

## **CHAPTER 6**

# **IDEAL AND REALITY OF LOCAL GOVERNANCE**

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### **INTRODUCTION**

Decentralization in developing countries does not have a long history and is largely in its early maturity. Even though this author takes major examples of decentralization in Indonesia and the Philippines, he also conducted fieldwork on decentralization in Japan, South Korea, Thailand and India, and had supervised Ph.D. dissertations on decentralization in Cambodia and Laos. As for the methodology, this author refers to Japan's experience in analyzing decentralization and local governance utilizing the extensive materials concerning local governance studies in Japan.

Decentralization and local autonomy has been one of the major pillars of governance and democratization as an international consensus in recent years. Decentralization is now a world trend. One nation consists not only of the central government but also of local governments having various ethnic groups. Local governance can be defined as good governance promoted by a local government under the framework of decentralization or local autonomy. The author believes that local governance is one of the three major pillars of promoting good governance other than building a developmental state (the most important task for both central and local governments) and promoting democratization. The first priority task of local government is to promote the local economy and the second is to achieve social development connecting with public services for the people in the territory. On the other hand, the function of democracy is to promote these tasks in coordination with the will of the local people.

When international organizations promote decentralization, there was an understanding in political science theory that local autonomy nearer to the local people is the elementary school of politics (B.C. Smith, 1998: 86). Smith tells:

- (1) Decentralization has the educational effect to reflect people's voice more in politics as J.S. Mill insists.
- (2) Local government can check the over-development of central government.
- (3) Democracy at the local level can provide better participatory framework for the central government.
- (4) Decentralization can strengthen the legitimacy of the government if the local governments (LGs) can reflect more voices of the people. Eventually, decentralization has been one of the measures to empower and organize the local.

However, it is yet to be proven that decentralization really promotes democratization. Hutchcroft wrote, "Many of decentralization initiatives often seem to rest more on faith than on strong conceptual foundations" (2001: 23). B.C. Smith wrote in his book *Decentralization*, "Political decentralization does not logically imply democracy... Local polity often shows evidence of the mal-distribution of power, and of domination by those who wield economic power... Studies of local government as a means of decentralization too often stress its virtues as a training ground in democracy and representative government, and too rarely indicate how local elite privilege and exploitation can be maintained and strengthened through local politics... Decentralization is too readily 'transformed into a value in its own right' by romantic idealization (Smith, 1985: 11, 25). Harry Blair wrote in his USAID report, "Historically, decentralization initiatives have not enjoyed great success, largely for two reasons: all too often, despite their rhetoric, central governments do not truly want to devolve real power to the local level; and when significant authority is devolved, a disproportionate share of the benefits is often captured by local elites. The new democratic variant of decentralization, however, may overcome these problems by introducing greater participation, accountability, and transparency in local governance, and by empowering marginal groups. It also offers more scope for local revenue generation by linking services to local payment for them (Blair, 1997: vi)."

The first point of Blair that "central governments do not truly want to devolve real power to the local level" can be viewed as "decentralization within the framework of centralization". In the case of Japan under the present constitution, which started in 1947, decentralization level was said to be '30% local autonomy' (after the conclusion of the Integrated Local Autonomy Law in 1999, it became 40% local autonomy, this author argues).

When this author discussed with a Korean professor of public administration in 2003, he noted that South Korean local autonomy level would be ‘20% local autonomy’ (almost all the project implementation at the second local government needs a subsidy of 25% each from the central government and provincial government). Gera in her Ph.D. Dissertation concluded that the real (implementation level) local autonomy level of the Philippines is ‘15% local autonomy’ judging from the “actual” distribution of total national and local governments’ budget combined (Gera, 2009: 114).

In the case of Indonesia, this author’s conclusion is ‘10% local autonomy.’ Indonesian government concluded the local autonomy law in 1999 where Indonesia’s local matters are given to local governments. In 2001, 2.6 million among 4.2 million national civil servants who worked at the local offices became local government staffs. Before, 3/4 of local government staffs were central government staffs sent to local governments. Other than that, many local offices of central government ministries were abolished and not only their staffs, but also buildings and documents were transferred to local governments. For “balancing local government budget,” formally 31% of the budget, national and local governments combined, was in the hands of local governments (Ministry of Finance, 2009, 2010). But in actuality, local governments use about 80% of budgets for personnel and they do not have a “development budget” for construction and repair of roads, schools, etc. The actual “development budget” comes from central government ministries with manuals which amount has been much the same scale with the formal local government budget. Moreover, many government services at the local level, like statistics, national roads (all major roads), airport, harbor, negotiation with foreign direct investment, military and police, and religious matters are in the hands of the central government.

Concerning the second point of Blair, “a disproportionate share of the benefits is often captured by local elites,” so called “local kingdoms” were found in many parts of local areas. Local areas have local elite structure and decentralization was often set in the context of local bossism, strengthening the vested interests of local elites. Local elite members have overwhelmed local governments and parliaments. Women having relations with local elites, in many cases, have dominated participation of women in political leadership.

For understanding the “reality” of local governance, it is necessary to understand:

- (1) the relation between central government and local governments;

- (2) the relation among local governments (province, city, district, village and community);
- (3) capacity development of local governments;
- (4) local system/network for building local economic development; and
- (5) participation mechanism of citizens.

The actual decentralization in developing countries is still in their infant level and the theorization from the reality is weak. Eventually, this author would like to frame things while referring to Japan's decentralization system.

