Putting the 'public' in public services: (Re)municipalisation cases in Malaysia and the Philippines

By Mary Ann Manahan and Laura Stegemann

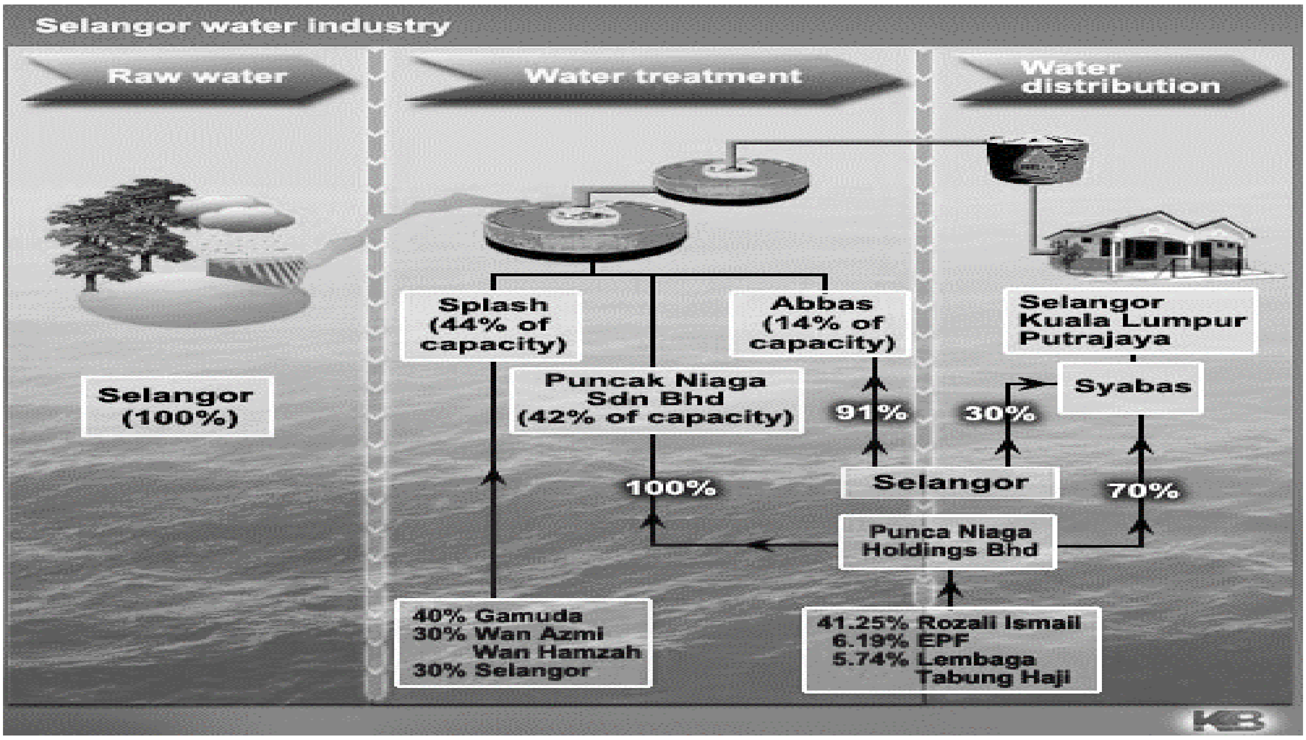
Strong public institutions are critical for providing effective, quality, affordable and democratic public services to people living in Southeast Asia. In the last decade, there have been numerous social contestations around reclaiming public services and 'new' public management that are anchored in a public service ethos that stresses transparency, accountability, community responsibility and participation and integrity. (Re)municipalisation of public services has taken root in a number of countries such as Indonesia, Malaysia and the Philippines. The cases are diverse but take the form of one or a combination of the following: state/local government taking back control of privatised services; municipalities and local authorities creating new public services that are building a social safety net and providing for the well-being of residents in areas such as education, health, transportation and climate adaptation; community-led provision of public services and self-governance initiatives; and and/or public-public and public-community partnerships. These cases emphasise that cities and municipalities offer possibilities for democratisation and radical experimentation.[1] This essay highlights new pathways to deliver quality and democratic essential services led by states, cities and municipalities. The cases include socially innovative systems of public provision as alternatives to privatisation and commercialisation of essential services. We have put a spotlight on examples from Malaysia and the Philippines, with a focus on water, social protection and climate change resilience.

Selangor's remunicipalised water system

A 2012 survey to map the degree of public versus private water service delivery in Asia provided a large and broadly characteristic sample of 646 listed water utilities, most of which are public in nature—either as state-sponsored agencies or municipal corporations.[2] Privatised water supply is found in key mega cities such as Metro Manila, Jakarta and Kuala Lumpur. There are decades-long campaigns to de-privatise water services in these cities. Among them, Kuala Lumpur (as part of the service area of a new public water utility, Air Selangor) was successfully returned to public ownership. Selangor's remunicipalisation represents a complicated and expensive two-decades long saga of regaining state autonomy and public control of the water system. While being exposed to conflicts of interest between private companies and the state government, citizens had to cope with the consequences of poor service provision and high water tariffs, exacerbated by water shortages. As the richest and most populous state,[3] remunicipalisation was made possible through a combination of political and economic will of the centre-left government, Pakatan Rakyat or People's Pact, that rose to power in 2008. At the core of its strategy is the re-consolidation of a fragmented and unbundled privatised water sector (see figure 1).

