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REUTERS/RICKEY ROGERS

Passing the baton in Argentina

After passing the presidential sash and staff to his wife, Cristina Fernandez, outgoing Argentine President Nestor Kirchner joins in the applause. The inauguration took place in the Congress in Buenos Aires on Dec. 10, 2007

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- 33 Words count in federations, where 'shared rule' is a misnomer
BY GEORGE ANDERSON

BY ROD MACDONELL

IN THIS ISSUE OF FEDERATIONS WE HAVE PUT TOGETHER FOR YOU A mix of compelling news stories and a series of thematic articles about local government in five key federal countries (see pages 11-22).

Our cover story is about Cristina Kirchner, an experienced and deft politician in her own right, taking over the presidency of Argentina from her husband, Néstor, in an electoral victory last October.

Ms Kirchner will not be governing alone though. The writers of the article, economists Miguel Braun and Martin Ardanaz, note that presidential power in Argentina is counterbalanced by powerful governors and strong federal institutions.

Our article about Nepal is a first in this magazine, mainly because the country, sandwiched between China and India, only recently transformed itself from a kingdom and adopted a federal constitution, a provisional one at that.

The writer, Alaya Bhardra Khanal, the acting editor of the Himalayan Times, explains how the country's recent troubled history has brought it to the brink of federalism, a system that could gain traction among the country's diverse ethnic groups.

In Nigeria, the people expect President Umaru Yar'Adua to provide an adequate supply of drinking water, electricity, health services, educational facilities and roads. He has yet to fill this tall order.

Journalist Martins Oloja, the public affairs writer with Nigeria's Guardian newspaper, writes that a "dysfunctional federal system and the lack of a culture of public service have made

democratic institutions unaccountable" in Nigeria.

In Indonesia, the centre has been cautiously ceding powers to the provinces and the country has remained intact. Ridwan Max Sijabat of the Jakarta Post observes that in contrast to the recently deceased president Suharto, the non-confrontational style of President Susilo Bambang Yudhoyono has allowed the decentralization process to continue in an orderly fashion.

In neighboring Malaysia, Sonia Randhawa, of the Centre for Independent Journalism, explains that the ruling coalition, which has held power for 45 years straight, has faced down two recent political demonstrations with thousands of protesters demanding electoral reform and an end to alleged ethnic discrimination. Contrary to the trend in many contemporary federations, the federal government in Malaysia claws powers away from the states.

Back in the United Kingdom the piecemeal devolution of power is bedeviling, according to the analysis of Charlie Jeffrey, a professor of politics at the University of Edinburgh. There are still gaping holes, such as determining the role of the ancient Parliament at Westminster.

Federations magazine regrets the passing of political journalist Bénédicte Vaes, 60, of Belgium last November. Ms Vaes, of the newspaper Le Soir in Brussels, co-wrote the article "Social security brings Belgians to Brink" in the last issue of Federations magazine. Belgian Prime Minister Guy Verhofstadt said that "Belgians will miss Bénédicte and her ability to connect the people to the politics (of the country)."

IN THE NEWS

US states' health care blocked by federal law

A federal law is preventing several US states and cities from offering universal health coverage to their residents. Some state health-care plans require employers to offer health coverage to their employees or put money into a public fund that would help pay for uninsured residents. However, a federal law now prevents states from compelling employers to provide benefits such as health coverage. This controversy has resulted in a legal battle in San Francisco that could very well determine the extent to which states can impose coverage for uninsured residents.

A new era of co-operation in Australia

Australian federal and state industrial relations ministers met in Melbourne in

February to negotiate the details of doing away with the controversial WorkChoices program of former Prime Minister John Howard's Liberal-National government. The meeting was held in the wake of the election of Kevin Rudd's Labour government in November 2007. The WorkChoices program makes it difficult for labour unions to organize and bargain collectively.

Canadian provinces propose plan to fight climate change

British Columbia, Manitoba, Ontario and Quebec, four Canadian provinces that account for more than half of the country's greenhouse-gas emissions are proposing a national plan on climate change that could eclipse the federal government's national plan to cut emissions. The federal government's plan imposes targets on industry, but the four prov-

inces are proposing a cap-and-trade system that would limit the amount of greenhouse gases individual polluters can emit. The environment is an area of shared jurisdiction in Canada.

Nigerian local government holds election in disputed border area

Municipal elections were held in the new Bakassi local government area of Cross River State on Jan. 26, 2008 despite a Nigerian federal High Court injunction. The area is part of the oil-rich Bakassi peninsula which Nigeria had agreed in 2006 to hand over to Cameroon. The injunction barred the Cross River Independent Electoral Commission from holding an election in the municipality. The High Court is considering filing contempt charges against the chairman and members of the Commission.

Nepal proclaims itself a 'federal democratic republic'

But whether it definitely becomes one is to be decided in April

BY AJAYA BHADRA KHANAL

IN DECEMBER 2007, NEPAL'S INTERIM legislature proclaimed itself "a federal democratic republican state." Nepal had previously amended its constitution to become federal in March 2007, but this bill abolished the monarchy as well. For this poor, landlocked former kingdom in the mountains and foothills of the Himalayas, such a change would be a huge step. Nepal, sandwiched between India and China, has few natural resources beyond quartz, hydroelectric power, timber and scenery. After a 10-year civil war that drastically hurt tourism and other industries, all parties were eager for peace.

The monarchists, once one of three main political forces in Nepal (along with the Nepali Congress Party and the Communists), have dwindled into a minor political movement. The monarchy's popularity sank after the death of King Birendra in a notorious palace massacre in 2001. After his brother Gyanendra dissolved parliament and took control to battle Maoist insurgents in the civil war, human rights abuses by the government turned many against the king.

The resolution in parliament that abolished the monarchy was passed by 270 votes to 3, with 56 abstentions. The vote must still be confirmed by a special constituent assembly to be elected on April 10 to draft a new constitution.

An unlikely choice

With an average Nepali earning less than US\$1 a day, the words "democratic" and "republic" seem to an outsider to represent goals that Nepalis might aspire to. But why was "federal" added to them? The answer lies in the diversity of Nepal, in its geography, its many ethnic groups and in a widespread mistrust of rule from



AP PHOTO/ BINOD JOSHI

The end of the road for Nepal's King Gyanendra came on Dec. 28, 2007. The legislature declared the country a 'federal democratic republic' and stripped the king of all his remaining powers.

the capital, Kathmandu.

Just two years ago, Nepal emerged from a 10-year civil war between the Maoists and the Royal Nepal Army. With a third of the population living below the

poverty line and less than half the population able to read and write, the insurgents found fertile ground when their revolt began. After the loss of more than 12,000 lives both sides were tired of the war.

In April 2006, the king was forced to recall parliament and step down from

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power in what became known as “the April Revolution.” This non-violent revolution produced a partner that was willing to negotiate with the Maoists to end the war: a seven-party alliance of all the centre and left parties in parliament.

However, the Maoists only agreed to lay down their arms and enter the political arena in return for membership in a coalition government and an agreement to abolish the monarchy. Both conditions were met by the seven-party alliance and the cease-fire has held.

At the request of both the alliance and the Maoists, the UN sent a mission to Nepal beginning in January 2007 to verify the armaments of both sides and to assist in the peace process.

The UN sent arms inspectors, mine action experts, elections advisors and civil affairs advisors to seven different sites in Nepal.

Conflict rooted in diversity

Nepal’s conflicts arose out of geography, ethnicity and class. The country is made up of the mountains in the north, the hill country in the middle, and the Madhesh plain in the south. There are more than 100 different ethnic and caste groups in Nepal, most of whom live in the hill country and the Madhesh.

Most people in the north and hill country speak one of 13 Tibeto-Burman languages while most Nepalis in the south speak one of 6 languages related to Hindi. In the Madhesh, conflicts over land between Tibeto-Burman Nepalis and Madheshis have continued to today. The caste system prohibited access by lower-caste Nepalis to many professions, and minority ethnic groups were usually treated the same as the lower castes.

The Maoists were one of the splinter groups of the Communist Party of Nepal. After they broke away, they began the civil war, launching a “People’s War” in the countryside in February 1996. In 1997, while reviewing the first two years of the war, the Maoists adopted a strategy of creating national or ethnic and regional fronts pushing for regional autonomy

and the right to self-determination of oppressed nationalities. Eventually, federalism, an unlikely choice for communists – who generally believe in strong central governments – came to be seen as a politically acceptable solution to the Maoists.

Maoist leader Dr. Baburam Bhattarai said in an interview: “We did manage to insert the provision (in the peace agreement) that there would be an end to the unitary state structure.”

“For us, the only alternative to a unitary state structure was a federal state structure.”

In the early 1990s, a small group of politicians in the Nepali Congress Party, with their roots in academia, began to express dissatisfaction with the centralized state machinery, and began promoting both regional structures and

otherwise known as the Communist Party (UML). It is the country’s largest communist party aside from the Maoists. This meant that all three large parties in parliament agreed that Nepal ought to be a federation.

Concept still fuzzy

Nepal has never had experience with a federal system, and many Nepalis are unfamiliar with the concept. Yet there were grassroots organizations campaigning for such a change in the political system.

In the Madhesh region, people continued their protests long after the April Revolution. In December 2006, part of the Nepal Sadhbhawana Party organized a campaign in Nepalganj in western Nepal to demand a federal system. It marked the beginning of confrontations

between the Madheshi people and people from the hill country who had settled in the Madhesh. A similar incident in eastern Nepal in January 2007 triggered a second period of unrest led by the Madheshi People’s Rights Forum.

“The idea of federalism may not have been incorporated in the constitution were it not for the Madhesh (protests). It is a bitter truth,” said Nepali Congress General Secretary, Bimalendra Nidhi, who also represents the Madhesh.

To help Nepalis gain

access to the political process that will decide their future, Nepali and international non-governmental organizations (NGOs) have been hard at work. Care Nepal helped an organization of the lowest caste members in Nepal, the former untouchables, to organize a national workshop on the role of political parties in ensuring representation of the lowest caste members.

In November 2007, a radio program on how to participate in the electoral process was produced and broadcast to remote rural areas by the Collective Campaign for Peace, a grassroots network, with support from the Washington-based Advocacy Project.



Maoist supporters destroy a royal symbol on a “Welcome to Kathmandu” sign in October 2007.

federalism as antidotes.

By the middle of 2007, this party had also converted to a federal system. In its election manifesto, it said that the “will to end conventional state structure and rule and carry out a democratic restructuring of the state” was one of the mandates of the April Revolution.

The Nepali Congress Party has proposed a three-tiered federal structure, including the centre, regions and local governments. They want the central and regional parliaments to elect the head of state. There would be a bicameral parliament in Kathmandu and unicameral parliaments in the regions.

During the civil war, federalism had also made inroads with the Communist Party of Nepal (United Marxist-Leninist) –

[CONTINUED ON PAGE 32]

U.K. devolution hits a snag after 10 years

Local control for Wales, Scotland, and Northern Ireland – but not for England



Jack McConnell, the Scottish Labour Party leader (l.) and Alec Salmond, leader of the Scottish National Party, wait for the cue to begin a pre-election debate in April 2007. Salmond won the race for the Scottish Parliament and formed a coalition with the Green party.

BY CHARLIE JEFFERY

NINE YEARS AFTER THE LAW WAS passed creating the Scottish Parliament and the Welsh Assembly, devolution appears to be producing the kind of transformation that many expected. All the new devolved governments established after the 2007 elections in Scotland, Wales and Northern Ireland contain nationalist political parties with ambitions in the short or long term to leave the U.K. The Scottish National Party (SNP) leads a minority government in Scotland. The Welsh nationalist party, Plaid Cymru, is junior partner in coalition with Labour in Wales. Finally, Sinn Féin, the Irish nationalist party, became number two in

the improbable coalition government of U.K. unionists and Irish nationalists that was finally formed successfully, and relaunched devolution in Northern Ireland in May 2007.

Unsurprisingly, given this set of election outcomes, arrangements for government in the four nations remain contested. The SNP published a historic White Paper in August 2007 advocating independence. In Wales the Labour and Plaid Cymru coalition plans a referendum on stronger legislative powers for the Welsh Assembly by 2011.

A new debate about the government of England has also flared up. Prompted mainly by Conservative commentators, the English debate highlights concerns about the post-devolution Anglo-

Scottish relationship, including representation at Westminster and the higher level of public spending Scotland enjoys. The problem was that, while Scottish MPs at the U.K. Parliament at Westminster can vote on decisions that affect England, after the creation of the Scottish Parliament, the same Scottish MPs had no say on similar decisions for Scotland. They can still decide on local matters for England because there is no English Assembly. One outcome appears to be a firming up of the Conservative Party's commitment to reform the way the U.K. Parliament deals with English business after devolution.

An unfinished devolution

Only on the subject of Northern Ireland is there currently no appetite for revisiting government arrangements – a

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reflection of the way that polarized constitutional debate disabled earlier attempts at devolution. Few would bet, though, that the government of Northern Ireland has achieved enduring stability.

The union of nations that makes up the U.K. is, in other words, in flux. That poses a particular challenge to the new Scottish U.K. Prime Minister, Gordon Brown. Brown is in a sensitive position: an MP from a nation that has extensive devolved powers of government is now Prime Minister, responsible to a Parliament that is unable to legislate in wide areas of policy for his constituency.

While there are plans to reform the House of Lords, almost nothing in the proposals so far reflects a federal relationship, let alone a change to a second chamber for the regions.

Brown has been the only senior U.K. politician to devote serious thought to the nature of the U.K. union and what holds it together. His theme has been "Britishness." In a series of speeches, he has tried to map out the shared identity and values that build a commitment to the U.K. state across its component nations. As Brown said in a recent visit to Scotland: "For all of my political life, I have stood up for Britain and I stand here today again to speak up for Britain and Britishness and for the values that make us proud of our Britishness."