## **1. MULTIPLE-TIERS SYSTEM BETWEEN CENTRAL GOVERNMENT AND LOCAL GOVERNMENTS**

B. C. Smith wrote, "Decentralization is essentially the relation between center and local governments" (1998: 92). Central government is necessary even after a full-scale decentralization. National jobs like defense, diplomacy, currency and law making/national standard making, getting foreign ODA, macro-economic policy including the zoning of land utilization like national parks, promoting strategic industries, management of natural resources, research and human resource development for keeping international competitiveness are one thing. Arranging and promoting local governance is another thing like regional development plans, covering and coordinating several local governments, national government support for local government in research, training, nation wide statistics, consultancy, etc. On the other hand, local governments (LGs henceforth) need connection with the active economy of capital city and central government-sponsored integrated regional development strategies for promoting local economy. Majority of LGs, except some resource rich areas, suffer a shortage of their budget and subsidy from central government is indispensable. Both central and LGs need the other party. It is called "centralization - decentralization continuum" (Hutchcroft, 2001: 31).

Japan and many developing countries have denied decentralization and focused on a central government concentrated system for the effective promotion of modernization. Based on the arguments among specialists of public administration in Japan, they appreciate the bureaucratic state as the most effective system for modernization. Where the attainment of "national minimum (education, health, modern agricultural production...)" nationwide was the major focus at the local government level, "the existence of strong

command was effective. Japan's pre-war industrialization and modernization and post-war high rate of economic growth could not have attained without having the centralistic bureaucracy" (Kamino and Morita, 1996: 52). Such kind of understanding was supplemented by the insistence of central government bureaucrats. They have argued that (1) the human resource development is weak in LGs; and (2) under the big gap of tax income among LGs, it is the role of central government to realize the same level of tax and the same level of government services nation wide by providing subsidies from the central government to financially weak LGs.

On the other hand, from the viewpoint of developing countries, seeing the very ineffective bureaucracy in the central government, decentralization is better: "The lack of autonomous ability" was the logic of Suzerain states at the time of colonial age against the independence of colonies. But the developing countries dared to select independence, although they experienced much confusion after independence. The logic of decentralization is the same. It is natural that there are many deficits in decentralization. There are arguments where decentralization will produce many local kingdoms. Nonetheless, local autonomy is similar with the trend of independence.

There are three ways to understand the relation between center and local governments. The first way is to keep centralization by denying local autonomy. Laos, which built a unitary state only in 1975 for the first time in its history, has kept centralization (Seto, 2009). The second way is deconcentration where the powers are devolved to central government ministry local offices instead of the LGs. The present Cambodia and Indonesia during President Suharto (1966-1998) took this way. When the major target of a nation is to extend basic public services to the people, like education for all, health center building, government low interest agricultural loan, electricity, and under the scarcity of local government qualified staffs, promoting local autonomy, the 'fit for all' policy is appropriate. The third way is decentralization/devolution giving powers to LGs. Within this framework, there are variables like 10% or 30% local autonomy as explained above.

Another viewpoint for considering the relation between central government and LGs is three tiers system of LGs. Among the LGs, there are province/state governments as the first level LGs, city/municipality/district governments at the second level LGs, and community level (village, village or elementary school area in urban areas) LGs. What is the basic role of each level of LGs and which level of LGs should be the major actor for local autonomy?

### **1.1 Province/State (Prefecture in Japan, France) Level Government**

Province is called 'state' in federal nation-states like US, Mexico, Brazil, Nigeria, India, Malaysia, etc. Prefecture is the provincial level territory to be ruled by a prefect who is the delegate to the local government sent from the central government. There are two basic roles in province, representative of central government and representative of the local people. In Japan's decentralization, the local autonomy initiative has been in the hands of the prefecture. Prefectural government has been centralistic to second level local governments (Sasaki, 1984: 55) (Even after changing the constitution from Meiji constitution [1890], where the governors were nominated by the emperor, to Showa constitution [1947], where the governors are directly elected by the people, prefecture is still used). The total public officials in 47 prefectural governments were larger than the total public officials in 1,727 second level local governments (1.56 million to 1.34 million in 2008). In the case of other developed countries like Netherlands, provincial staffs account for 0.13 million and second level LG staffs account for 1.85 million (2005).

In the Philippines, where only five among 18 departments practiced major decentralization in Local Government Code of 1991 and 70 thousand among 870 thousand central government staffs (<8%) were transferred to LGs. LG staffs became 25% among total public officials and the budget transferred to LGs from central government was additional 2.9% (total LG budget became 15% in 'actual' implementation level among central and local government budget combined). The essence of centralization was maintained. A National Civil Service Commission Report wrote "The Philippines still keep Manila Imperialism"<sup>1</sup> and many LG staffs agree with that.

Under Indonesian local autonomy law in 1999, the role of provincial government is dual, which means representative of central government and representative of local people. Previously, however, representative of central government was prioritized. Now, it has changed.

All the modern states, except for Anglo-Saxon countries, are centralistic. The basic strategy of centralism was prefecturalism. And it was also the basic strategy of colonial administration (Hutchcroft: 28).

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<sup>1</sup> Civil Service Commission, *CSC Executive Letter*, 4(1), March 1994, p.7.

## **1.2 City/Municipality/District Level Government**

Present decentralization and local governance debate has focused upon the city and district level: the focus is changing from CS (Customer Satisfaction) to partnership (coordination among government, business and civil society) and management of the government. From the viewpoint of administrative efficiency for promoting local economy, which is the most important task of LGs, and for managing big facilities like garbage treatment factory, crematory, water works, general hospital, senior high schools, big scale library, big theater, bigger scale LG is desirable. For getting bigger scale LGs, amalgamation (merger) or co-administration of LGs are desirable. LGs' capacity and resources are always unequal among regional core cities, local core cities, local center cities, suburban cities, rural local governments, and mountainous local governments. Everywhere there are center-periphery relations among local governments. If they realize amalgamation, largely the center city gets the lion's share at the sacrifice of the periphery LGs. When they select co-administration, all member LGs have veto power and the consensus system oftentimes does not work. Eventually, the level of co-administration is always low. From the viewpoint of participation, smaller is better. Going lower in administration level, the focus of participation transforms from NGOs to community. For community level participation, third level government is more suitable.

