by highly centralized power, a conundrum was created. It became difficult for us to see how these units functioned for the benefit of local people. It is even of greater interest to observe how people view either the municipality or the TAO in the area in which they live as they compare these arrangements and their outcomes with the PAO in the same province of either a municipality or a TAO.

Table 1: Total Number of Local Administrative Organizations Classified by Type

Type	Number
PAO	76
City Municipalities	29
Town Municipalities	167
Tambon Municipalities	2,070
Tambon Administrative Organization	5,509
Special Type (BMA and Pattaya)	2
Total of all types	7,853

Unraveling the Structural Functional Relationship of LAOs

One of ways for evaluating the structural functional relationships of LAOs in Thailand is to look at the relationships among the LAOs vis-à-vis the central government. The theoretical relationships between the structure and function of an organization are recursive and reciprocal. This means that for an organization to perform effectively its structure must be effectively designed and governed by a set of normative codes of conduct. An effective organization, in turn, dictates a pattern of behaviors that reify it to become a well-knit and performance-driven structure, which provides responsive and accountable services to the public.

In an attempt to understand the perception of people about the structural functional relationships of local government, we carried out a field survey in four provinces; each represents a major province from each of the four major regions of Thailand. The four provinces are: Chonburi from the Central, Chiangmai from the North, Khon Kaen from the Northeast and Songkla from the South. We did not go to Bangkok Metropolitan Area and Pattaya City. Therefore, this report will not be able to present the opinions and views of people about these two distinct types of local government.

When we were out in the field, we conducted five focus group interview sessions in each province. Eight of the sessions were conducted at the TAO, and eight at the municipalities (City, Town, and Tambon). We did not conduct any focus group sessions at the PAO. This was because we reasoned that each and every member of the focus group sessions could represent and could evaluate the responsiveness and accountability of the PAO services vis-à-vis that of the LAO in the area in which they lived. In the selection of participants for the focus group, we selected local people who were not only knowledgeable about local administration but also were actively involved in local affairs. The sessions had between 9 and 14 participants, averaging about 10 per session. The sessions were held in the local government office and lasted 2-5 hours.

Although two hours were the scheduled duration of the discussion, some participants came early and entered into the discussion before the formal beginning and, yet, some stayed after the formal closing to continue the discussion. Local administrative officers were in attendance, but only when needed for providing information and clarification upon request from the research team. Their views were neither solicited nor recorded. The fieldwork was done in the months of July and August of 2012.

Each session began with an introduction, explaining the objective of the study and the rules of focus group interview discussion. There were discussions about effectiveness, efficiency and responsiveness of local government. In the discussions, we also solicited the views of local people about the relationships between local and central government and the benefits of local government in the area of their residence. On the latter point, we asked the participants to compare a specific type of local government with those of the PAO in the same province. It was this information that we used to analyze the responsiveness and accountability of different types of local government.

When we analyzed data from the transcription of the discussions from the focus group sessions, we could summarize them into two main findings: the structural functional relationships between local government and central government, and the relationships among different types of local government.

For the first finding, people emphatically said that the central government, including the provincial governor, should have been more responsive and accountable to them. How could it be when they did not find it easy or realistic to have a chance to meet the central government officials or the provincial governor to express their needs and sometimes the plight they had faced? Although the relationship between the central government and local government in the eyes of ordinary people at the peripheral level is quite obscure, participants in the sessions were able to express their opinions that some kinds of structural adjustment must be made in order for the local government to be of maximum benefit for people at the local level.

Participants credited the progressive contributions of local government. For example, one participant said it clearly. “We remembered that in the past, the roads to and in our village were inaccessible during the rainy season. Only after we had the Tambon Administrative Organization, was the Chief Executive Officer, whom we elected, able to make them permanently passable; and he was able to look after us. We are now no longer cut off from the outside world like before.” The opinions of the participants from the sessions conducted in the City Municipalities and Town Municipalities were not as strong as those of their rural counterparts. Nevertheless, the urban citizens made themselves equally clear. They evaluated the contributions of local government on more abstract and qualitative matters than the participants from the rural areas. For example, they praised the municipalities for the roles of education development and contributions for improvement of learning facilities in schools under the jurisdiction of the municipalities.