Sharing values with Scotland

Though it is doubtful that the Scots and the English mean the same thing by Britishness as an identity, Brown has a point on values. Public opinion research shows that people across the U.K. have more or less the same attitudes on fundamental values such as the balance of market and state, or the duty of solidarity between rich and poor.

The problem Brown faces is that after 1997, governments in which he was a key member have put too little thought into crafting the institutional relationships needed to underpin the partnership of England, Scotland, Wales and Northern Ireland after devolution.

To put it bluntly: devolution has been a project of the parts, not the whole. Its logic is piecemeal, with different U.K.

ministries introducing different types of institutional reform for different reasons in each part of the U.K. Those reasons may all be good ones for devolution in Scotland, in Northern Ireland, or in Wales. But each reform has implications beyond its own territory; all impact on the nature of the union that makes up the U.K.

It is these implications – the effects of reform in the parts of the U.K. on the nature of Britain – that have been neglected. Beyond Brown's occasional speeches there has been no attempt at a systematic articulation of how the U.K. envisions its post-devolution format as a



British Prime Minister Gordon Brown carries the legacy of devolution, an initiative of the Labour Party.

expressed in legislative powers, freedom of spending within the block grants received by the devolved administrations, and in the weakness of mechanisms for co-ordination with the rest of the U.K. That permissiveness is amplified by the different dynamics of government formation produced by the distinctive electoral and party systems in operation outside England, as seen in the 2007 election results. All this, of course, is to an extent what devolution was for, to bring different approaches to government better reflecting preferences outside England. But there is somewhere a tipping point where the scope for autonomy begins to rub up against the content of common citizenship, which membership of a union implies. The U.K. lacks an institutional structure capable of recognizing and regulating that tension.

Restoring legitimacy

Devolution reforms were each introduced in a self-contained way to address a problem in one part of the U.K. and did not take into account the possibility of spill-over effects on other parts of the U.K. For example, devolution was introduced in Scotland to restore for Scots the legitimacy of U.K. government. And it has largely done so, but what we have seen, especially in the last year or so, is a growing sense in England that Scottish devolution is unfair to the English. Piecemeal devolution may solve one problem, but end up creating another.

The biggest problem of piecemeal devolution is England itself. England dominates the U.K., with 85 per cent plus of U.K. population

and GDP. It is governed by U.K.-level institutions that combine and often confuse England-only and U.K.-wide roles. The devolved administrations have little grip on those fused Anglo-U.K. institutions. Within a single U.K. economic market, welfare-state and security-area decisions taken by those Anglo-U.K. institutions all too easily neglect, ignore or confound devolved interests – sometimes with wilful intent, more often because the devolved nations lie low on the Anglo-U.K. radar.

whole. One unanswered question is what the role of the centre – the U.K. Parliament at Westminster and the U.K. government – should be. Nor is there an answer to how Westminster now relates to the devolved territories and how the parts now add up to make a whole.

There are at least four reasons why this understated and piecemeal approach to devolution is a problem:

The structure of devolution is unusually permissive of policy-making autonomy. This permissiveness was

Piecemeal devolution superimposes political borders on what is, in large part, borderless public opinion across the U.K. There are few significant differences in the values that the Scots, English, Welsh or Northern Irish hold. Most people across the U.K. appear to dislike the idea that policy standards might diverge from place to place after devolution. Devolution did not reflect vigorous public demands for different policy agendas from those favoured by the English; it was much more a demand for proximity and ownership of decision-making, a sense that Westminster was too remote and unresponsive.

Resolving tension

There might appear to be a contradiction here between a preference for uniform policy standards and a demand for devolved government likely to produce diverse policy standards. There might be indeed, but the British are not unusual in that contradiction. The same contradiction plays out in Germany, Canada, Belgium, Australia, and pretty much anywhere with federal or devolved government. The difference is that those other places have well-established techniques for managing and resolving that tension which the U.K. lacks. Some of those techniques are institutional, and include, for example:

- nationwide legislation which sets minimum or framework standards;
- conditional grants or co-funding arrangements between central and devolved governments that address agreed nationwide priorities;
- intergovernmental co-ordination structures that give devolved governments real grip at the centre.

Such co-ordination structures can be highly formalized, written into the constitution, carried out through territorial second chambers, and subject to judicial process. They can also be highly informal, lacking a legal basis, but reflecting instead convention and practice. They can police quite exacting assumptions that all citizens should have more or less the same package of public policies wherever they live (as in Australia or Germany). They can express looser understandings of nationwide “social union,” which act as minimum standards amid quite divergent packages of public

policies from one region to the next (as in Belgium or Canada).

The U.K. lacks such institutional techniques for balancing the whole and the parts. It has haphazard sets of interactions between devolved and Anglo-U.K. officials and ministers that are not transparent as to when they happen or what is discussed. The interactions are also asymmetrical: the Anglo-U.K. officials and ministers are more powerful. They certainly do not give the devolved administrations the weight at the centre that might balance the English elephant in the U.K. boat.

The absence of routinized rules of the game in balancing nationwide and devolved interests is perhaps the central reason why the Union has not found equilibrium after devolution, and that constitutional debates about how to govern the four nations were reignited during 2007.

Debate reignites

The reason why those debates flared up last year is important. Until then, devolution had a smooth ride because Labour led the governments at the U.K. level and in Scotland and Wales from 1999 to 2007 (devolution was mostly suspended in Northern Ireland in that period). In those roles, Labour could act as a broker of differences between U.K. and devolved governments. But, more generally, Labour dominance was also the basis for complacency regarding the adequacy of the institutional arrangements for union established in 1999.

The challenge Prime Minister Brown faces is to make up for lost time in a situation where he now has to deal with other parties, including a long-standing foe in the Scottish First Minister, Alex Salmond. He has not yet shown much of a hand. Brown's 2007 Green Paper on The Governance of Britain said nothing about devolution. Perhaps he will have more to say if he wins his own mandate at the next U.K. election, which must be called before June 2010.

Brown will be looking for Labour to do well everywhere so as to engage from a position of strength with the centrifugal pressures devolution has set free. But he will face a resurgent Scottish National Party in Scotland and, perhaps, a Conservative Party tempted to play an “English card”: because it has so few seats

to defend in Scotland and Wales, it could see votes in presenting the English as the losers of the devolution era and the Conservatives as their defenders. Brown may get caught in a pincer movement of English Conservatives and Scottish Nationalists. As the leading Conservative critic of devolution, John Redwood, put it: “The more the question of England becomes central to debate south of the border, the more Alex Salmond will fuel it, and the weaker Gordon Brown will become.”

Playing the English card

How the Conservative Party plays “the English card” could change things in the U.K. While their party had opposed the devolution of Scotland and Wales as brought in by the Labour government, some young Tories are calling for the completion of this process, not its repeal. Conservative MP Mark Field has called for “four, full, national parliaments in England, Scotland, Wales and Northern Ireland with most of the existing powers of the House of Commons and over them a federal United Kingdom parliament, which would debate defence and foreign affairs, make treaties and administer a cohesion fund for the poorer parts of the U.K.” In his model, the House of Lords would be abolished, and the U.K. parliament would meet in the old House of Lords chamber. This new U.K. parliament would be made up of delegates from each of the four regional parliaments, thus avoiding increasing the number of politicians to pay and to elect.

The official Conservative Party policy is far from such a proposal, however. There are even signs that the Conservatives are seeking common cause with Labour, with both signed up to a new Scottish Constitutional Commission proposed by the Labour leader in Scotland, Wendy Alexander, last December. That unprecedented show of unity across the U.K.'s main unionist parties suggests the stakes are high as we approach the next U.K. election. Only a decade after leading Labour politicians argued that devolution was a “settled will” and would “kill nationalism stone dead,” that election may well be about whether Labour can hold the U.K. together. 



Suharto's iron fist brought 32 years of centralized stability to Indonesia

Ten years after his departure, Indonesia's fractious provinces acquire new powers

BY RIDWAN MAX SIJABAT

WHILE INDONESIANS PURSUE their headlong plunge into decentralization and devolution of powers to the provinces, the nation paused recently to ponder the legacy of Suharto, their former iron-fisted leader, whose 32-year tenure brought them peace and some economic development but denied them the ability to contest his rule.

Suharto's death on Jan. 27 came almost 10 years after he relinquished power. Despite more than 30 years of stability, his critics, including human rights groups and the international media, held him responsible for political repression, unresolved human rights abuses and corruption that benefited his family and his cronies.

Suharto was no supporter of federalism for Indonesia, a view his detractors claim was a cover for his corrupt profiteering from the natural resources of the provinces and for a kleptocracy that would inevitably be curtailed with the ceding of powers to the provinces over the resource wealth.

Today, the style of President Susilo Bambang Yudhoyono has been to build consensus and form issue-by-issue coalitions in the legislature. Dubbed "the thinking man's general," the former military man and first directly-elected president – former presidents were elected by the legislature – has allowed the country's decentralization program to proceed in an orderly fashion.

His non-confrontational style stands him in good stead, less than two years before the next election.

The country, considered a centralized state before the reforms began, has gone through nine years of political decentralization starting in 1999 and reached a landmark with what Indonesians call the "big bang" in 2001. Since then, the country has implemented one of Asia's

most ambitious decentralization programs. From 1999 onward, the program has continued through the administrations of four successive presidents, transferring powers, money and even civil servants from the capital to the provinces.

Many Indonesians feared that such moves would lead to the break-away of many provinces. But except for East Timor, which voted to secede from Indonesia in 1999 and became a UN-recognized country in 2002, that has not happened.

Instead, what Indonesians call "special autonomy" – something like the powers of a Canadian province – has been granted to the provinces of Papua and Aceh, and the one-time rebels from those regions have laid down their arms and become politicians. The recent decentralization of powers in Indonesia has been extended to the rest of the country's 33 provinces. In some cases it has gone beyond decentralization and has been more like devolution, the ceding of authority by a central power of a country to another order of government within the same country.

Indonesia gained its independence from the Netherlands in 1949. During the country's first 50 years of independence, the word "federal" was considered an expletive. Every patriotic Indonesian was expected to support "the Unitary State of the Republic of Indonesia." This anti-federal sentiment was firmly rooted in Indonesia's opposition to its former Dutch colonial rulers, who sought to impose a federal form of government on



A woman carries her child past a poster of former Indonesian president Suharto, who died in January.

AP PHOTO

an independent Indonesia after the Second World War.

Today, the Dutch are long gone and, ironically, Indonesia's 33 provinces are seeking increased powers from the central government in Jakarta. Some Indonesians are openly calling for federalism, which would have been unthinkable a few years ago.

What caused this major shift? First came the downfall of Suharto's authoritarian regime in May 1998. Then movements for democratization and decentralization swept Indonesia and gave provinces and regions wide-ranging autonomy under four consecutive presidents: B.J. Habibie, Abdurrahman Wahid, Megawati Sukarnoputri and,

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since 2004, Susilo Bambang Yudhoyono.

Indonesia would be a difficult country to run with a completely centralized government. The nation has a population of 230 million living on more than 17,000 islands. It also has the largest Muslim population of any country, although the population is also nine per cent Christian, two per cent Hindu and one per cent Buddhist. There are 2,500 ethnic groups with their own languages or dialects of Indonesian. Until 1998, the country's 33 provinces and more than 480 regional governments and municipalities had few powers of their own.

Increasing decentralization

Since Indonesia's decentralization program began, the central government has handed over an increasing number of its powers to provinces and regions, allowing them to deal with their domestic affairs in almost all sectors, except defence and security, matters dealing with foreign affairs, monetary policy and judicial and religious affairs.

The regional administration law of 1999 and the fiscal balance law of the same year have been revised three times since then to give increasing autonomy to the regions. The regions now handle most domestic affairs, particularly local elections, fiscal matters, investment and natural resource exploration. As well, Papua and Aceh, two provinces in the country's western and eastern tips, both of which had secessionist movements in the past, have received a special form of autonomy with enhanced powers in all areas. Significantly, both provinces now

have shared jurisdiction with the central government over natural resource exploration and management.

Agus Alua Alue, chairman of one provincial government, the Papua People's Assembly, says demands for greater autonomy have been increasing. "Federalism might be unavoidable in the coming decades because of Jakarta's strong policy of controlling provinces under the Indonesian unitary state," he added. "But in fact, provinces have (already) implemented principles of federalism."

In an interview with the author, he acknowledged that autonomy for Papua had one negative consequence: the province has become a fertile ground for corruption, and the target of the corrupt has been the annual disbursement of large sums of capital meant to finance the province's special autonomy. A larger part of the province's budget over the past three years was allocated to pay for bureaucracy than for increasing services and facilities for the people of Papua.

Suffering from AIDS

Papua is home to a population of 2.4 million and to several major mining companies, including U.S.-based copper and gold miner Freeport McMoran Ltd. The province has received about US\$5.6 billion annually in special autonomy funds from Jakarta and has managed about US\$16 billion of funding since 2001. Despite its new funding, Papua has remained Indonesia's least developed province, with most of its tribal people living in remote areas, lacking sufficient

schools and suffering disproportionately from HIV and AIDS.

The other autonomous province, Aceh, managed to form a democratic government thanks to a peace agreement between Indonesia and the rebel fighters of the Free Aceh Movement. The agreement was reached through mediation by a Swiss-based NGO, the Henri Dunant Center, in August 2005. This year, Aceh has managed about US\$28 billion in annual revenue to carry out development in the province of just 4 million.

Local elections held in Aceh in October 2006 were won by independent candidates, mostly former rebels of the secessionist movement. However, they have had difficulty implementing programs to improve the economic situation of people there. Most local politicians are building local parties with the goal of winning seats in the provincial and regional legislatures in the 2009 legislative election.

Separation feared

Yet the former rebels' sweeping victory in the 2006 local elections has raised fresh fears in Jakarta of a possible outright separation by Aceh from Indonesia.

Nasir Djamil, a legislator from the Islamic Prosperous Justice Party (known by its Indonesian initials PKS), is still worried about the province's possible separation. He is nervous because most of the senior and strategic positions in Aceh have been taken by former rebels, resulting from the recent local elections called for by the peace agreement signed by Indonesia and the Free Aceh Movement in Helsinki in August 2005.