In the case of Jakarta-Bogor relation in Indonesia, the capital city Jakarta, having a big population, wants to keep the upside area in Bogor District to be forest and agricultural area as the water catchment area for its water service. But Bogor District government wanted to promote industrialization for the local economy. In this case, coordination and arbitration by upper level government is necessary. Under such case, it is the central government. Bandung City (2.7 million population) and Manado City (400 thousand population) have promoted a big scale amalgamation of peripheral governments for realizing rational urban development design.

Local autonomy law of Indonesia in 1999 set the second level LGs (city and district government) to be the focus of local autonomy. That was the same understanding with local government law in 1974. The major reason is said to be the military consideration. If the province becomes the major local autonomy units, it duplicates with ethnic divisions in some provinces and might connect with ethnic separation movements that might damage the unitary state. Eventually, Bali people once increased their emotion for building Hindu Balinese province but after decentralization,

they were torn into one city, eight district governments and dispersed their aspirations. The local autonomy law in 1999 did not distinguish super scale provinces in Java (West Java Province, Central Java Province, East Java Province having 30-40 million population) and divide-and-ruled small scale provinces (2-3 million population) outside of Java and continued to keep a Java-centered scheme. In Java, there have been competing arguments on the major actor of local government, if the focus should be district (kabupaten) level, or sub-district (kecamatan) level from the viewpoint of participatory democracy, or wider areas from the viewpoint of local economy units (several districts have three million population).

### **1.3 Community Level Local Governments (Village/Elementary School District in Rural Area)**

Community is the major theater of people's participation. At this level, government staffs are semi-volunteers and not a part of public officials both in Japan and developing countries. The principle of subsidiarity, which became popular after becoming the participatory mechanism of the EU, is the argument to move the major theater of governance to the local level where it is closest to the constituency. But the modern style community organization does not suppose all inhabitants' obligatory participation. Modern style is characterized by free participation symbolized by NGOs. Eventually, the future direction is still under discussion.

## **2. LOCAL DEVELOPMENT REGIME AND DEVELOPMENT SUPPORT BY CENTRAL GOVERNMENT**

The major tasks of local governments are three: local economic development, public services at the local area and environmental protection. There is an argument that local economy does not exist under globalization. But Peter Drucker insisted that the present economy consisted of global economy, national economy and local economy (2002: 204). Local economy is an open system and cannot be a self-sufficient area. But it is the area of people's daily life, place of various public services (education, culture, welfare, medicine, amusements, hobbies, etc.) and the complex of environment/culture/local politics. Local people select their shopping place or hospitals within the local economic area while going over the line sometimes and

never compare/select good hospitals globally. National economy is the theater where the global economy and various local economies mix.

When Japan's government pursued public policies to achieve high rates of economic growth, it organized the trilateral alliance among politicians, high-ranking bureaucrats and business sector. It was called 'Japan Inc.' At the same time, 'Japan Inc. local version' was founded in local areas, where local economy upgrading was promoted by the alliance of local government, Agricultural Cooperative and Chamber (or Association) of Commerce and Industry (CCI), and sometimes with Fishermen's Cooperative, association of tourism, etc. Each had three tiers system (local-provincial-national organizations) and was connected to each other.

In developing countries, the most important task of central and local governments is to upgrade national level and local level economy, and the core system for doing that is building an institutional coordination mechanism between the government and business. The reality is that local politicians and local businessmen are interconnected through personal connection and building an institutional or public coordination mechanism has been limited as a public sector dream. In the Philippines, it is said, "all the successful politicians are successful businessmen" (concerning Philippine politics and development, see Kimura, 1998). At the central government level, they have the design for a balanced development among industrial areas and regions. Although the reality has been the prioritization of industrialization against agricultural sector, or the prioritization of urban development against rural development, a certain level of rural development and regional development to avoid over-concentration of the population in the capital areas and major cities.

In the efforts, there has been a mixture of two directions in regional development. The first is central government-led regional development, which focuses on the industrialization of regional center cities and infrastructure building for that purpose. By pursuing that, a nationwide infrastructure building of major urban centers was promoted and foreign direct investments (FDI) were pursued. However, FDI comes only in areas where conditions are good. Majority of the local areas cannot expect FDI to come. It is the same with developing countries in general. FDI has the clear tendency to come to a handful of major developing countries. Among the total FDIs which came to developing countries during 1985-2005 period, 25 among 152 developing countries accepted 85% of the total FDI (the top 3 countries were China 26.6%, Brazil 9.9%, and Mexico 9.2%). In Indonesia

and the Philippines, about a half of the industrial estates inviting FDI was developed in the suburban areas of the capital city.

On the other hand, there has been an alternative development strategy: endogenous development or local development from below, which is characterized by utilizing local resources (local industry). Japan has had social (human resource) industrial infrastructure for endogenous development, where the traditional local industries have developed since Edo era (17-19<sup>th</sup> Centuries), based upon industrial promotion policy by warlords for promoting their resources. China also has had social industrial infrastructure historically and it was strengthened under the Cold War by the local self-sufficiency policy with people's commune that became the basis of recent local industrial development after the 1980s. But China's recent local industrial development was characterized by subsidiary companies and could not compete with foreign companies in quality and waned eventually, although many companies survived by getting foreign technology through pursuing strategic buy-out of foreign companies. It was an industrial pattern combining endogenous development and invitation of FDI.