Overall, the participants in the discussion sessions voiced satisfaction with the health system. They generally reported good cooperation between the local government and the Ministry of Public Health. They also noted that all local governments recognized the importance of health for their communities. It is intriguing to see that all local governments provide support out of their local budgets to the centralized health system. All LAOs gave local funds from local revenues because they saw the importance of health and wished to have more and better

services for the people for whom they were accountable. Most LAOs - at all levels - also augmented the centralized health service by creating their own relatively simple Basic Health Care Centers. They provided therapeutic massage, traditional herbal medicines and treatment for minor ailments. They wanted to bring services closer to the people, to help them avoid long trips to the larger hospitals. This seems to be the progressive evolution of local government. As the elected council arose and gained financial resources, they sought ways to provide better services to their communities. Helping with health always seems a high priority activity of local government.

Turning to economic development, we found LAOs were quite inactive. They saw this as the task of the central government and not their concern. We believe this derives, however, from two deep cultural aspects of the administration, which strongly undermines the initiative of local government. One is the central government's tendency to define quite specifically the tasks that are the responsibility of the LAOs. If the rulebook does not say you can do it, you cannot do it. The second is the common central government view that local governments are not capable of governing without strict oversight of the central government. Closely tied to this is the control of budget. Governors must approve the budget proposals of the Municipalities; and the district chief must approve the budgets of TAOs. This amounts to full control over spending by the central government. Without the ability to control the budget spending for whatever the leaders of local government feel they should spend, there is effectively, no local government. The central government delegates responsibilities to local government, but the responsibilities do not come with sufficient authority or resources to meet those responsibilities. The single most powerful expression of the problem we heard from the participants is: "The central government must be more serious about promoting decentralized management." By this, our participants were saying that the central government has devolved responsibility and placed it in the hands of locally elected councils, but has been reluctant to devolve authority and resources necessary for local governments to discharge their responsibility. In relation to these findings, the author notes that the Department of Local Administration determines what the locally elected councils can do. If an activity is not authorized, it cannot be performed. This arrangement hampers the functions of local government, and it clearly illustrates the unhealthy relationship between central and local governments.

As for the second main finding, the analyses were based mainly on the participants' perception of the relationships among different types of local government. All the discussions, on which our analyses are based, were lively and contained a host of opinions. After reading the field notes carefully, we found that the participants shared a similar view that not all types of local government were equally functional; and almost all the participants rated the local government in the area of their residence higher than the PAO of their province. One participant expressed it unequivocally: "When we encountered any problem that needs the attention or action from the government, we naturally went to TAO in our area. We never ever thought about going to visit the PAO. For us, we don't really know what the chief executive officer of the PAO is for." There was no mention of the district chief officer or the provincial governor. Both are appointed as representatives of the central government under the rubric of the Department of Provincial Administration and the Permanent Secretary of the MOI.

Turning our attention to the comparative responsiveness and accountability of the local government in the same area as the residence of the participants against that of the PAO, we had a consistent finding. It was equally clear that the participants rated the PAO low on responsiveness and accountability. One person said: "The PAO has a lot money that they don't

know what to do with, because they do not have an area to administer. In order for them to be able to spend the money they have to work with other types of local government. The way it operates is that they think of some plans or projects so that they can spend the money that are normally requested by the provincial councilors.” Another person from a different session expressed his opinion about the same topic. He said: “Normally, it is the provincial councilors from different constituencies that work like a salesman. They came into contact with people, mostly they are vote canvassers, to determine what the needs of people are. The way it works is more like an exchange of vote counts with a reward, which does not necessarily suit the needs of the majority of people in the area.” Still, another person who used to be an elected council member, stated: “You almost always have to be in the same team or join with a provincial councilor to gain budget support from the PAO. There are instances when we need the budget support from the PAO to launch a large-scale project.” This clearly indicates that the PAOs are neither designed to be accountable to the public, nor to service the local populace. Judging from the views expressed by the people, the organization itself seems to be only accountable to those who voted for the provincial councilors and the chief executive officer of the PAO. With these findings, it is suggestive that Thailand can do away with the PAO. When we revisit this issue again in the next section, we can see that, at the most, this can only be academic and wishful thinking.