Djamil does see one hopeful sign. He believes the central government will regain the confidence of the people of Aceh under the special autonomy arrangement, especially if major progress is made in implementing the peace agreement. The peace pact called for the reintegration of ex-combatants into society and the resolution of unsolved cases of human rights abuses during the conflict.

Regional parties in the provinces do take independent political positions. Nationwide political parties, however, have quite different political interests to defend. They support a unitary state for Indonesia and have tried to maintain their monopoly over state institutions,



In 2007 former rebel leader Irwandi Yusuf became governor of the Indonesian province of Aceh, which gained special autonomy from Jakarta in 2001.

REUTERS/TARMIZY HARVA

AP PHOTO/DITA ALANGKARA



Smoke billows from a palm oil refinery on the island of Sumatra. Every year, an area of forest the size of El Salvador is lost to logging, agriculture and development. Some provinces, like Aceh and Papua, have clamped down on illegal logging and have cut deforestation.

particularly the executive and legislative bodies. However, most regions have been dissatisfied with the current power-sharing and what they view as a fiscal imbalance which favoured Java, an island that is only one-third the size of Papua, but contains almost 65 per cent of the country's 230 million people.

"Java, which has attracted the most qualified human resources, has grown too rapidly, while many provinces outside the island have been lagging behind," said Yopie S. Batubara, a regional representative from North Sumatra province in a recent interview with the author. "Unqualified human resources have been moved to least-developed provinces under the resettlement program,"

Batubara added.

The second house of Indonesia's legislature, the Regional Representatives Council, has demanded a revision of the 1945 Constitution to give the regional council more authority. It is asking for increased power to make laws, plan state budgets and control Indonesia's executive body. These steps would increase the regions' bargaining power and implement a true bicameral parliamentary system, according to their proponents.

The chairman of the Regional Representatives Council, Ginandjar Kartasasmita, has expressed optimism that the president and political parties will support the proposed constitutional amendment following the 2009 general election. In that election, support for the proposed empowerment of the council is expected to be a key campaign issue that will probably be supported by candidates for posts of governors and regional heads.

Treated unfairly

Kartasasmita said resource-rich provinces such as Riau and East Kalimantan have demanded special autonomy because they believe they were treated unfairly by Jakarta, which gave local authorities only 15 per cent of the taxes on oil produced there.

The chairman, Kartasasmita, said most provinces and regions have supported the idea of fair distribution of the country's wealth. He said Jakarta should not monopolize the fiscal domain, but instead should transfer more funds than it has in the past to resource-rich provinces; otherwise, they will either demand federalism or seek separation.

Ikrar Nusa Bhakti, a political analyst at the Indonesian Institute of Sciences, and someone who believes in Indonesia remaining a unitary state, has warned that devolution in the country's changing political system is the equivalent of Indonesia becoming a federation.

Bhakti predicted that the increasing demands for additional authority and autonomous funding for the provinces, combined with the central government's habit of ignoring problems such as mounting levels of poverty and unemployment, would inevitably lead to the implementation of "a federal system" in Indonesia such as that of the United States and Germany. 

SPECIAL SECTION CITIES AND THEIR AGENDAS

Canada's federal government reluctant to fund cities

BY ROBERT YOUNG

CANADIAN MUNICIPALITIES ARE CONTINUING to press the federal government in Ottawa for increased funding – this despite the fact that municipalities in Canada fall squarely within the jurisdiction of the provincial governments. Economic forces seem to be accentuating the importance of the larger cities, which are growing fast, while municipalities in peripheral areas struggle with decline in population. Financial stress is widespread among Canadian municipalities of all sizes. While the cities and rural municipalities have also been asking for changes in their relationships with the provinces, the federal government has been their main focus because they see the federal government's small share of municipal funding as the easiest to increase.

Local governments chronically under-funded

IN THIS THEMATIC SECTION ON LOCAL GOVERNMENT AND METROPOLITAN regions in federal countries, our experts examine how municipalities in Brazil, Canada, India, South Africa and Spain go about delivering front-line services to their clamoring, burgeoning populations.

The common thread for these five countries is that local governments are struggling as they do not have the wherewithal to provide the costly services they are obliged to deliver and must rely on other orders of government for funds.

In Brazil, economics writer Brian Nicholson tells a fascinating tale of contrasts between the municipality of Altamira, which covers 159,700 square kilometers and Diadema, a city in the grimy industrial belt around Sao Paulo. Brazilian municipalities, depending on their size, receive funds in the form of transfers from the federal government or from states' value-added tax.

Canadian cities however are creations of provincial governments and Prof. Robert Young of University of Western Ontario

recounts how municipalities are scrambling for money, as the federal government under Prime Minister Stephen Harper disapproves of Ottawa circumventing the Constitution to help fund the cities, undoing a policy his predecessor had embarked upon.

In India, there are 60 cities with populations exceeding one million people. Journalist Rashme Sehgal notes that the mayor of Delhi, India's capital, is fuming, contending that Delhi has had its powers encroached upon by the state government. Indian cities raise the bulk of their revenues from property taxes, but require transfers from the central and state government for education, health and welfare.

South African cities are bustling with new construction as they prepare for the 2010 World Cup of Soccer. But there has been a proliferation of community protests over lack of service delivery by municipal governments, explains Annette Christmas of the University of the Western Cape.

In Spain, municipalities are also struggling with delivering services. Carlos Alba and Carmen Navarro of the Autonomous University of Madrid tell how Spaniards are counting on a general election in March to elect a government that will complete a reform meant to empower local government.



CITY OF OTTAWA/ROGER LALONDE

Ottawa City councillors march on Parliament in December 2007. Councillor Michel Bellemare, surrounded by his fellow councillors, repeats the call for Ottawa to give one cent of the federal sales tax to Canada's cities.

Business interests, labour and academic allies of municipalities have pushed what they call their "cities agenda" in and around Parliament Hill in Ottawa. And the federal government has responded, especially during the period of former prime minister Paul Martin's Liberal government, December 2003-January 2006. More recently, however, the pendulum has swung backward, as Stephen Harper's Conservative government, elected in 2006, has largely backtracked from bold initiatives on the municipal file. This illustrates a fundamental feature of federalism: when some pressing problem is not in the jurisdiction of a particular order of government, the constitution provides an excuse for that level of government not to address it.

Municipalities in Canada are "creatures of the provinces." Cities, towns, villages and rural municipalities fall under pro-

vincial jurisdiction. There are significant differences among the provinces as they relate to the municipalities, but there are commonalities as well. First, the country's municipalities are subject to provincial legislation concerning the environment, housing, land use, police and many other matters. Second, local governments are rather dependent on provincial government financial transfers, which make up about 16 per cent of municipal revenues. Federal transfers to municipalities, on the other hand, make up only about two per cent of their revenues. Finally, Canadian municipalities are heavily dependent on property-tax revenue, which does not rise automatically with economic growth. Property taxes are also visible and politically difficult to increase.

Municipalities flex their muscles in Ottawa

Municipalities do have political power when they are united and determined. This is true in provinces dominated by cities. Rural inhabitants may resent this weight, but the City of Winnipeg's population makes up 60 per cent of that of the Province of Manitoba, while the three biggest Canadian cities –

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Toronto, Montreal and Vancouver – loom large in the provinces of Ontario, Quebec and British Columbia, where they account for 41 per cent, 47 per cent and 51 per cent of the respective populations.

The federal government must also respond to urban voters. The three largest cities alone elect 85 of the 308 Members of Parliament, and most federal programs and expenditures are delivered in cities and towns. However, direct contact between Ottawa and the municipalities has waxed and waned over time. Until recently, the high point of engagement with municipalities was in the 1970s, through the short-lived federal Ministry of State for Urban Affairs. But the pendulum swung decisively towards more federal involvement when former prime minister Paul Martin's Liberal government took power in Ottawa.

Pushing the 'Cities Agenda'

Pressure for change in the federal government's stance grew from the mid-1990s on. Continued urbanization created problems of growth in the larger centres, because foreign immigrants are attracted mainly to the largest cities. In Western Canada there was also a trend of Aboriginal people moving from reserves into cities. Meanwhile, peripheral municipalities struggled to continue providing services to declining or stagnant numbers of residents.

In some provinces, transfers to municipalities were reduced, arguably because of cuts to federal-provincial transfers after 1995. But the major issue was municipal infrastructure – the roads, sewers, bridges and water supply systems – both in the rapidly growing cities and in smaller towns and villages. The Federation of Canadian Municipalities (FCM), an increasingly expert and effective lobby in Ottawa, estimated the "infrastructure deficit" at some C\$60 billion, a sum clearly beyond the capacity of municipalities to handle alone. Consequently, pressure grew on the federal government to become more involved in solving municipal problems.

Federal involvement in 2004

When the Martin government was formed in December 2003, the federal government did move. Mr. Martin had promised a "New Deal" for cities, even though this would mean surmounting the "reefs of entrenched ways and attitudes." He quickly set up a Cities Secretariat within the Privy Council Office, the elite research and secretarial department of the Canadian government. By July 2004, there was a Minister of State responsible for the new portfolio of Infrastructure and Communities. In the first budget, municipalities were granted a 100 per cent rebate on their federal sales tax payments, a benefit estimated at C\$7 billion over 10 years, and C\$4 billion was allocated for cleaning up contaminated sites. The next budget delivered C\$5 billion in transfers to municipalities over the following five years, nominally from the federal share of the tax on gasoline, and another C\$300 million was added to the Green Municipal Funds which are administered through the Federation of Canadian Municipalities.

Beyond this, while the government awaited a report from an external advisory committee, Ottawa renewed urban development agreements with the cities of Vancouver and Winnipeg. These were tripartite, cost-shared pacts signed by the city, the province and the federal government, and they involved tightly

co-ordinated programs and spending. New agreements were signed in 2005 with the cities of Regina and Saskatoon and the provincial government of Saskatchewan, and further negotiations were being undertaken with other cities. While the negotiations with Toronto were taking place, the Martin government was defeated on a vote of confidence and, after winning the subsequent election, Stephen Harper and his Conservatives took power.

The Cities Agenda meets 'Open Federalism'

To explain the current government's approach to municipalities – or, more precisely, its retrenchment and withdrawal from the daring initiatives of its predecessor – one needs to understand the broader framework of Mr. Harper's approach to federalism. Mr. Harper calls his approach "Open Federalism." Significant principles of his approach include:

- There should be rectitude and order in federal-provincial relations, with principled agreements instead of improvised deals and last-minute compromises.
- Provinces are legitimate actors that occupy important areas of jurisdiction for which they are responsible.
- The constitutional division of powers should be respected, with the federal government focusing on its core functions such as defence, foreign affairs and the economic union (though Ottawa must continue its involvement in health, higher education and infrastructure, in a respectful and co-operative fashion).
- Quebec is a province with special responsibility for its culture and institutions, and it is of great importance that Quebecers perceive that federalism can work for them.

The implications of the Conservative approach to the municipal file are obvious. Municipalities fall within provincial jurisdiction. Determination to maintain provincial control has been strongest within Quebec governments. Municipalities might require more secure and stable revenues, but the provinces are the principal actors for municipal governments. Ottawa may devise policies to attack particular urban problems, such as crime and immigrant settlement, but continuous tripartite relations are not congruent with the doctrine of Open Federalism.

Pulling back and re-engaging

Very quickly Harper's government folded the Department of Infrastructure and Communities into the much larger and older Department of Transport. Officially this resulted in a new "Transport, Infrastructure and Communities Portfolio," but the separate position of deputy minister of Infrastructure and Communities did not survive long, and the communities branch has largely disappeared from official websites.

The Conservative government did extend the gasoline-tax transfers from the federal government to the municipalities until 2014, and it remains committed to infrastructure programs, where allocations have increased steadily. There are even signs of a new national urban transit policy.

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Brazil: a tale of two cities

Districts have same powers, but face radically different challenges



REUTERS/CAETANO BARRERA

A slum fronts on the Hilton Hotel in Sao Paulo. Brazil's cities generate wealth, but not enough revenue to meet the needs of their residents.

BY BRIAN NICHOLSON

DEEP IN THE AMAZON JUNGLE, THERE'S ALTAMIRA, A SPARSELY populated municipality, bigger than most U.S. states, covered with rainforest and Indian reservations. Nearly 2,000 kilometres away sits Diadema; a densely packed, low-rent sprawl in the grimy industrial belt around São Paulo, the largest metropolitan area in the southern hemisphere. Uniting them both is the challenge facing Brazil's local leaders, how to improve living standards in a decentralized, three-tier federal system in which the balance between resources and obligations can often seem lopsided.

Altamira, which covers 159,700 square kilometres, cuts a swath through the south-east Amazon in the state of Pará. It is by far the largest of Brazil's 5,560 municipal districts – local officials like to claim the world record – although the population of 100,000 is dwarfed by 14 Brazilian municipalities with one million or more people. Although Altamira is mainly rural, its population is heavily concentrated in the municipal seat, where jobs are scarce.

"Our biggest challenge is the lack of work," Deputy Mayor Silveiro Albano Fernandes said in an interview. The scarcity of

employment is caused by a primitive, undeveloped economy that has a low tax base, generating insufficient revenues to spend on a better infrastructure and education, which could help attract investment and generate jobs. "We do what we can, but there's simply not enough to go around; if we build one school, we can't repair another," Fernandes said.

Municipal transport by plane

The daunting size of the municipality of Altamira compounds the problem. Mayor Odileida Sampaio was away visiting an outlying district, Fernandes said in the interview, and would be gone for several days. Parts of her turf lie three hours away by single-engine plane, with the flights mostly skimming virgin forest. The alternative is a circuitous, 1,400-kilometre expedition along mainly earth roads wending through eight neighbouring municipalities.