There are three markets. They are the local market, national market and foreign market, and industries can get more benefit when they can sell in developed countries. In the case of "One Tambon (Village) One Product" movement in Thailand, it was designed by the central government and focused on foreign market from the beginning (at least some products) considering the narrow basis of domestic market. This was the basic difference with the similar movement in Japan where the middle class dominates the majority of the people (Adachi, 2006; Utis, 2001). But in both cases, the central government's local economy promotion policy was the basic. Hobo who wrote the *Theory of Endogenous Development* made three factors to be the key concepts for promoting endogenous development in Japan: self-endeavour by the local, active usage of central government subsidy, and strengthening the linkage between rural and urban (1996: 143). Sakata, who wrote the *Development of Local Cities*, noted that the key for regional development was to connect with active urban cities or capital areas (1991: 142-143). In the majority of former colonized countries with a long history of centralism from pre-colonial kingdom to colonial era, social industrial infrastructure has been generally weak and, eventually, local economic development is far from easy.

Local autonomy means local government management. The "existence of local autonomy" depends upon two standards. The first criterion is that if the LGs have the authority to make integrated regional development

plan, including economic and social development and environmental protection plans, or not. When the vertical central government organizations penetrate into the LGs, the latter cannot make an 'integrated' development plan. The second criterion is that if the LGs can set the priority for their budget expenditure or not ('LGs as policy government' by Sasaki 1984: 71).

Governor Shiro Asano wrote, "As the governor or as the mayor, the most important task is the priority setting of public policies. Even though we would like to practice leadership, our authorities are severely constrained. In reality, we appease the central government and to do or not to do is decided by the central government ministries in the form of giving subsidy or request to use certain budget to LGs. Eventually, provincial decision-making becomes nothing. There comes out a disease of "it is a loss not to get subsidy." From such kind of attitude, no positive thinking is coming out. "At present, what are the most important tasks for our province?" Even though we initiate ideas, it is marred by the indication from the central government. When the subsidy comes, it is attached with detailed manuals and local government staffs have to stop 'thinking by themselves.' That is the most annoying issue for local government staffs. 'Where there is no authority, there comes no responsibility. Where there is no responsibility, there comes no enthusiasm.' Eventually, LGs become lukewarm (Asano, 1999: 21, 88). The new direction of LGs should be from 'the center designs and local implements' to 'local designs and center cooperates,' and it should have been the new way suitable for the era of decentralization (Sakata, 1991: 6).

This kind of structure is the same in developing countries. Local development plan is written with its basic framework based upon 'local autonomy;' however, it had to wait for the will (budgeting) of the central government. In formality, development plan is 'implemented according to the plan' but it is not practiced according to priority order rather according to planned items, which are picked up randomly. In the case of Indonesian local government plan making, the plan should match horizontally and vertically but it was impossible as far as the implementation depends upon the budget stream from above. Eventually, "plan is made so as not to be understood clearly." "As each section prioritizes their section plan, mismatch is the general situation between priority setting of city plan and section plan" (Niessen 1999: 132). For example, the urban development plan of Padang City, West Sumatra Province was designed in 1983, but central government ministries did not notice that. The plan was set for years and no budget and implementation was realized. Still, sometimes there came small budgets and,

eventually, very sporadic development was implemented (Niessen: 290-292).

In Japan, there is a saying: “decentralized central government and centralized local government.” The meaning is that under centralization, the central government ministries are torn apart from each other, and the ministries are torn apart to sections without appropriate coordination. On the other hand, local government combines various public services and projects vertically coming down to the local into unified projects. That is the centralized local government. Unfortunately, in many developing countries, central government ministries’ vertically practiced services are implemented even in villages. Eventually, there is “decentralized central government and decentralized local government.” Governor Asano’s insistence is correct that is “Remove the fence between sections of agriculture, forestry, water usage, commerce and industry.” “Make welfare service a semi-private industrial sector.” But in developing countries, it remains to be an ideal.

In Japan’s advanced LGs, they practice “implementation control.” They organize monthly section chiefs’ meeting moderated by the head of LGs where they request section chiefs to present their monthly job practice (horizontal accountability and transparency),<sup>2</sup> build institutional management system for development policies, and connect the implementation with the promotion system of personnel (Hisada and Aoyama, 2003). The Ministry of Finance, Indonesia, practices this system. It is this kind of system for institutionalizing administration management.

Cebu City (with 0.8 million population) in the Philippines organizes the second largest urban center (Metro-Cebu, with 2.3 million population) with three more adjacent LGs, invites many FDIs, and has a fairly rich financial base. Still, dependence on the central government is significant. From the P30B (billion Peso equivalent to US\$0.7B) national tax collected in the city, only P7B (US\$0.19B) comes back as IRA (Internal Revenue Allotment) from the central government. In Cebu City, 70% of land is under the central government’s control because slopes (mountains and hills) are under central government control by law. National roads constitute 60% of the total city roads and the maintenance of roads is usually poor. Even though the city government conducts reclamation, the price setting of the

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<sup>2</sup> In Japan’s administration, generalist oriented promotion system works where all staffs experience various sections about 3 years each and when the staffs are promoted, they know jobs of many sections and it is easy for them to check horizontal accountability.

land is under the control of the Board of Audit and they could not decide the price for two years. That means the city government could not sell and change the reclamation area into industrial area for these terms. Regulations and guidelines on FDI are decided by NEDA (National Economic Development Board). Infrastructure building like roads, telecommunication, water and power need coordination with the central government: Department of Public Works and Highways on flood control, Department of Energy and Natural Resources on environmental matters, Department of Budget and Management and Department of Interior and Local Government on development budget (Gera, 2009: chapter 6).