When we directly address what the structure of the local government in Thailand should look like, abolishing the PAO was the most mentioned suggestion in the discussions. This reflects that the participants paid close attention to PAO. The reason why the PAO receives highest attention is, in part, because of its lofty status at the highest tier of local government. It has the largest amount of budget, both from the central government and its own revenues. The budgets of some PAOs are considerably larger than the budgets of a ministry in the central government. Therefore, we now see more of the national politicians have become local politicians. Quite a few Members of Parliament quit their position in order to run for the position of the Chief Executive Officer (CEO) of PAO; some were successful and some were not. In a few cases, the persons, who once were minister of a ministry decided to vie for the position of CEO of a PAO.

Of equal interest were the discussions about upgrading TAO to Municipality. In many sessions, participants wanted to see all the TAOs in the country upgraded to the status of Tambon Municipality. The rationale behind their suggestion is that there are disparities in terms of budget allocation from the central government to local governments. TAOs receive less per capita support from the central government than the Municipalities. This put the larger proportion of the population who live in the rural areas at a disadvantage. Up to now many TAOs have submitted a request to the Department of Local Administration to upgrade their status to Tambon Municipality. The reviews so far have been on a case-by-case basis; and a number of TAOs have been upgraded.

Restructuring of Local Government Movements

The thematic analyses of the data from the focus group discussions indicate that we need to reform, if not overhaul, the current structure of local government. In summary, the previous section suggested that: 1) we abolish the PAOs, and 2) we upgrade all TAOs in the country to the status of Tambon Municipality. Taking from there, this section will analyze how realistic these two recommendations are.

Abolishing the PAO. In early 2001, a number of academicians, including Police Captain Purachai Piumsomboon, then Minister of Interior, began to doubt the functional value of the PAO. Because of his political position, his critical evaluation of the function and efficiency of PAOs was interpreted and construed to be the public policy intent to abolish the PAO. The political air at that time was heating up. Some Members of Parliament, led by Mr. Premsak Piayura submitted an interpellation in Parliament to request the government to explain or clarify its stance on the issue. Police Captain Purachai Piumsomboon, in his capacity as the Minister of Interior, sensed the opposition mood and the rising political temperature in the Parliament; and he announced that the government did not have a policy to abolish the PAO. His reply to the interpellation was published in the Royal Gazette on May 10, 2001. From this development, we can clearly see that the idea of abolishing the PAO was floated as early as more than a decade ago.

This same question of the functionality of PAOs emerged again. On June 2, 2013, Mr. Preecha Rengsombunsuk, who was then the Minister of Natural Resources and Environment, met a group of media representatives for a press release. He announced that his political party was contemplating amending a law to abolish the PAO. He reasoned that Thailand already had other types of local administrative organizations to look after people at the local level. In his own view, all Municipalities are in charge of and responsible for people in the urban areas; whereas the TAOs are for people in the rural areas. His words, as reported in the (Thai Post, June 2, 2013) newspapers, were: “All PAOs do not have a real area of jurisdiction of their own. At the best interpretation, the areas that the PAOs have served are overlapping with other types of local government, at the lower tiers.” He even went to visit the issue of the effective use of national budgets for PAOs. In this opinion, the budgets that would have to be appropriated to the PAOs could have been used more effectively and more widely to reach more local people; if they were to be allocated directly to the Municipalities and the TAOs. He, therefore, felt that Thailand’s local government could function more cost-effectively without the PAOs.

Immediately, only one or two days after the release of his interview statements, Mr. Preecha Rengsombunsuk received a lot of criticisms from his colleagues within his own political party. There were also many unkind words from the opposition parties in the Parliament and the CEOs of PAOs around the country. We will give an example of some harsh words, to provide a flavor of the logic of those who are against the idea of abolishing the PAOs.