"A municipality is easier and cheaper to administer if it's smaller with a higher concentration of people, rather than various remote rural communities," Fernandes said. "If we need to build a health centre, for example, we have to provide one for a community of maybe 1,000 people or less. But it could serve 5,000."

The federal constitution determines that Brazil's local governments can raise taxes themselves, mainly on property and services, but they also receive shares of a host of other revenues from the federal and state spheres. Economists José Roberto

Brian Nicholson of São Paulo is a British economic journalist who has lived in Brazil for 30 years.



Afonso and Erika Amorim Araujo wrote in the World Bank's 2006 book *Local Governance in Developing Countries* that Brazilian municipalities raised 5.5 per cent of all taxes in the country, but ended up spending 17.1 per cent, thanks to transfers. In 2005, local governments raised US\$17.1 billion and spent US\$52.8 billion – an average of US\$9.5 million per mayor. Current dollar values are probably 40 to 50 per cent higher because of economic growth, increased tax revenue and, mainly, a stronger local currency.

Altamira, with a budget of about US\$32 million this year, more than 90 per cent of it from federal and state governments, is ahead of the pack. The lion's share of transfers is related to population size, and Altamira has three times the national average. But the huge distances create problems that are only partly compensated for by the smaller adjustments made to some transfers to help compensate for the vast land area. Overall, Fernandes said, it's a bad business being big.

Ban on dividing municipalities

The obvious solution is to split up into several smaller municipalities, initially probably three or four. Local officials have been planning such a move for some time. But in 1997, the Federal Congress placed a 10-year freeze on all municipal subdivision moves.

Until 1988, municipalities were created by, and in many ways subordinated to, state governments, which now number 26, plus the Federal District. In 1988, a new federal constitution, introduced after the end of the military dictatorship, gave municipalities independent status and made their creation a matter for local plebiscites. Their number rose dramatically, increasing by 24 per cent since 1990. In many cases, the new administrative units lacked viable size and reflected more a desire by local political leaders to expand their power bases. The net result was a diversion of public resources into legislative and administrative structures, "at the expense of more productive spending on, for instance, social programs and urban infrastructure," according to a World Bank report. The moratorium prevents Altamira from resolving part of its problem, but the deputy mayor said its leaders hope to move ahead with subdivision by 2009.

Another source of constant irritation is land use. Fernandes estimates about two-thirds of the municipality is taken up with various kinds of reserves, including Indian reservations, national forests and environmental reserves. Most come under federal jurisdiction while others are state-controlled. Either way, it's municipal territory over which the local authority has no control.

"Two or three years ago, the state government produced an economic and ecological zoning plan for the whole state, telling us what could happen in each area; for example arable agriculture, pasture, preservation and so on. But we were hardly consulted. Things like that tend to come down from top to bottom, in final form," Fernandes said.

Compounding the problem is that many rural properties have unreliable title deeds. "Some people have been occupying an area for 15 or 20 years, and still can't get good documents," he said. Often the solution lies in state or federal hands, depending on where the contested land might be. But as long as such questions are unresolved, the loss is municipal, because without proper title deeds, the land owner cannot get authorization for development projects. For example, sustainable exploitation of timber could create jobs and boost the local economy.

From forests to factories

More than 2,000 kilometres to the south, Mayor José de Filippi Jr. has basically the same constitutional and legal instruments to handle what is in many ways a different situation. Just 50 years ago, Diadema was a quiet town of 8,000 people about 16 kilometres southwest of the city of São Paulo. But Diadema missed out on the huge post-war investments that brought General Motors, Ford and Volkswagen to better-located areas nearby, and consequently failed to form a prosperous middle class. Today, its 390,000 mainly poor inhabitants are packed into 30.7 square kilometres of urban sprawl within the seemingly endless industrial hinterland of Greater São Paulo.

When Brazil opened its economy to foreign competition in 1990, this sparked a large exodus of traditional industry from the São Paulo metropolitan region to lower-cost locations

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Brazil: another view of the two cities

BY FERNANDO REZENDE

It may seem at first glance that Altamira – in the Amazon basin – has a bad deal in comparison to urban Diadema, but the actual situation is not quite as simple as that.

The economic problems that Altamira faces – environmental barriers that keep it from exploiting its natural resources and a lack of jobs – are beyond the scope of the local administrators' responsibilities. Altamira's problems will not be solved by lifting the ban on dividing large rural municipalities.

On the other hand, Diadema benefited from the dispersion of

the manufacturing industry around different parts of the São Paulo Metropolitan area. Getting a share of industrial plants helped to boost its finances and therefore to improve living conditions in the city.

The finances of large rural municipalities and small metropolitan ones respond to very different factors. Rural municipalities depend heavily on federal transfers and small cities depend on their share of their states' value added tax. Would Altamira be better off if its urban core could secede from the vast rural hinterland? In my opinion, no.

The suggestion by Altamira administrators that "the obvious solution is to split into several smaller municipalities" simply exports Altamira's problem from the city centre to rural areas, which could end up worse off than before.

What Altamira really needs is a better coordination of federal, state and local policies to increase its prospects for development.

Fernando Rezende is a Professor at the Brazilian School of Public Administration of the Getulio Vargas Foundation.

Local governments claim their space in the Spanish system

Spain's municipalities are the last order of government to modernize



APPHOTO/MANU FERNANDEZ

In Barcelona, commuters were jammed into buses for two months during repairs and reconstruction of the city's rail lines in October and November 2007. The government of Catalonia provides funds for urban infrastructure renewal, but other parts of Spain are not so fortunate.

BY CARLOS ALBA AND CARMEN NAVARRO

CITIES AND MUNICIPALITIES MAY BE THE LAST GOVERNMENTS to regain their full powers in Spain's return to democracy after dictator Francisco Franco's death in 1975. The country's 8,100 cities, towns and villages are still struggling for what they see as their fair share of taxes and municipal powers to carry out their responsibilities.

Over the past three decades Spain has seen territorial devolution, the creation of a solid welfare state, integration into the European Union and significant economic and social development. Yet in terms of revenue and urban development, local governments lag behind both the central government in Madrid and the governments of the 17 "autonomous communities" that make up Spain.

Local government is scarcely mentioned in the constitution, in contrast to the autonomous communities. The constitutional charter limited its treatment to the formal recognition of local government autonomy and the principle of financial self-sustainability. Yet more than two decades later, neither of these traits can be found in Spain's municipalities. Local authorities occupy a poorly-defined political space.

Powers denied

The autonomous communities, who had the power to improve things for the municipalities, showed no interest in granting them the powers and resources that the communities had only recently acquired for themselves. In a way, they were reproducing the old centralism except that, in this case, the centre-regional conflict was being played out on the regional-local stage.

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When the Spanish Local Government Act was enacted by the national Parliament in 1985, it helped to clarify local competences and responsibilities. The act also gave support to the policies and actions that municipalities had developed – in a legal vacuum – for nearly two terms of active democratic government. In the late 1990s, further reforms were implemented and local governments saw the lifting of former restrictions. Today the end of that process is in sight. To prepare for full local government, all political parties have joined in drafting a reform to the 1985 Local Government Act, the last of a number of such revisions, and the text has been submitted to the parliament for its approval. If enacted, it will mean that local municipalities will finally receive clearly defined powers and responsibilities, as well as the economic resources to carry them out. Local governments would then be given a defined and precise list of areas of competence.

Approval postponed

Until now, the list of local powers was quite imprecise and it meant that other levels of government could interfere in a number of local areas. Also, city councils did not get the resources to implement policies in those areas. With the passage of this act, necessary transfer payments would come from other tiers of government to allow municipalities to develop their well-defined powers. But the draft reached parliament extremely late in the national government's term – only a few months before the March 2008 general elections. Thus the process has been interrupted by confrontation among the political parties. Ratification will have to wait for the new government.

Today, local governments have only 15 per cent of the total public-budget expenditure, and they want an increase to 25 per cent. A representative of a group of Spanish mayors recently declared: "We have to aspire to complete autonomy ... which saves us from being poor administrations. To do that we need to work on the basis of a financial system that allows us to meet



the demands of citizens, who come to us (for services) because we are the closest administration to them.”

The challenge for local government is to improve performance, which requires autonomy and financial self-sustainability. However, local governments have to act as vehicles of democracy, providing services in response to local needs. Local governments must also reinforce the legitimacy of their actions, achieving their goals without wasting available resources. Bureaucratic effectiveness and efficiency are clearly factors here.

In general terms, Spain has levels of voter turnout similar to other developed countries. Although local elections traditionally have lower turnouts than national elections, they achieve rates close to the national level. Local turnout varies between 61 per cent and 70 per cent. These elections usually indicate what will happen in the national elections.

Confronting local challenges

In addition to holding free and fair elections, an important way to strengthen local legitimacy is to have transparency and participation in the governing process. Through participatory democracy, citizens must be able to express their preferences in designing and implementing specific policies. Election-campaign slogans and poorly debated party platforms are a one-way means of communication: governments must also seek the specific views of residents. A more intense civic engagement is needed; participatory tools such as neighbourhood councils, public consultations and district boards are only now beginning to be used in municipalities. Spanish local authorities have been implementing such policies over the past decade, more rapidly in the last four years. Some municipalities,

such as Alcobendas, a suburb of Madrid, have neighbourhood councils, public hearings, improved access by citizens to city councillors, and other participatory avenues for citizen involvement. Still, a view of Spain's entire local political landscape reveals mediocre success in involving citizens in public life.

To reinforce political legitimacy through results, municipalities must confront the task of delivering services effectively and efficiently. This is complicated for several reasons. First, Spain's network of 8,100 local municipalities, with their corresponding government structures and powers, is diverse and fragmented. About 85 per cent of them have populations of less than 5,000 inhabitants. Asking for efficiency in such small localities is not realistic. The only way of producing good outputs is for the municipalities to come together to provide at least part of their services in common, particularly for the very small communities. Second, municipalities also have to increase their efficiency and cost-effectiveness. The “New Public Management” instruments for government such as outsourcing, privatization, budgeting techniques and public-private partnerships have been introduced in many countries to modernize bureaucratic administrative machinery. They have been much less intensely adopted in Spanish municipalities than in other European countries or in the town halls of the United States. Local governments have to reinforce their levels of good organization and their capacity to provide quick and effective responses to real problems.

After almost 30 years of democratic local government, Spain's achievements are many but so are the tasks that lie ahead. The country is witnessing the longest period of peace and political stability in its history yet the edifice of strong local democracy is still a work in progress. 

How democracy returned to Spain

Free and competitive elections took place in Spain for the first time in 1979 and democratic local governments started to introduce policies and reforms that dramatically transformed the underdeveloped cities and towns of the 1970s. At that time, mayors had clear agendas for building infrastructure and introducing basic public services. Today, while the basic needs are fulfilled, the remaining challenges are not so straightforward. On the one hand, local governments must strengthen their position in relation to other levels of government, and find their rightful place in the Spanish political system. On the other hand, local authorities are confronted with the difficulty of improving performance in a world in which problems are complex, resources scarce and solutions can come only from the joint effort of public and private actors.

Modern Spain emerged out of the late dictator Francisco Franco's highly centralized political regime. In the 1979 constitution, autonomous communities were not labelled as “states” and the system was not defined as “federal” for several reasons. First, the word “federalism” was carefully avoided throughout the transition due to that term's association with separatism, political instability and past pro-independence movements. Second, the system is not a traditional federal one because the Spanish model is not an

agreement among political representatives of its constituent units, and Spain is far from assigning a standard set of governmental functions to all the federal units. In practice, there are similarities to Belgium, Mexico and South Africa – three centralized countries that have devolved to the point where many political scientists describe them as federal.

Until recently, there was an important distinction in practice between autonomous communities that are simply “regions” and those that are “nationalities,” such as the Basque Country, Catalonia and Galicia, which have a background of autonomy and self-government as well as a distinct language and culture. Strong political entities, these communities have their own legislatures, executives and judiciaries. They enact laws that have the same force as those of the Spanish state and their administrations are not subordinate to central control. Their jurisdiction over critical policy areas such as education or health, makes them at least as powerful, if not more so, than any other subnational government in Europe. Since 1996, however, recent political and constitutional developments have given all the regions in Spain the status of autonomous communities with similar levels of autonomy and powers. Despite this change, attempts to describe all regions of Spain as equal in status is always criticized by those regions that consider themselves “nations” and believe that they should be treated differently.

South African cities tackle new challenges

Urban centres, the economy's powerhouses, could take on more powers



Street vendors, once banned under apartheid, sell maize in front of the largest corporate headquarters in Johannesburg, South Africa.

BY ANNETTE CHRISTMAS

LOCAL GOVERNMENTS IN SOUTH AFRICA FACE IMMENSE challenges to meet the needs for housing, transport, clean water and electricity of rapidly growing populations. These problems appear even larger when compared to the successes of the national government since the end of apartheid. Since 1994, while creating a multi-racial democracy, South Africa has succeeded in improving the standard of living, doubling exports and creating a robust economy.

To measure local successes – and failures – the Minister for Provincial and Local Government, Sydney Mufamadi, launched a national review of provincial and local government. The minister has called on everyone to participate, from civil servants to the private sector, higher education institutions and, most importantly, ordinary South African citizens.

When South Africa launched its successful bid to host the 2010 FIFA Soccer World Cup, the bid's detractors cited the difficulty that local governments would face in trying to meet this challenge. Yet municipalities have demonstrated creativity and resolve in their preparations for 2010. On the coast of the Indian Ocean, the Municipality of eThekweni – formerly Durban – was

lauded for its innovations. The municipality used its newly developed port infrastructure and soccer stadiums to develop impoverished areas surrounding these existing facilities, even creating new transport hubs to service them. Mayor Obed Mlaba stated that the municipality viewed the 2010 World Cup as an opportunity not only to grow the local economy but “to transform the city into an effective service-delivery mechanism.”