Takayose, a local autonomy specialist, wrote that a local leader has the responsibility to coordinate social interests, summarize them into integrated development plan, and implement them. At the same time, he features local government management as follows (2000: 110):

- (1) The necessary thing is to have the long-term prospect other than people's needs.
- (2) Local management needs integrated plan over the sections of government (Sasaki, 1984, insists that LGs are think tanks and integrated service centers of the local).
- (3) Local management is the creation of individualities at the area and making local resources into products. Traditional and cultural buildings are also resources of local features.
- (4) LGs need their own policy direction in pursuing the creation of individualities. Finding the trigger for local development is the most difficult task. Leadership by the mayor is decisively important with trial and errors.
- (5) Local Development is the networking of local society. LGs can build roads but they cannot develop and sell specific products. The role of LG is building networks of finance, information and human resources. The LG is the center for organizing local development.

When this author discuss with developing country people, they say, "Even though we build such kind of government-business institutionalized coordination system for promoting the economy, we cannot find out what kind of direction our economy should pursue. We do not have any particularly strong industry." It is the point argued by Prof. Takayose (in item 4). It needs to be considered from local to local. But in Japan, there are many LGs starting from "We do not have anything." It depends upon the "transformative capacity" (Weiss, 1998: xiii) of the government.

Some success stories are as follows:

- (1) Yuni Town (with six thousand population) at the suburb of Sapporo City (with 1.9 million population) had only barren fields. The city started an herb garden plan and constructed a big scale herb garden, promoted many variety of processed food industry made of herbs and the gardening industry, built networking with nearby farmers to be one of the centers of agricultural market, prepared facilities including spa for the aged to give them healing, organized tourism and events (herb festival, herb competition, etc.), organized and trained people in gardening and arranged herb and flower streets. Eventually, they succeeded to invite many tourists.
- (2) Maji Village at Kochi Province had only mountains. They promoted a kind of citrus (yuzu) and produced 50 or so qualified (100% pure) processed foods made of citrus. All countries' market is divided into two. About 80% of consumers have "the cheaper, the better" orientation even though the products are low qualified. Another 20% of consumers have "casual up" orientation and they buy value-added products, which give producers more benefits. Citrus of Maji Village became successful by clinging on qualified products and gave consumers the sense of safety and reliability.
- (3) Akasaka Town (with 5.5 thousand population) of Okayama Province had only rice as industry. The mayor constructed a steam factory for producing rice ball (a kind of fast food) to sell in thousands of convenience stores in urban areas and was heavily criticized to be too adventurous. After the failures at the starting process (many developing country people would give up at this stage and eventually would rarely get success), now the rice ball is sold throughout Japan in all convenience stores ("One hundred times failures!" was the golden word of a successful Agricultural Cooperative head in the Philippines who got a prize in the World Conference of Cooperative Movements).

Contemporary local development is almost completely separated from "rural development" that had the orientation to solve rural or agricultural problems within the framework of rural or agricultural sector development. Kitahara (1997) wrote that in Thai villages, the major income has transformed into non-agricultural sector. Utis (2001 provided!) wrote, in North-east Thailand, 76% of farmers' income comes from non-agricultural sector. In central Thailand, it is 65%. Kenneth Young (1994) wrote, "In the 1950s, the difference between rural and urban was big in Indonesia. But in the

1990s, the key word became ‘urbanization of the rural.’ It became clearer in Java and outside of Java, it was still a partial phenomena.” The linkage between rural and urban is structural nowadays. The concept of ‘integrated “rural” development’ should be considered dead and should be changed to ‘integrated “regional” (or “area”) development’ combining rural with local cities (“city region” concept in Europe) and it has changed further to the linkage with big urban cities.

### 3. LOCAL ELITE STRUCTURE AND PARTICIPATORY DEVELOPMENT

Sasaki wrote, “Decentralization as the shape of 21st century state should be the joint work between LGs and local people.” “Decentralization should be dual procedure: ‘from central government to local government’ and ‘from local government to people’ (1984: 37). Takayose wrote, “LGs have been spoiled by the tradition of ‘government from above.’ The process should not be ‘from the (central) government to (local) government’ but should be ‘from government to people,’ or from the ‘spectatorial democracy’<sup>3</sup> to participatory democracy.” “It is natural for citizens to become one sided in request style disregarding the financial base of LGs as far as the government is unaccountable” (Takayose, 2000: 6).

At present, participatory democracy is a world trend side by side with decentralization. The slogan is ‘from government to governance.’ That means, the government, having the spirit of ‘government from above’ is transforming to coordination mechanism with business and civil society organizations. Participatory democracy became popular with the ‘principle of subsidiarity’ stipulated in the Treaties in Utrecht, the foundation treaty of EU.<sup>4</sup> UNCRD (UN Center for Regional Development) published five volumes of book, *New Regional Development Paradigms*, where they

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<sup>3</sup> Democracy where the sovereign people become only spectators to watch politics between elections.

<sup>4</sup> Principle of subsidiarity is to give the lowest level community the priority of democracy and upper level government takes the subsidiary role. Things which cannot solve or inefficient to solve at the community are handed to local government and things local government cannot solve are given to provincial, and national and finally at EU level. It was founded as the principle combining participatory democracy or local autonomy with giving more power to EU level. With this principle, national sovereignty of EU member countries was guaranteed in their supremacy against EU as having more powers.

defined that “Sustainable Human Development” and “Good governance” are inseparable. At present, more than half of the UNDP budget is used for “good governance.” Decentralization was a part of more than 60% country development plan of UNDP during 1992 to 1997... Neither pure bottom-up nor top-down policies are operational in practice but only a combination of the two, embedded in the principle of subsidiarity (Stohr, 2001: 8).