On June 3, 2013, a deputy CEO of the Samutprakarn PAO blasted and dubbed Mr. Preecha Rengsombunsuk as a person who rowed a boat backward (meaning that the idea of abolishing the PAO was either regressive or backward). The person who criticized him even accused him of trying to seize the power from the local administrative organizations, and put it altogether in the hands of the Ministry of Interior. That same person also believed that, by abolishing PAOs in the country, the provincial governor would regain absolute governing power in the province. He also presented a scenario that ultimately the governing (or administrative) power of PAOs in the country could all go to the Minister of Interior.

Mr. Preecha Rengsombunsuk was also accused of being a political dictator. His critics imagined that after all the PAOs were abolished the massive budgets that otherwise would be allocated to all PAOs in the country would go to the central government; the government then would be in an advantageous position of being able to disburse the budgets to buy (influence

among) the vote canvassers to help the candidates from the same political party with the government at the next general election. (Samutpakarn PAO 2013).

On the same day (June 3, 2013) that the heavy criticisms of Mr. Preecha Rengsombunsuk came out, Mr. Jarupong Ruangsawn, Minister of Interior and leader of Pheu Thai Party, responded swiftly. He said that his political party never discussed this issue. Those statements about abolishing the PAOs were the opinion of Mr. Preecha Rengsombunsuk. As far as he is concerned, the Ministry of Interior never had such a policy. Because of his high profile position as the second most powerful figure in his party, after Prime Minister Yingluck Shinawatra, he was able to extinguish the fire of political criticisms from all directions, which of course, included those from the largest opposition party.

What we have learned so far is that all the past movements and attempts to abolish the PAOs are abortive. Why is that? The answer, as we have already seen, is that sharing or having a common interest can unite people of different political stances. We have seen the Members of Parliament from the government and opposition parties, the bureaucrats within the Ministry of Interior including the minister himself, the chief executive officer of PAOs throughout the country, and the provincial councilors from just about every province unite to strongly oppose the floating of the idea of abolishing the PAOs. It seems like the interests of the lower and powerless people cannot be aligned with the people at the upper political echelons of the country. Abolishing the PAOs is only an idea, floated by the politicians in a more progressive wing, and perhaps wishful thinking of the powerless in the country. It can never materialize, at least in the foreseeable future.

Another question that deserves attention is what are the hidden motives of those who want to see the PAOs remain permanently intact? The answer to this question is not easily determined. The individual who can answer this question has to be the one who is not only familiar with, but also enmeshed in the system of pork barrel politics which involves both the national and local power structures. Needless to say, the author of this article is not part of the system. The information, which generates the answer to the question at hand, comes from two sources: First, ownership of social capital, e.g., the existence of long-term personal relationships with both national and local politicians (the likes of which allow a lifetime of indirect conversation on various topics) and; second from various sources such as news media and televised parliamentary debates which vets the budget bills.

Usually, the term pork barrel politics refers to an appropriation or approval of the national budget for or spending of the government to benefit constituents of a politician (or political party) in return for their political support, either in the form of campaign contributions or votes (“Pork Barrel,” 2013). In this paper, I extend the concept a little broader. I include the opportunity for personal monetary gain for the politicians and bureaucrats, where both parties have to support and rely on each other in order to make the system work.

In order to understand how the system works, we first must know that each PAO in the country has a large amount of budget. A number of PAOs have annual budgets of larger than one billion baht. A few have annual budgets of close to two billion baht. Operating under the pork barrel political milieu, PAOs function as a conduit of money where the government budget can be directly and indirectly funneled to different interest groups.

It is almost well known among those who have to do business with PAOs that one way to get a business contract with the PAOs is to “shake the money trees.” Where are the money trees? To answer this question we must first know the budget sources for and of all LAOs. In all types of local government in Thailand, the budgets come from four sources: revenues collected by the local government itself, centrally-collected local revenue, national budgets appropriation, and the two types of grants in aids from the central government. Of all four sources of the budget for PAOs (and for any type of local government), there are two grant categories namely, general grants and specific grants. It is these two types of grants that are almost always allocated by the recommendations of the group of powerful figures who can justifiably associated with powerful cogs of the pork barrel political system. To understand this complicated system, we must realize that the Ministry of Interior (or any minister in Thailand) needs a sizeable number of the Members of Parliament from the same party on which to depend. Simultaneously, both the Permanent Secretary of the Ministry of Interior and the Director-General of the Department of Local Administration have to be accountable to the Minister of Interior, who can issue both policy mandates and sometimes undocumented words of advice to them. It is these two persons that formally make the budget requests, on behalf of all the local governments in the country, to the National Bureau of the Budget, which will forward the requests to the House Committee on Budget for scrutinizing before submitting the budget request to the Parliament for debate and before passing them into the Budget Bill.