The landscape of local government

Local government in South Africa is made up of 283 municipalities, which range in population, size and resources from severely under-resourced rural municipalities to first-class metropolitan giants called “metros.” The constitution recognizes two types of local government. First are the metros, which have exclusive municipal authority in their jurisdiction. Second are local governments outside of the metros, made up of district municipalities that include smaller local municipalities. In this second category, district and local municipalities share powers and functions in a two-tier level of local governance.

The six metros in South Africa are home to one-third of its population. The smallest, Nelson Mandela Bay, has 1.1 million residents, while the City of Johannesburg is home to 3.2 million. The metros, which produce 59 per cent of the GDP, are South Africa's economic powerhouses.

Nonetheless, South Africa remains one of the most unequal societies in the world when measured by the gap between rich

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and poor. With rapid urbanization in the metros and cities, unprecedented wealth coexists alongside abject poverty. The metros have a difficult task. They must balance their constitutional mandate of basic service delivery and improving the lives of citizens, with the more immediately realizable incentives that come from encouraging investment and economic development. Johannesburg was recently ordered to reach a settlement agreement with poor inner-city dwellers whom they had evicted as part of a regeneration project to attract investors.

Constitutional guarantees

The autonomy of local municipalities, as part of their own order of government, is entrenched in the constitution. Prior to 1994, local governments were creatures of the national and provincial governments. Their powers, functions and resources entrenched the apartheid governance model of poor or non-existent service delivery in non-white areas. Since 1996, local government has a much broader goal of promoting social and economic development, creating safe and healthy environments and involving communities in local government, thus deepening democracy.

To fulfil this mandate, the constitution grants local government a list of powers and functions. To match these powers, it has the right to raise its own revenues through property taxes and surcharges on service charges for the delivery of water, sanitation and electricity. These account for 83 per cent of local government revenue, with the balance made up of transfer payments from the national government. At first glance, these taxing powers seem to confer a generous revenue base on municipalities. However, there is a vast difference between the revenue of cities and urban centres, which have stable and substantial homes, offices and businesses, and the revenue of smaller municipalities where there is not much to tax.

District municipalities were originally created to integrate and co-ordinate local municipal services within single areas. The plan was to use economies of scale at the district level, so that the district municipality would act as the supplier of bulk services. The districts were also given the task of supplying and assisting impoverished municipalities. However, practice has revealed that they play a very different role from the original plan. District municipalities are, more often than not, direct-service providers to local communities, creating uncertainty about the functions and powers of the local municipalities. This

results in duplication of administrative and political centres and creates potential for conflict. In July 2006, tax levies on businesses were abolished, ending an important source of revenue and severely diminishing the capacity of districts to redistribute services to local communities.

All of these factors have raised the question of whether there is a need for the two-tier system of local government outside the metros. Local municipalities with strong emerging urban centres, such as Bloemfontein, do not benefit from the hierarchical parameters of the district system of government. It has been suggested that local municipalities with strong urban centres be given metropolitan status, while the two-tier system of district and local government should be collapsed into one system.

Stumbling blocks

In the past 18 months, various parts of South Africa have been affected by a growing number of community protests. Most of the protests have been over the lack of service delivery by municipalities. Reports in the media have highlighted communities' concern about the slow or non-existent delivery of housing and basic services.

Part of the problem is the lack of a clear and simple delineation of powers and functions between local and provincial governments. The constitution provides that where a national or provincial function can be more effectively

administered by local government, that function must be assigned to municipalities, provided that they have the capacity to fulfil it. While water, electricity and sanitation are firmly in municipal hands, housing remains a provincial function. The mayor of Cape Town, Helen Zille, cited "red tape delays with the municipality's own projects, especially when it comes to housing" as a key impediment to delivery. The Western Cape Province has not granted the metro's application to take on housing, prompting the metro to declare an intergovernmental dispute with the province. Even the smallest metro, Nelson Mandela Bay, has categorically stated that it is "more than capable and is in fact already fulfilling this function." Despite this, housing remains a provincial function, and local government often has to bear the brunt of community dissatisfaction with failure to deliver.

Another critical obstacle facing local government is a lack of capacity and the skills to deliver services to its citizens. In the restructuring of local municipalities in 2000, much of the institutional memory of local government was lost when older civil



Striking construction workers in Cape Town demonstrate outside the site of the city's 2010 Soccer World Cup stadium in September 2007.

REUTERS/MIKE HUTCHINGS

A medical self-help group in Kanipur was inspired by the recent election of a significant number of women to the village council.



REUTERS/PARTH SANVAL

The ideal of village democracy is one thing: implementing it is another

Cities and villages in India push for greater powers

BY RASHME SEHGAL

MUMBAI, INDIA'S LARGEST URBAN AND FINANCIAL CENTRE with a population of more than 14 million, ground to a halt during the rainy season on July 26, 2005. In the city formerly known as Bombay, unprecedented flooding surged through several of its most densely populated districts. Even Mumbai International Airport was forced to shut down for the next two days.

Mumbai is not alone in having to cope with such problems. Indian cities have experienced exponential growth, and today there are more than 60 cities with populations greater than one million people. Such rapid expansion has meant growth of unplanned neighbourhoods with a high concentration of the poor. Shelter is the major problem of the urban poor and most municipal corporations are trying to address this issue, especially as the majority of residents are younger than 18. Council members complain of a lack of adequate financing and a corrupt bureaucracy in a number of cities. When councillors try to take action in some areas, they find themselves in conflict with the state or central governments, which share certain powers in municipal areas under the Indian constitution.

The floods in Mumbai, which left 600 dead and millions of rupees worth of property destroyed, came from the Mithi River that empties into the Arabian Sea. The floods were triggered by massive construction projects on both sides of the river, that shrank its flood plain and forced rain water to flow onto city streets.

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forumfed.org

With India's federal system, to prevent or even reduce the damage from future floods, the Mumbai administration first needed to win support from the state of Maharashtra. In many cases, the central government in New Delhi also gets involved in municipal affairs. Municipalities receive funding directly and indirectly from both the state and central government. To carry out a plan to reduce flooding, Mumbai needed infrastructure projects that were beyond the city's resources. To fund the plan, Mumbai asked for financing from two federal ministries: the Ministry of Water Resources and the Ministry of Urban Development.

Floods continued to inundate the city in 2006 and 2007. Mumbai Mayor Shubha Raul has had to persuade all city council members to agree to several long-term measures to halt the flooding of the river.

One way to do this, Raul said, is to remove major obstructions that are blocking the natural flow of the river. Slum-dwellers on both sides of the river are being dissuaded from dumping sewage and garbage into the water, she said. One easy first step is to make the city plastic-free.

"I have launched a huge drive to stop the use of plastic bags in the city," Raul said. "The Mithi River is (full of) plastic waste. I am also keen to upgrade the slum rehabilitation program so that we can make Mumbai slum-free by 2020."

This, she concedes, is easier said than done, considering that more than 6 million Mumbai residents live in slums. "We are working towards this objective ... we can certainly accomplish our objectives if we have the requisite political will," Raul said.

The Maharashtra state government has created a slum rehabilitation program for Mumbai with a target of providing new housing for every slum dweller in the city. The plan offers private companies the rights to develop part of the land in return for building new housing units for slum dwellers.

Political support does not come easily. In this case, there are different political parties or coalitions in power in the municipal, state and central governments. As well, municipal corporations operate directly under the jurisdiction of state governments, which have the power to overrule decisions. Mumbai and Delhi, each with 14 million residents, have state governments that are run by different political parties from those of the city councils. In addition, there are 19 towns in the National Capital Territory of Delhi plus suburbs which extend into the states of Haryana and Uttar Pradesh. The city councils of many of these municipalities are also controlled by different political parties.

The mayors of both these key metropolitan areas are women. The 73rd and 74th amendments to the Indian Constitution required that one-third of the seats on city and village councils be reserved for women elected to the councils – a revolutionary step. The two amendments also devolved greater powers to the local bodies.

Defanging the mayor

However, in Delhi, Mayor Aarti Mehra accuses the state government of having steadily encroached upon the powers of the municipality. “They want to leave us a toothless body. The 74th amendment ensures that municipal corporations be vested with absolute power, but that does not happen (in reality),” Mehra said.

“The Delhi state administration has very mischievously taken away some of our key portfolios,” she added, in describing how the maintenance of key roads has been placed under the Federal Ministry of Urban Development.

Heading the Municipal Corporation of Delhi is similar to administering a small nation that extends over 1,453 square kilometres and has 150,000 employees working for it, with an annual budget of 35,000 million rupees (about US\$880 million). The municipal corporation is responsible for the repair and maintenance of roads, the supply of water, sanitation and sewage disposal services, as well as the rural outskirts of the city. Ms. Mehra’s council is the largest of three within the National Capital Territory, the other two being the New Delhi Municipal Council and the Delhi Cantonment Board.

The job of mayor should make Mehra a powerful woman, but she has her problems. The other municipalities are under the control of the federal government and are administered

either by federal bureaucrats (in the New Delhi Municipal Corporation) or army officers (in the Delhi Cantonment Board.)

The development of roads and highways is crucial for Delhi, which is an industrial and commercial hub surrounded by satellite towns like Gurgaon and Faridabad, located in neighbouring Haryana state, and Noida and Ghaziabad, which belong to the state of Uttar Pradesh. People commute daily between Delhi and these satellite towns which provide both employment and housing. Traffic management becomes a critical issue with roads frequently choked during peak hours. In the greater Delhi region, mayors often feel as if they are walking a tightrope between their own municipality and the federal government.

Rotating mayors

In many municipal councils, the practice of rotating the mayor’s chair each year often leaves little time for individual mayors to implement new programs.

A city of more than 200,000 can have its own municipality. In most cities in India, after the election of city council members, the councillors gather to elect one of their number as mayor during their first meeting. Every municipality enjoys a five-year term for its councillors, but in some municipalities the mayoral duties are rotated each year. In Delhi, it was decided to elect a female mayor for one year, a candidate from the “untouchables” category for the next year and then for the remaining three years to elect two different candidates from the general category, either male or female.

“One year is just too short a period to initiate any kind of meaningful reform. During the first eight months of my mayorship, I initiated payment of housing taxes online to stop needless paperwork. I have also taken steps to make the city greener. But by next March, I will have to step down,” said Mehra.

In India, municipalities are responsible for maintaining roads, collecting local property taxes, maintaining parks, collecting garbage, and managing water supply and sewage disposal. They share responsibility with the state and central governments in the areas of health, education and welfare.

The largest part of municipal revenues comes from property taxes. This is not sufficient to pay for all city services and staff, so the cities also receive transfer payments from the central and



Monsoon rains in Mumbai flooded homes, submerged rail lines and forced hundreds of thousands of people onto the streets in June 2005.

state governments. These two orders of government both contribute to paying for education, health and welfare facilities in municipalities. The central government, with matching funds from the states, recently launched the huge Nehru Urban Renewal Program to provide funds for infrastructure development in cities.

Seats reserved for women

The situation is equally difficult for municipalities at the village level. When one-third of all village council seats were reserved for women a decade ago, more than one million women were elected to village councils, called *panchayats*. Separate quotas were also established at that time for socially marginalized groups, including those castes and tribes that are granted special status under the Indian Constitution.

India's *panchayats* go back centuries, if not millennia. The culture of these councils is quite different from that of large cities. The central government in New Delhi even has a "Minister of Panchayati Raj," who is concerned solely with village affairs.

In the village of Chuttumail Doks on the India-Pakistan border, the government primary school was not operating and the dropout rate for children studying up to grade seven was so high that the school-age population was down to 17. A 40-member Village Education Committee made up of panchayat members and parents decided to take matters into their own hands. Every villager was asked to pay 10 rupees per month to build up a small fund to be used to hire additional teachers and purchase computers for the school. The result was a dramatic rise in school enrolment, which rose to 85 children. Neighbouring districts now want similar education committees to be set up in their villages.

Digging wells

Political parties dominate both village *panchayat* and municipal corporation elections. Candidates are selected according to their political affiliations, with huge amounts of money spent on these elections. Yet despite the diversion of politics, there were significant non-partisan efforts, in many cases spearheaded by the women, transforming the landscape of their villages by digging wells and installing hand pumps, building roads and public toilets, and also facilitating the building of schools and community centres.

Mayors and city council members are demanding greater autonomy. At present, they complain that they are facing increasing pressure from not being able to carry out projects that would help their cities. *Panchayat* experts believe that, except for Kerala, most state governments have not devolved power to the *panchayats*, the majority of whom are now working only in poverty alleviation programs, and not in other key areas that should have been given to them following the passage of the Panchayati Raj Amendment.

India's experiments with grassroots democracy and local self governance are coming of age. Slowly but surely, ordinary citizens in big cities and small villages are learning to wield political power, and use it effectively and responsibly to improve their own lives as well as the lives of those in the communities around them. 

BRAZIL - [FROM PAGE 14]

within the state, or out of it. Diadema, the "ugly duckling" of the industrial south side, perhaps had less to lose, but it also had less to fight with. At the same time, starting in the mid-1990s, mayors faced severe budgetary constraints under a public-sector squeeze imposed by the federal government to end hyperinflation that had plagued Brazil since the mid-1980s.

"Cities faced new challenges, partly because of the new reality of the Brazilian economy, but also because of the new world economic order," the mayor said. "We had to start fighting for economic development within the context of globalization that was more and more hostile, more and more competitive." That meant working more efficiently, reducing costs and creating attractive conditions for new investment.