But if this theory is adapted to local political reality in developing countries, where the local kingdom becomes the structure and the lack of grassroots democracy and civil society is evident, there comes out problems. Late Gordon White, a political scientist of IDS (Institute of Development Studies), Sussex University, UK, wrote, “Good deal of well-intentioned nonsense has been written over recent years about the positive relationship between civil society and democracy...Some groups are able to organize their groups more effectively in the political arena. Relatively small elite groups are able to exert far greater influence... “Civil society” may serve to intensify inequality of political access rather than correct them” (White: 39-40). Many academics point out the structural limitations of participation in developing countries.

The necessary things to be considered are:

- (1) If economic development is the most important task of the government, the mechanism duplicates with government-business elite coordination. Under that system, how can participatory democracy work effectively?
- (2) How can the grouping of people be considered? The age where landlords control tenant votes is largely finished, but still, many people are under the P-C (patron-client) system by employment, etc., and vote buying is rampant. Influence of religious organizations is also big.
- (3) Under US influence, many people associate civil society with NGOs. But in developing countries, especially in local areas, NGOs (or CSOs: Civil Society Organizations) are just dots in the larger local governance landscape. On the other hand, community organizations are proliferated widely and largely they are under the influence of local elite predominant structure. In developing countries, the majority of ‘civil’ society elements are neighborhood associations, agricultural cooperatives, chamber of commerce and industry, religious organizations, etc., and the so-called grass root NGOs are few.
- (4) For local government staffs, NGOs are reluctant partners and the target of ‘benign neglect’ (Farrington 1993). Decentralization is ‘decentralization from above’ demanded by international organizations and not the

demand from below by LGs. LG staffs are accustomed to 'govern from above' by their long years' daily OJT (On the Job Training).

- (5) The most visible feature of the NGO world is its diversity: government organized (GONGO), politician initiated (PINGO), church initiated (CHINGO), Business Initiated NGOs like Lion's Club, Rotary Club (BINGO) and semi-governmental or quasi-NGOs like CARE (QUA-NGO), etc. Agricultural cooperatives, labor unions and CCI (chamber of commerce and industry) can be included in NGO. The so-called grass-root NGOs are only a part of them. Even such kinds of grass root NGOs are oftentimes over-burdened by international NGOs and donor organizations. And the purported advantages of the NGOs have been worn away by their focus on procedural targets, increased funding, professionalization, bureaucracy and shifting of objectives from social mobilization towards service delivery (Desai 1998: 639-641).
- (6) Moreover, the core of democracy is election. Election is to elect political parties. The theory of participatory democracy neglects the relation between NGO and political party system. It seems that participatory democracy arguments discuss democracy neglecting the core part of democracy. Civil society does not seek to represent the complete set of interests of a person or a community. Rather, different groups represent different aspects of interest. It is the role of political parties to combine policies and interests into one set of national strategy (Diamond 1999: 223).

There are basically four types of participation:

- (1) Mobilization: Even under Suharto government in Indonesia, there was 'participatory development.' But the reality of it was mobilization utilizing government development projects;
- (2) Institutional participation: participation of local elite organizations like CCI and Agricultural Cooperative;
- (3) Community participation like neighborhood association and its unions;
- (4) NGO participation.

Even institutional participation is useful as far as local voices are reflected. In the typical local government participation in Japan, the following three elements participate:

- (1) Sections of local government (The ideal point is to reflect the voices of lower staffs.);

- (2) Civil Society Organizations: Representatives are Agricultural Cooperatives, CCI, and Association of Tourism. Before, when public works were many, association of construction companies was influential. Nowadays, various NPOs (CSOs) are growing like 30 or 50 in one LG;
- (3) Community organizations like neighborhood association and its unions.

In institutional participation, the initiative comes from the local government. Local government staffs function as the specialist group having overwhelming information and implementation ability in Japan. As Jon Pierre wrote, “the state is at the self-evident center of the governance network.” “In many developing countries where the civil society is weak and systems of political and social representation are still poorly developed, the state remains the only structure in society with some degree of continuity and insulation from sectoral and corporate interests” (Pierre, 2000: 79, 112).

It is a great surprise for people in developing countries that long term development plan prepared by participatory way under this kind of framework do not change much even after the change of mayors. Institutionalization level is low in developing countries and the basis is ‘human rule’ rather than ‘rule of law.’ That is why when the leadership (i.e., governor or mayor) changes, all change. At the same time, participatory way gives participants the idea that “we made the development plan” and gives them a sense of ownership, responsibility, reliability and partnership to the LGs. When the plan is actually implemented, their identity to LGs becomes stronger.

In the Philippines, the new Constitution under President Corazon Aquino (1987) concluded after the demise of President Marcos dictatorship, stipulated the cooperation between government and NGOs under a participation context. Under the Local Government Code of 1991, it was stipulated that local development plan must get the approval from Local Development Council where more than 25% of representatives should be from NGOs. But conservative local politicians nominated NGO representatives from CCI, Lion’s Club and other elite organizations and created frustration and disappointment among grass root NGOs. But still in some provinces, governors invite all kinds of NGOs to organize coordination. One mayor pursued populism and gave budget for promoting microfinance to the poor through NGOs. The political structure does not change in a large framework but generations change among politicians and some results of reform are appearing.

If the participatory way is viewed from NGO activities, it is still episode scale. Pursuing participation within the framework of elite dominated local political economy is to pursue harmonious model of politics. That means the empowerment of powerless can be attained without destroying local elite structure. But is it possible? The point is that we are required to think of participatory model without considering its political context under the framework where decentralization means promoting local kingdoms or democratization means nominal democracy.