For more understanding of the pork barrel budget, one must understand that there is a normative covert practice of requesting and setting aside pork barrel budgets by the powerful figures in the political circles. It is documented in *Isaan Bizweek Newspaper* (2013) that each Member of Parliament from the Party List receives a pork barrel budget of 10 million baht, whereas each and every Member of Parliament from a Constituency receives double the amount at 20 million baht. Each Minister will have an estimated budget allocated under his/her personal pet project at the amount of approximately 100 million baht or more.

The practice of pork barrel budget allocation has been pervasive at all government levels in the country. It was reported also in *Isaan Bizweek Newspapers* (2013) that in the Khon Kaen PAO, the same covert practice of allocating pork barrel budget has been the norm. There are 42 provincial councilors in the province, and each receives a set aside annual budget of 7 million baht. Each deputy chief executive officer of the Khon Kaen PAO receives 10 million baht each. The advisors of the chief executive officer and the secretary of the chief executive officer each receive 5 million baht. The discretionary power of the chief executive officer is unlimited as long as that officer controls the majority of seats in the council. Such control allows him to have the budget ordinance passed by the provincial council. Thus, it is (or should be) intuitively clear that the PAOs in the country are here to stay. Those who oppose them are the ultimate casualties.

Upgrading TAOs to the Status of Municipality. The initiative of upgrading all TAOs throughout the country to the status of municipality stems largely from academic as well as humanitarian considerations. Led by the House Committee on Local Administration, in which the membership consists of “plebeians” are more aware of and sensitive to the issues associated with structures or types of local government. First, we see that the process of decentralization, which according to Kamnuansilpa et al (2013) has been moving at a snail’s pace, focuses more on the horizontal aspect, referring to the spatial disaggregation of local government units, with all local government types performing or delivering the same types of services to citizens. This

is a stark difference from vertical decentralization, where a hierarchy of local government serves different functions. There are, therefore, two valid questions to ask: First, why do we have to differentiate our local governments into so many types, when they are providing the same kind of services? Second, why do we have to create budget inequality among the people who live in different jurisdictions of local governments? The TAO receives a much smaller per capita budget (150 baht) appropriation than the Municipalities (600 baht). It is overt discrimination against the populace of the rural areas if we do not create a system of just and fair budget appropriation for all local governments in the country.

Legally speaking, there is room to resolve this problem. Section 42 of the TAO Act passed in 1994, and later amended in 2003, allows a TAO to submit a request to upgrade its status to a Municipality. Upon the evaluation and approval of the Ministry of Interior, the TAO can be upgraded to a status of Municipality, as stipulated by Section 7 in the Municipality Act of 1953, and later amended also in 2003. This looks simple in writing, but too complicated in practice because it involves some jogging and heavy lobbying from the part of the applicants (TAOs). Therefore, not terribly many TAOs were upgraded to a status of Tambon Municipality during the last ten years.

Embedded by the overarching rationale of improving efficiency, economy of scale and equitable of services delivered to the people, on June 7, 2012, Mr. Chuchat Hansawat, former Deputy Minister of Interior, who was in charge of overseeing local administration, sent a memo to the Director-General of the Department of Local Administration, and asked the Department to draft a law to upgrade all 5,667 TAOs (the number at that time) to the status of Tambon Municipality. He also requested that a public hearing about this issue be held in all four main regions of the country. The results from the public hearing were that there was an overwhelming support from the chief executive officer of the TAOs, but only a lukewarm support from the clerks of all TAOs who were worrying about whether they would still be or automatically appointed as the clerk of the Municipality.