Escaping urban decay

Using a special team of policy advisers, Filippi – mayor in 1993-96 and again in 2001-08 – has managed to escape the low-revenue, low-investment trap, boosting tax revenue and spending the new funds in ways that attract further investment. Industrial output rose seven per cent in 2006 and another four per cent in 2007, after falling for eight straight years. The municipal budget is up 70 per cent in real terms from 2001, to a projected 2008 level of about US\$270 million. His key measures include:

- Urban violence: In 1999, the municipality had the highest murder rate of the São Paulo metro region, at 109 per 100,000 population. The murder rate fell 59 per cent, thanks to a 2002 decree forcing all bars to close at 11 p.m. – a measure that sparked widespread interest in other cities.
- Urban development: Diadema built three large flood control reservoirs to catch water from heavy rains. This allowed development of low-lying areas, one of which attracted a major industrial investor who is now the city's largest single taxpayer.
- Urban renewal: New sidewalks, public lighting, street repair, litter bins, park benches and flower beds help create a more pleasant environment, which in turn becomes a safer environment, including for investors. "We make small revolutions – three years ago, one neighbourhood had 40 small commercial establishments, now it has 250. That's a lot of investment in small business, shops and services, and consequently a bigger tax base. This is a direct consequence of urban renewal," the mayor said.
- Creative incentives: Diadema shunned simple tax breaks, but offered reduced land taxes for investors who increased payments of other taxes.
- Social spending: Infant mortality declined to 12.9 per 1,000 births in 2006 from 85 in 1983 – improving from double the state average to slightly better than average.

"The best investment any mayor can make is in social programs," Filippi said. In Diadema, innovation by municipal leaders has made real improvements. For rural municipalities like Altamira to make comparable gains, a stronger role for local municipalities in joint planning with the state and federal governments could allow such local innovations to begin. 

SOUTH AFRICA [FROM PAGE 18]

servants were let go. A major concern is that appointment of municipal staff is often made on the basis of political patronage and not skills and expertise. However, through Project Consolidate, the central government has begun to deploy skilled workers to particularly weak municipalities to assist in capacity building. There are still concerns that this initiative is not enough and that scarce skills may have to be imported from overseas.

Looking forward

Despite these many challenges, there are municipalities that have found new and innovative ways to balance development with service delivery. The Nelson Mandela Bay metro has embarked on an extensive program to find efficient alternate energy sources to reduce emissions and attract investment to the city. In tandem with the renewable energy projects directed at industrial centres, the metro has established pilot projects to supply solar-heated water to low-income areas. Installation and maintenance costs are minimal. While still in the prelimi-

nary stages, these projects could bring hot water to many low-income homes. The director of electricity and energy for the city, George Ferreira, said that without the “buy-in of the political leadership of the municipality, this project, which explores uncharted terrain, would not have seen the light of day”.

Creating integrated sustainable cities in which the marginalized in South African society would share the benefits of development in local government is an immense project. The metros – the success stories of local government in South Africa – could easily be the drivers of development, with limited provincial and national government interference. Many South Africans are asking that wherever local government capacity is lacking it should be developed as a priority.

The review process on government raises critical questions as to whether the current configuration of provincial and local government has improved the delivery of basic social services and deepened democracy in South Africa. The answers to these questions could fundamentally change local government and improve the lives of all South African citizens.

CANADA [FROM PAGE 12]

But a clear signal about the Harper government’s withdrawal from the ambitious agenda of its predecessor was delivered when the Prime Minister addressed the Federation of Canadian Municipalities in 2006. He complimented local governments, but referred several times to the “levels of government” in Canada, rather than the egalitarian designation of “orders of government” long coveted by the FCM. He maintained that “for decades - and especially in recent years - Ottawa has stuck its nose into provincial and local matters,” and insisted that Ottawa would confine new program spending to “jurisdictional areas that are clearly federal.” Significantly, he pointed to Quebec, which “zealously guards its constitutional responsibilities, including those for municipal affairs,” noting that the Quebec government had substantially increased its own transfers to municipalities.

The pendulum swings

To explain Ottawa’s swing back, it is difficult to appeal to constitutional jurisdiction as such, because the federal government has long been active in areas of provincial responsibility by virtue of the “federal spending power.” This power is invoked by the federal government when it makes certain direct transfers to people or when it offers transfers to provinces conditional on them delivering on their particular programs.

The reason for Ottawa’s pullback, one might argue, is that it was possible. The division of jurisdiction in Canadian federalism, as elsewhere, provides a rationale for Ottawa not to act in some policy areas. In a unitary state, in contrast, one govern-

ment is responsible for the entire scope of public policy, and public demands about some pressing local problem inevitably become a problem of the central government. An essential feature of a federation, in contrast, is that governments do not have responsibility for certain policy fields, and this absolves them from acting to solve such problems.

It is true that once involvement has become deep, as in the Canadian health care system, retreat is politically unthinkable. But on the cities and communities agenda, the Harper government can invoke the constitution to step back from new initiatives. And there are reasons for doing so. Such big undertakings raise expectations across the country and these are difficult to meet. The needs of Canadian communities are enormous, and there is a fear that municipal governments could become a bottomless pit for spending. For a federal government that is ambitious to act boldly in its areas of responsibility, such as defence, and eager to cut taxes as well, there needs to be an

excuse not to act in other areas. Insofar as Canadian municipalities are concerned, the constitution provides such a rationale. And so the pendulum has swung.



Rebuilding an overpass that collapsed in Laval, Quebec, in 2006 took money as well as muscle. Canada’s cities face shortages of funds for replacing major parts of their aging infrastructure.



AP PHOTO/SUNDAY ALAMBA

Overshadowed by a billboard of the winning candidates for president and vice-president in last year's election, street vendors in Lagos sell food and CDs.

Nigeria's new leader promises to curb corruption, enhance services

Demands raised for fairer sharing of oil revenues and effective use of public funds

BY MARTINS OLOJA

One year after taking power, Nigeria's President Umaru Yar'Adua faces daunting problems. High on his list are the delivery of adequate services to Nigerians and the responsibility to ensure fiscal responsibility in government.

While such problems are common in any federal country, they are even more challenging in Nigeria because of its crip-

pling corruption. Transparency International surveys indicate that corruption is rampant in Nigeria, and in a recent poll, more than 70 per cent of Nigerians said that corruption affects their personal and family lives to a large extent.

When President Yar'Adua began his term, he pledged zero tolerance for corruption. He arrived under a cloud but his authority was boosted last August by the

dismissal of two electoral fraud charges against him. The acquittals are under appeal, however.

While corruption is rampant in Nigeria, so is poverty, and studies show that it is the poor who are the most victimized by corruption, having to pay large sums in bribes from their meagre resource to pay for what are meant to be governmental public services.

The previous president of Nigeria, Olusegun Obasanjo, began as a reformer who sought to improve government services. In 2003, he hired Wendy Thompson,

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then British prime minister Tony Blair's special adviser on public service reform, to assist with a framework for public service reform in Nigeria.

Raised red flags

After a few months in Nigeria, Thompson reported in April 2004 that Nigeria's services "are not serving people well."

"Mainly they are inaccessible, (of) poor quality and indifferent to customer needs," Thompson said. "Despite their policy ambitions, ministers lack the levers to ensure delivery happens 'on the ground.' Central departments have little information with which to monitor performance or intervene to tackle failure. Unpredictable and uncertain funding often leaves services without any non-staffing revenue to maintain premises and systems, or to provide services. Support services are not designed to support front-line services, and are a major impediment to acquiring the staff, goods and information that are needed."

Her scathing report said reforms would be "executed on challenging terrain, the result of years of misrule, systematic corruption, and a failure to meet people's basic needs for public services. Public confidence is poor, inequalities high and institutional arrangements confusing and wasteful. What is required is a far-reaching transformation of Nigerian society that involves government and other stakeholders."

Notwithstanding murmurings about reforming Nigeria's public service, the response was largely uninspiring.

The Heritage Foundation/Wall Street Journal Index on Economic Freedom was just as scathing in its assessment.

"Despite stronger efforts to hold government officials accountable for illicit activities, corruption remains common at all levels of government and in the judiciary. Much of economic activity is carried on in the informal sector."

Besides 36 states and the federal capital territory, there are 776 local councils that depend mainly on money from the federation account. This account is mandated by the constitution to receive almost all the Nigerian government's revenue, to be shared among the three orders of government. The constitution

makes the President responsible for reporting to the National Assembly periodically on the revenue allocation from this account. The federation account is funded mainly by the country's oil and gas revenue. Nigeria is ranked as the globe's tenth largest producer of oil. In 2003, it was reported that over the last 25 years, Nigeria had received US\$300 billion in oil revenue after deducting payments to foreign companies.

facilities and roads. But this is not the case. A dysfunctional federal system and the lack of a culture of public service have made democratic institutions unaccountable.

Alert never sounded

Nigerian federalism was not designed for effective service delivery, but rather to increase national unity among the diverse ethnic groups. With revenue allo-



Singing and dancing their protest, Ijaw women demand jobs outside a Chevron Texaco fuel station near Abiteye village in Nigeria, in July 2007.

AP PHOTO/SAURABH DAS

But despite revenues of that magnitude, services are not being delivered to the people, poverty is not being curbed and the economy is sickly.

For instance, the proportion of Nigerians living below the United Nations' US\$1 per day absolute poverty line rose from 27 per cent in 1980 to 70 per cent in 2000. It has since declined to slightly more than 50 per cent. In 2006, Nigeria ranked 165th out of 179 countries in the International Monetary Fund's ranking of countries' GDP comparing the purchasing power of the same basket of goods.

With the funds available to all three orders of government, there should be adequate supplies of drinking water, electricity, health services, educational

cation heavily in favour of the federal government, sub-national governments are reliant on the central government for the funding to meet their service obligations, which include public order, intra-state trade and commerce, education, state health policy, state highways and public transit.

While it is apparent to all that the funds earmarked for social services and capital improvements are leaking and not reaching their intended destination, alarm bells ought to be going off.

But the constitutional provision for audit alerts has remained largely unenforced. Under the 1999 constitution, the Auditor-General of the Federation and the Auditors-General of the 36 states are empowered to issue audit queries if

appropriated funds are not satisfactorily accounted for.

While the president and the governors nominate auditors from a group of existing finance officers, once they are confirmed by national and state assemblies, they cease to be part of the executive arm. Instead, the auditors report to each legislature's public accounts committee. However, the auditors' reports are almost never ready on time and neither civil agencies nor the media are vigilant enough to use the audit system to track Nigeria's public funds and prevent them from being looted.

Centre gets lion's share

Despite protests about mismatched fiscal responsibilities and funding by states and municipalities, allocation of revenue between federal, state and local governments is still lopsided. Under the 1999 constitution, the federation account, into which oil revenues and other incomes are deposited, belongs to the three orders of government. But the 36 states' governors have alleged that with the co-operation of the accountant-general of the federation, the federation account "is often unilaterally, arbitrarily and illegally operated, appropriated and manipulated by the central authorities."

A study by G.D. Olowononi of Ahmadu Bello University in 2004 concluded the federal government spent more than 70 per cent of total public revenue between 1993 and 1998.

In 1981, the central government's share of the federation account was 55 per cent, states received 30 per cent and local governments obtained 10 per cent. But in 1992, when local governments received the additional responsibility of managing and funding primary education, the federal government reduced the states' share of the federation account from 30 per cent to 25 per cent.

Even lobbying for the reduction of the federal share to 33 per cent or less of the federation account did not succeed as it only led to the allocating of 1.5 per cent in 1992 to special funds. Control over the special reserves such as the stabilization fund, the petroleum trust fund and the

autonomous foreign exchange market intervention surplus gave central authorities a way to reduce revenue available to sub-national governments. The federal government has 48.5 per cent of the federation account, while the states and local councils share the balance.

Yar'Adua is haunted by the prospect of continued conflict in the Niger Delta Region, where the country's oil supplies are located, and to avert trouble, he has



Denying corruption charges, Saminu Turaki, former governor of Nigeria's Jigawa state, arrives at the federal high court in Abuja in July 2007.

taken a step toward asymmetry that could backfire. In his proposed 2008 budget of 2.4 trillion naira (about US\$20 billion), he set aside a whopping 444.6 billion naira – about US\$3.7 billion – to security issues and the Niger Delta alone.

The Delta includes nine of Nigeria's 36 states, which already receive an additional 13 per cent of revenue from oil and gas from the federation account.

As a result, funds required for critical services for the entire country in the areas of education, health, water resources, poverty reduction and energy were eclipsed by Niger Delta expenditures in the Yar'Adua national budget.

Politics is a balancing act, though, and cheers broke out after the president

announced he had signed the four-year-old Fiscal Responsibility Bill into law. The law would inculcate budgetary discipline in public servants and enhance transparency in fiscal activities. The president said he assented to the Bill after consultation with state governors who agreed to enact similar legislation.

Wanted: funding for infrastructure

But despite promises of greater transparency, it still remains to be seen where the funds to improve infrastructure will come from. There have been no budgetary provisions for the mega-city project for Lagos, initiated by the Obasanjo administration. Lagos, with its 14 million people, is the country's most populous city.

And more headaches could be on the way as the Lagos state government, now controlled by an opposition party, is expected to challenge the unprecedented budgetary allocation to the volatile Niger Delta area.

As anti-graft agencies await political support to prosecute former "execu-thieves," there is concern that the Yar'Adua administration is not fully committed to completing the comprehensive public service reform, begun under former president Obasanjo.

For example, the administration has sworn in nine federal permanent secretaries and recalled two others since Aug. 29, 2008. But senior bureaucrats, who are chief accounting officers in the ministries, agencies and departments, have yet to be assigned their responsibilities. In a system of checks and balances, financial integrity can only be attained with competent and honest accounting officials overseeing spending; otherwise funds go astray and unaccounted for.

Clearly, fiscal responsibility and service delivery will remain challenges for President Yar'Adua's administration.

To get there, the administration has relied thus far upon the mantra of its "commitment to the rule of law." It is unclear when the regime will shift from rhetoric to action. 



REUTERS/STRINGER



Malaysia's Prime Minister Abdullah Ahmad Badawi (r.) chats with a leader of Malaysia's ethnic Indians, S. Samy Vellu, during an Indian celebration in Kuala Lumpur in January. Indians make up eight per cent of Malaysia's population.

Malaysian PM faces pressure from ethnic and pro-democracy forces

The federal government holds the trump cards when dealing with the states and other protesters

BY SONIA RANDHAWA

EARLIER THIS YEAR THERE WERE pressures on Prime Minister Abdullah to call a snap election so Malaysians would go to the polls in March, long before his government's term was up in 2009.