On the other hand, the alternative is to pursue formal logic, "LGs are the biggest service center of the local society" (Sasaki, 1984: 50). The role of central government is important. As Franz Neumann wrote, "Stable democracy at the central government level must take precedence over local democracy. It is the power of the central government which appears as the guarantor of political freedom against the local governments" (Neumann 1957: 225). It is still a big issue how to redefine and reorganize central government ministries, which are organized under centralism, to fit in the era of decentralization. A very bad example is the Philippine DILG (Department of Interior and Local Government) which still cannot find out a redefinition of its role after decentralization. It should be reorganized as the service organization to support local governance by changing DILG as the information center, consulting center, training center and coordination center for the co-administration tasks toward promoting better local governance.

#### **4. CAPACITY DEVELOPMENT OF LOCAL GOVERNMENT**

Side by side with promoting decentralization, the capacity development of LGs became another focus. Capacity building is defined to start the process from the beginning while capacity development is defined to start from the middle. But two words are mixed in many places. As already mentioned, capacity for development plan making and its implementation are the core part of decentralization and local autonomy. It was said that for recruiting staffs, central government ministries get the best, local branch offices of central government ministries get the second best and LGs get the remaining better part. Moreover, LG staffs got 'OJT (On the Job Training)' for long years not to take the initiative and just wait for the order coming from upper governments. Under such situation, the age of local autonomy came, and by being demanded to take initiative for plan making and implementation without giving reasonable budget, local government staffs

understand, “Decentralization is the order from above and not our desire.” “What shall we do?” “We are enforced to organize direct discussion with NGOs. OK. Let them speak. After that, let them leave. You can neglect them.” “NGO means No Good Organization. They are just noisy.”

Capacity development consists of three tiers system, a framework widely used in international organizations:

- (1) Individual level: human resource development and upgrading specialty, merit system for recruitment and promotion, on/off the job training, salary level, labor conditions, etc.;
- (2) Organization level: system for managing the organization. The target is policy led management: management structure, work place social environment, leadership structure, incentive system, delivery of proper person to proper position, etc.;
- (3) System level: Accountability system of all government institutions, policy formation mechanisms (including the level of financial devolution, co-administration), rule of law system and its level of implementation (how far is the political will of leadership against corruption), mechanisms of local representatives at the national level (Decentralization is not the issue of public administration but the issue of politics including provisions of the constitution).

Concerning the individual level capacity development, the core is rejecting nepotism and introducing a merit system in recruitment and promotion. The second important element is on/off the job training (OJT/OffJT). OffJT means the training on the desk like lectures, teaching the details of job, regulations, authorities, and the reality of job. OJT is to make new staffs handle jobs and senior staffs check it while teaching the know-how. The basic of human resource development is OJT/OffJT as a set: make staffs accumulate experiences in the field; make staffs experience working in different sections; exchange of experiences in the section and over the sections; and make staffs experience participatory way of government management so as they can have the sense of CS (Customer Satisfaction) and also how to connect with government policies. Government staffs know “from government to governance” but largely they do not know actually how to implement that (concrete cases). Make staffs experience how to train junior staffs and systematize training of junior staffs in the organization. Do not train junior staffs with “wait for the instruction.” Give them a chance (=authority). All of individual level capacity development connects with organization level capacity building (cf. Turner 1997: 117). When this

author asked a mayor in Japan which is more important between recruitment and training, he answered, "There are stones that become jewels after polishing and those that do not become jewels even after polishing." In case of recruitment, even though it is very carefully practiced, the result is that 1/3 is very good, 1/3 is no good and 1/3 is in between the two (Drucker 2000). As Jon Quah, professor of public administration in the University of Singapore, wrote, "The public bureaucracy's first challenge is to attract, motivate and retain the 'best and brightest' personnel in the face of competition from the private sector and other countries (migration)." "Non-money rewards and recognition (spirit of challenge, spirit of pursuing social justice, spirit of popularity among the people) instead of depending only on salary revision and rapid promotion." "Be responsible for constantly improving the quality of service provided to the public." "Making clear that 'corruption has a deleterious effect on administrative efficiency and political economic development'."

Concerning the capacity development at organizational level, organizing the system for individual level capacity development is the first priority. All organizations highly depend upon the quality of human resources. That means, if the consideration of recruitment and promotion is based upon merit system and not mixed with bribe and nepotism, if OJT/OffJT is systematized in human resource training; if the positioning of human resources is suitable for utilizing strong points of individual staffs, if staffs who were trained on certain jobs are positioned to utilize their skills or are sent to positions having no relation with the staff training, all these factors connect with organizational management.

Concerning the capacity development system's level, it is the most important but the most difficult field to tackle. Corruption prevention cannot be practiced only in one section but can work in the total upgrading of accountability mechanism. Without having reasonable level of budget, many organizations cannot work. It means the precondition of capacity development is not filled. The mechanism of local representatives at the national level means if the opinion coming from the local government can be reflected in national policy making. Another case is the authority level of local government heads. The legal system sets the framework (like local autonomy law or anti-corruption law).

In the Philippines, when the Local Government Code was concluded in 1991, the law made the major cities to be separated from the province and set major city's status the same with province. Moreover, a wide range of central government powers at the local level remained. By doing that, the

national congress weakened the power of the provincial governor against members of congress who are elected from provinces. Eventually, the provincial development plan had to remove provincial center city and it became impossible to prepare an 'integrated' development plan. The framework of local government capacity development depends not only upon the elements explained above but also on the level of devolution of both power and finance, level of multi-ethnic situation at the local, political party structure (if it is centralism or union of local cadres), and the authority of national and local parliaments.