The upgrading of TAOs produces a zero-sum equation, meaning that there will be winners and losers in this game. The next question to ask is whom the winner is and who stands at the losing end. Just like in the case of the PAO structure, presumably the beneficiaries are people at the low level. The persons who stand to lose the benefits, if there is a reform of local government structure, are those power players. In this case, there is a tug of war between the provincial administration system and the local administration system. According to the provincial administration system, the provincial governor is authorized to oversee practically all public affairs issues within the province. His power flows downward through the district chief officers, Kamnan and village headmen. The Kamnan who is the head of all village headmen in the Tambon and all the village headmen from all villages in the Tambon are concerned about the prospects for their longevity. Their position and salary are targets of demise. When the TAOs are upgraded to the status of Municipality, their position(s) could be abolished. All of them, therefore, lend their support for the letter sent to the Ministry of Interior expressing sentiments against the movement to upgrade all TAOs to the status of Tambon Municipalities. (Khawsod, 2013). From this movement in structural reform of local government, we can see again that the power of bureaucracy will always win over the so-called sovereign power of people. Observing the potential for this event, I saw another unique example of a politician who worked for the interest of the populace, but lost the game of power play. Mr. Chuchat Hansawat was removed from his position in the cabinet reshuffle. Just

like Mr. Preecha Rengsumbunsuk, he may have the political will to reform the local government structure; but he does not possess enough political leadership to reform the structure of local governments in Thailand.

Discussion and Implication for Local Economic Development

When we talk about the structure of local government, we also have in our mind a pattern of central and local government relations in the context of decentralized management. Here, we see in this study a case of the two-pronged problem. One side of the problem is that the provincial administration system and the local administration system that came later only after the 1932 revolution do not seem to share the common functional goal of attending to the needs of common, powerless people. In functionalist terms, neither system was created to protect the benefits of the society as a whole. We have learned in this study that because of political power the national politicians can co-opt the bureaucrats to request the pork barrel budgets for them to scrutinize or practically to approve with minor cosmetic change after the house debates. Another problem we reveal in this study is that because of the same power, the national politician can provide a reward to the bureaucrats, through promotion that always comes in part and parcel with an increasing ability to earn more cash at some later point in time, the latter are obligated to protect the interest of the former. In this context, we see a case where the Department of Local Administration finalizes the budget requests of all local governments before submitting to the national politicians. Once the Budget Bill has been passed by the Parliament, the ball is in the turf of the provincial administration system. Here, now the provincial governor can directly or indirectly exercise power over or insert influence on local governments, which are willingly or unwillingly to relinquish their autonomy of budgeting and spending, for an exchange of some interest in the pork barrel budgeting system. In the final analysis, the responsiveness to and accountability to people of the local governments are to be compromised.

With this backdrop, restructuring of local government remains to be purely academic; the idea does not fit well with the current socio-cultural and political system of Thailand. This also implies that promoting decentralized management and granting more autonomy to local governments seem to be more normative conceptual scheme than anything but reality. The implication here is that when we think about structural reform we should also be thinking of cultural and political reform if not revolution, which is almost impossible to carry out under the self-serving political system like the situation we are describing.

I have mentioned earlier that local governments in Thailand pay virtually no attention to promoting economic development. Local government administrators consider this as not their responsibility. They do not see the connection between the poverty reduction and economic development. They tend to see the relationship between a welfare scheme and poverty reduction. I have argued that we look at structural reform as changing the pattern of interaction and relations between the central government and local government. We also know that a normative pattern of interaction reifies itself into a culture. I propose that, for any organization to achieve its goal, it must be endowed with a culture of practice. Here in this case, we see an organizational culture that is harmoniously protecting the interest of the elite members, not the interests of the plebeians. Moreover, current practices can hardly rationalize

that local government is performing for all the people. A casualty of the current operating style is economic development activity. At the local level economic development has escaped the attention of local administrators because the pattern of interaction of and the central and local relations are not conducive to promoting economic gains of the populace. It is the gains of the elite organization members that are of more importance than the gains of the poor and the powerless. The latter group has no champion. They have no one to raise their issues when pork barrel deliberations are underway.

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