If an election were held in March, the popular opposition leader, Anwar Ibrahim, would not yet be eligible to run for parliament. Also, the expected announcement by the government of a fuel price hike would have fewer negative consequences after an election than before one.

The country that Mr. Abdullah governs is a federation of 13 states and three federal territories, divided into two

regions separated by 640 km of the South China Sea. It is one of the world's largest makers of computer disk drives and produces palm oil, rubber and timber.

The country is diverse: it is 60 per cent Malay, 25 per cent Chinese, and 8 per cent Indian and 7 per cent others. This diversity is reflected in the Prime Minister's ruling coalition, the National Front. The coalition has been in power since the country was founded and controls most of the state governments. However, there's trouble in paradise: a set of restrictions on civil liberties and freedom, including the power to imprison suspected subversives for up to two years without trial, and a govern-

ment that can deny newspapers a licence to print.

A demonstration of tens of thousands, largely from opposition political parties, was held in Kuala Lumpur on Nov. 10, 2007, to demand reforms to clean up Malaysia's election process. Then on Nov. 24, unrest among Malaysia's minority Indian population spilled over into a street demonstration. The Indians were protesting lack of access to housing, civil service jobs and places at university due to a positive discrimination program for poor Malays. In Malaysia, where such demonstrations are illegal, the two political demonstrations were the first in a decade.

It hasn't only been street demonstrators who have challenged the federal

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government. Malaysia's states have taken on the federal government in recent years, and in most cases have lost. Their confrontations erupted over oil revenues, water resources and demands for greater democracy. The states have also been facing environmental concerns, controversies over legislation, and burgeoning state-level debt. After most of these confrontations, the power of the states has decreased, and more power has been ceded to the federal government.

Oil and water

One early shock to the federal system after 1999 came over oil. In the November 1999, general election, the National Front government lost control of the oil-rich east-coast state of Terengganu. Before the election, a contract had been negotiated between the state government and Petronas, Malaysia's national oil company, to give the state government five per cent of the oil revenues from oil extracted in Terengganu. This sum had risen to more than US\$132 million annually. When the opposition Pan Islamic Party came to power, the oil company withheld these revenues. Instead, Petronas said they would pay them to the federal government to carry out development projects in the state. The withheld taxes cut the state government's revenues by 80 per cent. The action threatened the independence of all state governments dependent on oil revenue.

Another major event that strained the federal system was the passage of two federal bills designed to set up a national commission to manage the water supply and catchment areas. The bills, defended on environmental grounds, were passed in May 2006, following more than two years of controversial wrangling. Water resources had traditionally been on the state list of powers. However, the record on water management had been mixed, with some states suffering water shortages, and others incurring large debts.

Meanwhile, the federal government had also begun research and planning for an inter-state water transfer project between Pahang and Selangor. Selangor is home to the territory of Malaysia's federal capital, Kuala Lumpur. The federal government passed the water legislation despite the unpopularity of the move with the Pahang state government. Passing the federal bills required a change in the constitution, which was

groups, and opposition parties have never been able to assemble such a coalition. In May 1969, the Opposition had a strong showing in the polls. Due to a mixture of opposition parades and ruling party instigation, riots broke out leaving an unknown number dead. The spectre of such violence has also been used to ensure the ruling coalition's victories.

The status of federalism

Malaysia's federal system goes back to 1963 when the country was born from the union of the Federation of Malaya with Singapore, Sarawak and Sabah. Singapore later became independent, leaving 13 states and three federal territories.

In practice, there are two federal systems in Malaysia: one that links the 11 states on the peninsula with the two on Borneo (Sabah and Sarawak), and a second that links all the states in peninsular Malaysia.

Peninsular Malaysia

Peninsular Malaysia is made up of 11 states and two federal territories, Kuala Lumpur and Putrajaya. State-federal relations are defined in the federal constitution, officially the supreme law of the land. The constitution provides that the federal laws take precedence over state laws, but that the state has jurisdiction over the state list which includes matters

such as land, local councils and local matters, water and others. This is set out in the Ninth Schedule of the constitution, which also provides a list of matters that are the responsibility of the federal government. Constitutional supremacy has been in decline because of frequent amendments to the Constitution that require only support by two-thirds of MPs in Parliament and do not require participation by the states.

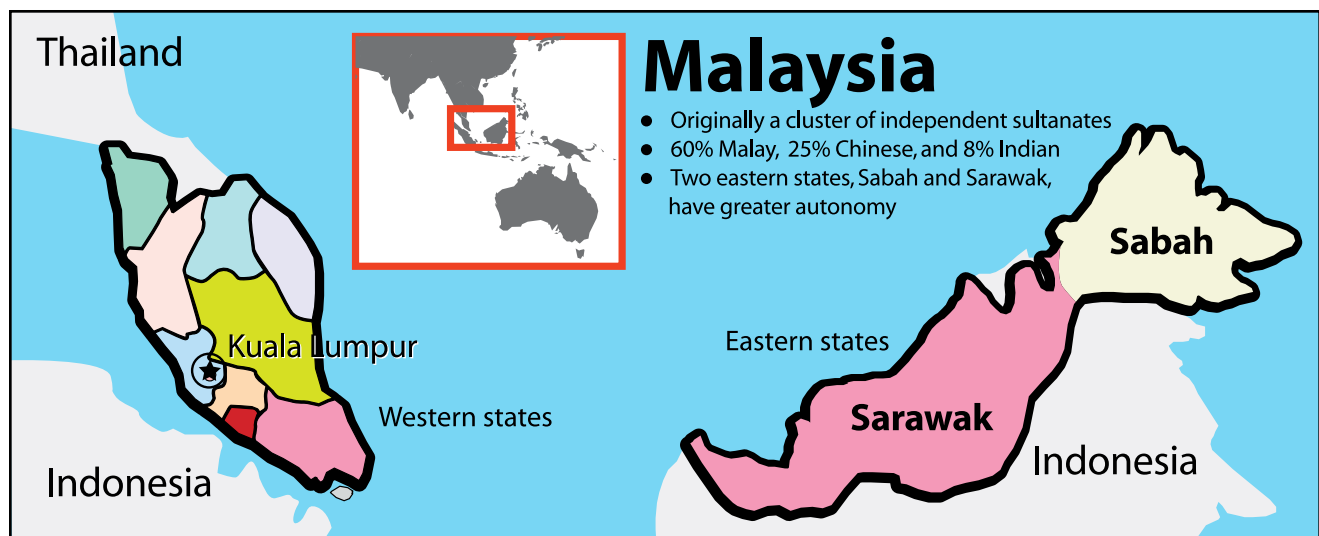
Each state elects a legislature, the Dewan Undangan Negeri, with between 15 and 62 members, through single-



Malaysians play in a wading pool at the Kuala Lumpur City Centre Garden in front of the Petronas Twin Towers, once the world's tallest building.

done in 2005, and peninsular states have now lost control of their water resources.

Meanwhile, the Malaysian federal government has been remarkably long-lived: there has never been an opposition coalition in power since 1963. This longevity has been due in part to the unique coalition that governs Malaysia. This coalition, the National Front, is made up of three major parties: the United Malays National Organisation, the Malayan Chinese Association and the Malayan Indian Congress. The coalition represents Malaysia's three largest ethnic



Malaysia's eastern states of Sabah and Sarawak share the island of Borneo with Indonesia, 640 km across of the South China Sea from the nine Malaysian states on the Thai-Malay peninsula.

member constituencies. State legislatures generally fall under the purview of the state ruler, with sitting times and frequency varying from state to state.

Elected local councils began being phased out during the mid-1960s, officially as a result of the "confrontation" with neighbouring Indonesia. Despite a campaign for the reinstatement of local councils, there is little movement towards this from either the government or opposition parties. Since 1973, when the position of appointed local councils was formalized in federal legislation, the state legislature has appointed all local government officials. The state legislatures collect revenue from certain taxes, such as land tax, some forms of licences and various other sources. They can also obtain development funds or other funds from the federal government and, in most cases, receive royalties from the extraction of natural resources.

Sabah and Sarawak

The federal constitution also contains a section that applies solely to the two states outside the peninsula, the East Malaysian states of Sabah and Sarawak. These two states have greater control over immigration, water, electricity and other areas, such as environmental policy. Malaysians from other states cannot buy land or residential properties and they must go through formal immigration procedures when they enter these states.

This autonomy has had both a positive and negative impact on the people of

the Eastern states. They have developed differently – politically, economically and socially – than the people of the peninsula. The exploitation of vast natural resources in timber, oil and minerals in these states has not led to a high standard of living for the majority of East Malaysians. While the gap between rich and poor in Malaysia is among the largest in Southeast Asia, it is particularly pronounced in these states, where timber tycoons appear on international lists of the world's richest, while the people whose lands have been logged face increasingly difficult circumstances, often with no access to electricity or potable, piped water.

This neglect is not a natural consequence of the autonomy of these states, but this autonomy has allowed state governments to argue that the indigenous peoples are not subject to the same environmental protections that apply in the rest of Malaysia. It has allowed the states to be exploited as the personal fiefdoms of National Front politicians, without fear of rebuke from federal-level political masters, as long as they are able to ensure their coalition victories in the polls and a steady flow of the oil revenues paid into the federal coffers.

An example of the fallout was the aftermath of the 1994 Sabah state election. Despite winning 25 out of 48 state seats, the non-National Front parties were unable to form a government after opposition representatives jumped ship, eventually giving the National Front a

majority. Since this time, the racial make-up of Sabah has been changed, with an influx of Muslim Filipinos from the southern Philippines. Some Sabah-based NGOs argue that this is an attempt to strengthen support not only for the National Front but for the majority ethnic party, the Malay-based United Malays National Organization in Sabah. It has undermined other local National Front coalition partners while strengthening the peninsula-based parties in the coalition.

The future of federalism

Federalism remains an important principle in Malaysia, particularly for the states of Sabah and Sarawak. However, Malaysia has experienced increasing concentration of power in the hands of the executive as well as a decline of the rule of law and the importance of the constitution. Particularly in peninsular Malaysia, in many areas, the states enjoy autonomy only to the extent that the decisions that they make are in line with the federal National Front policy. It appears unlikely that a parallel erosion of state power will occur in Sabah and Sarawak, due to their distinct political, social and economic cultures. East Malaysians are also fiercely proud of their autonomy and attempts to undermine this are highly unpopular. Restoring a healthy balance between the states and the federal government remains a pressing challenge for Malaysia. 



GERALDO CASO/AFP/GETTY IMAGES

In November, 2007, as Argentina's first lady and President-elect, Senator Cristina Fernandez de Kirchner walks past an honour guard at the Chilean government palace in Santiago.

Kirchners swap keys to Argentina's executive suite

Husband-wife rotation could see Mr. Kirchner return to power in four years

BY MIGUEL BRAUN AND MARTIN ARDANAZ

ARGENTINA'S FORMER SITTING president, Nestor Kirchner, helped his wife Cristina take the presidency of Argentina on the first round of presidential elections last October, winning 45 per cent of the vote.

For anyone unfamiliar with Argentine politics, this might seem surprising.

However, Cristina Kirchner didn't arrive on the coattails of her husband – she was a senator and before that a

deputy in the national legislature and in the provincial legislature of Santa Cruz.

Since taking power she has appointed Martin Lousteau, the president of Banco de la Provincia de Buenos Aires, as economy minister in a bid to show her readiness for any downturn in the economy. Nerves remain frayed from Argentina's recent extended economic crisis of the early 2000's.

In November, her defence minister,

Nilda Garre, fired the chief of Argentine military intelligence after hearing a tape of a phone call from the chief saying that the minister had to go. The new president has also weathered an election campaign scandal around allegations that money from Venezuela helped put her in office.

This succession to power by the wife of the former president can be explained in part, at least, in light of Argentina's political economy. Understanding the interaction between economic shocks and political institutions helps in grasping key aspects of the outcome of the 2007 national elections.

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Ms. Kirchner's election was aided by the severe fragmentation of the opposition. Her nearest rival in the elections last Oct. 28 was Elisa Carrió of the Affirmation for an Egalitarian Republic Party, who received 23 per cent of the vote. The former Minister of Economy and Production, Roberto Lavagna of the Radical Party, came third with 16 per cent. A distant fourth was Alberto Rodríguez Saa of the Justice, Union, and Liberty Front Alliance who received less than eight per cent.

Argentina is a federal democracy with a presidential form of government and a bicameral legislature. The federation consists of 23 provinces and a semi-autonomous federal capital. Presidents are chosen directly in a single, nation-wide vote that includes a runoff system requiring 45 per cent of the valid votes, or 40 per cent with a margin of at least 10 per cent over the runner-up, for first-round victory.

Presidents have leeway

Presidents are vested with considerable legislative powers, including a strong veto and executive-decree authority. They also enjoy substantial leeway in unilateral policy action, especially throughout the budget process.

But, in Argentina, the president does not govern alone. Presidential power is counterbalanced by strong federal institutions and powerful governors. From this election onward, however, provincial influence will decline because elections for president and for the national legislature will be held on the same day. With both elections the same date, the fate of candidates for the legislature will be linked to their party's presidential candidate, not to their party's candidate for governor.

To understand the workings of Argentine-style federalism, five key features need explaining. First, provincial governments are important political and administrative entities.

They dictate their own constitutions (including electoral rules), enjoy policy-making authority over vital areas of public policy (education, health), control large budgets, and are also in charge of executing national public policies such as welfare programs. This policy-making and implementation authority is complemented by the Constitution's residual power clause, which states that provinces reserve all powers not delegated to

than the number of votes it takes to elect a senator in one of the rural provinces. Studies also show that the country has a high degree of unequal representation in the lower chamber.

Slums surround capital

Third, Argentine federalism is characterized by large regional disparities. The 23 provinces and the Federal District of Buenos Aires vary greatly in size and wealth. In 2004, the four largest provinces, Buenos Aires, Santa Fe, Córdoba, and the City of Buenos Aires, accounted for 63 per cent of the population, and 72 per cent of GDP. Furthermore, GDP per capita was on average 40 per cent higher than in the rest of the provinces.