In developing countries, the way of dividing subsidies to LGs is equal. In Japan, "competitive local autonomy" has been introduced, where about half of the subsidy is divided evenly according to the population, scale and local tax collection level. Another half is in the hands of the central government ministries and they prepare various national projects to be practiced at the local, like IT promotion at cities, agricultural modernization projects, city center modernization project, among others (a few thousand projects). LGs are requested to apply to get project-based subsidy and the central government ministries select them and give subsidy to some good plans. LGs that can arrange good plans can promote development by getting subsidy. When such competitive local autonomy system continues for many years, naturally the capacity development is accumulated among LGs. No good LGs are demanded by the central government to send delegates to successful LGs to replicate and if the plan is acceptable, the subsidy is provided. By doing that, a certain level of balance among LGs is arranged (Endo, 1999).

By giving more authority to LGs, the necessary thing is for the central government to lead or advice LGs (with certain budget background, otherwise, it does not work) to make LGs transform from 'former example based' administration control to 3Es (efficient, effective, economic) based 'administration management' and also to 'policy management' pursuing rational policy selection (Takayose 2000: 9). A further step is building an e-government (Hitachi 2003). As Matsushita wrote, "There are 3000 (now 1700 after amalgamation movement) LGs in Japan and better policy making and better management are pursued in various LGs. Eventually, it is natural that the better way comes from LGs rather than from the central government ministries as far as local autonomy is given." "The old style policy creation came from foreign countries to central government and it was sent down to LGs (top down model). The new style policy creation is from advanced LGs to central government ministries and sent to 'sleeping' LGs" (Matsushita, 1991: 200, 268). Here, the new role of central government ministries is clear.

It is the promotion of local autonomy or upgrading the quality of local governance in the age of decentralization.

Sasaki's book, *The New Local Government*, is very indicative. The core of LG management is the balance between plan, budget and personnel. LGs are policy governments. Staffs are at the frontline of policy implementation, listening to people's voice, doing monitoring in their everyday job, and they have the potential to upgrade policy development in the next stage. LG staffs do not practice LG jobs as the "bottom administration" rather as the "front administration," "when the system works." Staffs are policy-oriented staffs. It is also important to utilize the private sector. LGs should be the jointly managed government (or think tank) among local citizens, enterprises, universities and government staffs (Sasaki: 95,71,15,118).

On the other hand, at the time of listening to people's requests, it should be noticed that there is an "opinioned minority and silent majority." Majority of the people are "silent majority." Those who speak a lot at the time of various meetings are often times a handful of specific persons who are called "opinioned minority." Their opinions have gaps sometimes with other people. All opinions and requests coming to the LGs need to be evaluated in the integrated development policy (total structure of public policies) pursued by LGs, set the priority and think about the alternative. Distinction of requests to be solved by private help, community help, and public help is necessary. For example, instead of increasing medical budget, promotion of annual physical checkup for disease prevention and aged person's exercise facilities will be more important. Sasaki insists, "Local people know the local issues very well. It seems LG staffs do not care much about the ability for policy proposal as professionals about what should be the best policy mix for upgrading the attractiveness of the local. Upgrading this ability should be the target of training through policy studies (denial of top down and introduction of coordination mechanism) (Sasaki: 135). "Administration without having a target" is like "administration without having a responsibility" and the "hotbed of ineffectiveness." "There is no analysis without data. There is no strategy without analysis" (Shimizu, 1997: 191). Mr. Shimizu, who experienced long years of training public officials wrote, "Management is the skill for utilizing four elements: human resources, budget, things, and information." "Don't develop all policies evenly. Select some, prioritize issues, and concentrate on the four elements as high priority issues. Even division of budget is just no good policy." He also develops the 2:6:2 rule that is well known in Japan. All organizations have 20% good guys, 20% no good guys and 60% between the two. The

organizational environment is decided by which part of the 20% influences the middle 60%. One government staff of developing country denied that by saying, “in our government, 90% are no good guys.” This author replied, “That means the 20% no good guys influence not only the 60% middle but also penetrated into the 20% good guys.”

Only practicing individual level training is insufficient for building an organization’s capacity development. But the present capacity development efforts are practiced within the framework of neglecting the system’s level capacity development. Eventually, the result is a limited one. When this author talked with the former rector of Syiah Kuala University, a national university of Aceh Province, Indonesia, on the rehabilitation from giant tsunami in 2005, he noted that the delay of rehabilitation does not come from the malaise of LG staffs. It comes from the system of LGs. There are many regulations and even though there are emergency things to be tackled, doing job with discretion is not allowed as far as it is a violation of regulations. It might be said to be corruption by nepotism. In another case, under severe insufficiency of supplies, contracted price becomes obsolete very quickly and a change of contract becomes necessary ‘according to regulated process once again.’ These are a part of the system.

## **CONCLUSION**

In developing countries, the institutionalization of government is still at a low level. Eventually, building the shape of the state and deciding and implementing an integrated development plan is at a low level. They have long years’ experience of centralism. The recent world trend of decentralization functions as ‘decentralization from above’ demanded to practice by international donors. There are two categories in it. One is deconcentration, giving more powers to local offices of central government ministries. Many “decentralization” utilized during 1960s and 1980s were actually deconcentration. It was more suitable to say ‘local administration.’ Another one is decentralization/devolution of powers to local government. In this case, it is “decentralization within the framework of centralization,” giving 10-30% of power from central government to local government is the standard.

In developing country local areas, politicians and bureaucrats are less educated, more traditional and authoritarian oriented. There are less NGOs and less freedom of the media. People are more ‘connected’ with various

parts of society. Mutual disbelief between local government and grass-root NGOs are quite significant. Their coordination is practiced more in the 'participation framework from above.' For central government politicians, the important thing is on how to connect with local politicians who can collect votes for them and do not consider much on how to promote participatory democracy. Basically, under decentralization, what is strengthened is "local kingdom." Still, decentralization as the world trend is already penetrating and the institutional arrangements are beginning to surface. Things are transforming to a certain extent.

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