Even in these more developed regions, social problems are acute as vast pockets of poverty surround the major cities. In the province of Buenos Aires, there are densely populated slums outside the federal capital.

The four largest provinces elect 17 per cent of the Senate and in the lower chamber they elect

51 per cent of all representatives.

Fourth, political parties are usually coalitions of provincial party organizations. This is especially the case with Argentina's two traditional parties: the Partido Justicialista (the Peronists) and Unión Cívica Radical (the Radicals). These parties have dominated the electoral landscape and occupied main public offices for the last 60 years. The Peronist party has enjoyed more extended national presence than the Radicals, backed by more stable and broader sub-national coalitions.

A second group of parties consists of minor national parties, who have achieved a certain degree of national presence (representation in the Lower Chamber) since 1983, but have consistently failed to consolidate and extend their base of support beyond the capital city and the province of Buenos Aires. These provincial parties are the third group of Argentina's party system: each



Argentina's President Cristina Fernandez accepts a gift from Venezuelan President Hugo Chavez in Buenos Aires on her first day in office, Dec. 11, 2007.

REUTERS/HO NEW

the federal government.

Second, provinces serve as electoral districts for congressional elections. The fact that electoral districts are identical to provincial boundaries makes the province the locus of party competition and political support base for politicians and parties.

Congress is composed of a Chamber of Deputies and a Senate. The 257 deputies are elected from party lists under a proportional representation formula for four-year terms. On the ballot, voters choose a list, not the individual candidates. But in fact, small provinces are over-represented because the electoral system also establishes a minimum of five deputies per province. The Senate consists of 72 directly elected members, with three senators per province serving six-year terms.

Under this system, the number of votes it takes to elect a senator in the District of Buenos Aires is much higher

is an important player in only one province where it is often the dominant or main opposition party.

Finally, electoral rules and party practices make provincial party leaders key players in national politics. The way it works is that the lists of candidates are drawn up by each party at the provincial level. Because the provincial party leaders control candidate selection, national legislators' careers are heavily influenced by sub-national party leaders, who are usually provincial governors.

Governors are kingmakers

Clearly, provincial governors play a key role in national policymaking. For example, since Argentina's return to democracy in 1983, five out of six presidents have been former governors.

And what governors care about is fiscal federalism. They care about this because they need the funds to pay teachers' salaries and keep hospitals running, as well as to finance their political campaigns. Most of that money comes through the common pool of taxes collected by the national government from joint and delegated tax sources.

Sub-national governments are responsible for almost 50 per cent of consolidated public spending (actually two-thirds of total spending if pensions and interest payment on debt are excluded), but collect only 20 per cent of consolidated revenue. This represents a significant fiscal imbalance which is much greater in some provinces than in others.

This problem is addressed through a complex system of intergovernmental transfers. Most transfers are automatic and occur under the federal tax-sharing agreement (called *coparticipación*), the process by which part of the taxes collected by the central government are reallocated to the provinces.

The possibility of a positive-sum federal game (in which both president and governors find it useful to co-operate) is more likely to occur during a strong

economy, which prevailed during former president Kirchner's mandate. Given the executive's power in the budget process, the availability of discretionary funds has made possible the exchange of fiscal resources for congressional support from governors.

Throughout his mandate, Néstor Kirchner strove to gather governors from different parties (Radicals, Peronists, provincial parties) under the government's umbrella. He mustered a solid provincial base for Cristina, his spousal

interests and vetoes clash.

Two additional factors caused the provinces to have less influence in this election. One was the timing of the elections. For the first time since 1989, presidential and legislative elections were held on the same day. Previously, governors set the date for national legislative elections and thus could affect who was elected.

In this election, the fates of legislative candidates were directly linked to those of their parties' presidential hopefuls rather than to gubernatorial candidates. Thus, with Ms Kirchner's first-round win, her party's alliance increased its already comfortable majority in the Chamber of Deputies by 20 seats (including allies) to 161 out of a total of 257. In the Senate, the government is lacking one vote to control two-thirds of the 72 senators.

And then there is the fact that not all provinces matter equally in a presidential election. Given that the president is elected in a single nationwide election, the key to success is securing votes in the most populous districts, in the Federal

District of Buenos Aires, the city of Buenos Aires, Santa Fe, and Córdoba.

Despite these caveats, the support of provinces will be essential for the government in the post-electoral period. After all, international and local observers agree that Argentina's growth rate will probably be lower over the next four years.

With moderate growth, the governors' support will be more expensive to Ms Kirchner and the new government's ongoing challenge is to keep a governing coalition together in what is expected to be a decidedly less buoyant economic environment. Stability is imperative, after all, if, as many pundits predict, Nestor Kirchner will in turn succeed his wife for the presidency when her term ends in 2011. 



Former Argentine president Nestor Kirchner speaks to the press during Colombian hostage negotiations in Caracas in December 2007. The hostages were released by guerillas in Colombia in February 2008.

successor, who, besides being the wife of the previous president, has built a political career at both the sub-national level as a provincial legislator (1989-1995), and in the National Congress as a former deputy (1997-2001) and senator (2001-2005) for Santa Cruz and senator for Buenos Aires (since 2005). And Ms. Kirchner also chose a provincial governor from the Radical party – Julio Cobos, from Mendoza – to become part of the presidential ticket and run as Vice President.

Resisting change

Although fiscal federalism as such was not a main issue in the campaign, all the candidates recognized the need for reforms in federal institutions in order to achieve long-term solvency and equitable development. However, all of this is easier said than done: a strong bias against change conspires against institutional changes in the federal fiscal arena as provincial and national government

**NEPAL [FROM PAGE 4]**

In December, South Asia Partnership Nepal called on all political parties to implement a gender-friendly code of conduct that would enhance women's representation in politics.

Unitary state abolished

After the victory of the April Revolution in April 2006, the political parties drafted an interim constitution for Nepal, which was passed by the seven-party alliance in December 2006 and approved by parliament in January 2007 with a unanimous vote of all 185 members present.

The document began with a bill of rights and limited its restructuring of government to a statement that Nepal was "eliminating (the) existing form of centralized and unitary structure" of the state.

The constitution went on to state that the restructuring of the state would address problems related to women, Dalits, indigenous tribes, Madheshis, oppressed and minority communities

and other disadvantaged groups "by eliminating class, caste, language, sex, culture, religion and regional discriminations." It also provided for a High Level Commission to recommend restructuring the state, but left the final decision on restructuring to the Constituent Assembly.

So it was only after the protest movement among the people in the Madhesh in southern Nepal that the prime minister adopted federalism as a central focus. Other parties soon followed suit after a national television address by the prime minister.

Constitution changed

On March 9, 2007, the constitution was amended to create a federal system while carrying out inclusive, democratic and progressive restructuring of the state. The amendment also increased the number of parliamentary seats for the Madhesh so the 20 districts in the southern plains would have 49 per cent of the electoral constituencies.

An interim constitution approved by a coalition government is one thing – a final one adopted by democratically elected representatives is quite another.

That is why the official confirmation of a federal democratic republic will not be made until after the April 10, 2008 elections for a Constituent Assembly to write Nepal's new constitution. The government agreed to the new date in December 2007 and agreed to elect 58 per cent of the 601-member assembly by proportional representation and 42 per cent by single-member constituencies. The Maoists and the Madheshis had been calling for 100 per cent proportional representation. The agreement has been long-awaited: the elections had already been postponed twice before the April 10 date was agreed upon.

After the Madheshi protests, the basic principle of federalism was accepted as a political necessity. Yet the subject has been on a back burner of Nepali politics, and to implement a federal system, it needs to move to the front burner. 



AP PHOTO/BINOD JOSHI

From rebels to parliamentarians: Nepal's Maoist rebel leader Prachanda (centre) and Maoist deputy leader Baburam Bhattarai (r.) sit next to Madhav Kumar Nepal of the Communist Party (United Marxist-Leninist) in Nepal's parliament last year.



President's page
George Anderson

Words count in federations, where 'shared-rule' is a misnomer

A CROWD GATHERED RECENTLY IN Brussels to demonstrate the need for the country's politicians to form a government after months of fruitless negotiations. One placard read: "One Flemish plus one Walloon equals two Belgians."

This apparently simple point actually goes to the heart of the difficult politics that have emerged in Belgium. All elected politicians are identified exclusively with one linguistic community or the other. All political parties are either Flemish or Walloon. Cabinet must be composed equally of representatives of the two communities. And many decisions at the centre require both communities to agree.

Belgium's constitution opens with the declaration that the country is "a federal state made up of communities and regions" – a stark contrast to the ringing opening of the U.S. constitution: "We the people of the United States, in order to form a more perfect union ..."

One of the most popular capsule descriptions of federalism is that it combines regional self-rule with shared-rule at the centre. This applies particularly well to Belgium, which has decentralized many decisions for self-rule by its regions and linguistic communities, while having elaborate mechanisms of shared-rule at the centre.

But does it truly help to distinguish between self-rule and shared-rule among the orders of government in most federations? What does shared-rule imply? That the regional units participate in some central decisions, as in Germany? Or that linguistic or cultural communities have defined roles in sharing central decisions? While some such arrangements might exist in various federations, they are, at best, only part of the story.

"Shared-rule" does not capture the reality of how central governments function in most federations, whose central

governments are made and unmade through direct elections. The whole electorate constitutes a community which exercises "self-rule" in its own right.

Part of the genius of federalism is that it can accommodate and give institutional expression to "nested" identities of citizens. Public opinion research has shown how complex political identities are. When, for example, Catalans are asked to define themselves, there is a rich range of responses, from "Catalan only", "Catalan first, then Spanish", "both equally", "Spanish first, then Catalan", to "Spanish only." We can map such responses between sub-national units within and across federations. They tell us a lot about the likely dynamics of a federation – centralizing or decentralizing; symmetric or asymmetric. Of course, religious, linguistic, class or caste identities can also be important for political purposes.

In most federations, the majority of citizens identify with both the national (federal) identity and their regional communities – the states, provinces, cantons, *Länder* etc. A federation needs a critical mass of citizens in most parts of the country to have a national, as well as a regional, identity, if its unity is to be secure.

Of course, identities are not static. Citizens of the European Union have taken on a greater European identity, alongside their national identities. But the EU remains heavily based on shared-rule between governments because its citizens are not sufficiently strong in their European identity to be ready for significant European "self-rule" with a directly elected federal government.

True federal government involves a commitment to a national political community that is more than the sum of the constituent communities. It involves national self-rule as well as national shared-rule. This is why I avoid the self-rule/shared-rule formula when talking about federalism.

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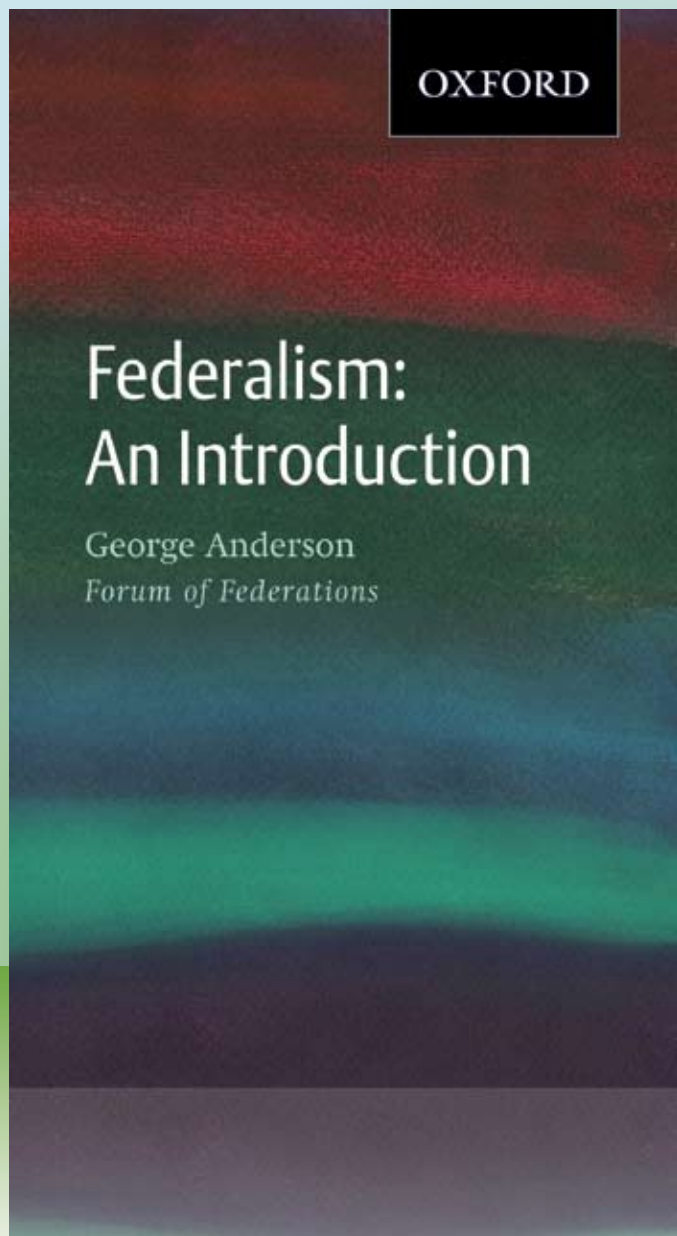
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A primer on federalism



Forty per cent of the world's people live in federal countries. The 28 countries with federal systems of government are amazingly diverse: they include not only the world's wealthiest nation – the United States of America – but also tiny island-states like Micronesia and St. Kitts and Nevis.

This admirably concise book, written by George Anderson, a leading expert on federalism and head of the Forum of Federations, provides a straightforward, jargon-free introduction to the topic. It is essential reading not only for students and those in government, but for ordinary citizens of the world's federations.

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