Until 1994, Selangor's water system had been publicly managed and owned, and earned an annual profit of between €11.5 and €18.5 million.[4] When demand for water grew and the public utility could not keep up, privatisation was seen as the solution, which was in line with the dominant mantra of neoliberal development at the time. The Selangor state government then signed a 25-year Build-Operate-Transfer (BOT) contract with Puncak Niaga Holdings, a company owned by Malay Nationalist party (UMNO)[5]-linked Rozali Ismail, in 1994. In the years that followed, Selangor's water system was split and awarded to three more concessionaires on different occasions: PNSB, owned by Puncak Niaga, Syarikat Pengeluar, owned by SPLASH and the consortium ABASS. In 2004, without a competitive bidding process, the state government awarded Syarikat Bekalan Air Selangor Sdn Bhd (SYABAS), another subsidiary of Puncak Niaga Holdings, a 30-year contract that guaranteed fixed government payments and triennial tariff increments from 2009 onwards. The concessionaire committed to investing €2.26 billion to reduce the level of non-revenue water (i.e. water losses due to theft and leakages) by fixing pipes. The deal was pushed by the right-wing and centre political party coalition, Barisan National (National Front), which dominated Selangor until 2008.

Figure 1: Selangor's privatized water system



Source: Razak, A. (2013), "Selangor water: Privatisation gone awry", http://www.kinibiz.com/story/corporate/5104/selangor-water-privatisation-gone-awry.html

In 2008, a new government led by Pakatan Rakyat granted Selangor state the right to restructure and reconsolidate the water system. The political party promised to freeze tariff hikes as part of its electoral campaign focusing on social justice, human development, an equitable and sustainable economy, transparency and genuine democracy. However, the national government failed to respond to requests to cancel the concessionaires' contracts in 2008 and 2010.[6] SYABAS then filed claims to the state government for compensation of US$282 million for failing to raise consumption tariffs, further claiming that the price of US$0.45/m3 did not cover its operating costs of US$0.55/m3.[7] The Selangor government denied the private company's claims, arguing SYABAS was in breach of its contract because of missed performance targets, inefficiencies, non-disclosure of crucial information, overcharging for unrequested services such as a €12 million office renovation, misallocation of state funds and non-compliance with government procurement processes. Operational irregularities continued to occur such as overpayments to Puncak Niaga's top management amounting to €2 million in 2009, as well as overcharging of consumers on water bills that are twice as much as those neighbouring states. Moreover, the quality and stability of service provision steadily declined as regular water interruptions, especially during summer months, and water rationing became the new normal for the affected 10 million residents. Following the supply problems, a Special Cabinet Committee on the Selangor water crisis was formed. The committee found that SYABAS operations were indeed inadequate but fell short of recommending a full public takeover. Meanwhile, state authorities and private operators traded accusations. From 2009 to 2014, the Selangor government made various attempts to reconsolidate the fragmented water sector using Article 114 of the 2006 *Water Service Industry Act*, a regulation which allows for the full or partial remunicipalisation of a private business or licensee by the state, when it is in the national interest. The government initially offered €2.2 billion, but the concessionaires rejected the proposal. On 26 February 2014 the state government flexed its political muscle by establishing a special purpose vehicle called Pengurusan Air Selangor Sdn Bhd, or Air Selangor. This new entity operates and maintains the entire water supply and distribution systems—from reservoirs to distribution of treated water to 10 million consumers in Selangor, Kuala Lumpur and Putrajaya.[8] The single, new public operator acquired the three concessionaires in line with the amount agreed upon in a memorandum of understanding between the federal and state governments in 2014: SYABAS and PNSB Water for a total of €1.9 million in 2015 and ABASS for €194.73 million in 2016. The negotiations with SPLASH took longer, with the Selangor government finally accepting SPLASH's €549.54 million asking price in 2019, which according to critics is 10 times the original takeover offer six years ago.[9] Air Selangor has made a first payment of €409.50 million and the remaining amount will be paid over a period of nine years. This completes the final step in remunicipalising the water system, which offers an opportunity to re-establish a reliable water system that will serve people for the long term. Air Selangor has already invested €237.06 million[10] between 2016 and 2018 to upgrade and maintain the system. Throughout the process civil society and the current ruling party, Pakatan Rakyat, played an important role in reclaiming water services, increasing the transparency of the negotiations and envisioning a better public water management.

Advancing social protection and universal access to essential services in the Philippines

Public services such as libraries, health, fire protection, water and sanitation and education are often decentralized in Southeast Asia. For many citizens, their local government (municipal, village, provincial/state) is the layer they have daily contacts with. The relationships between local administrations and citizens are mediated by the quality, effectiveness and capability of the former to meet the needs and demands of the latter. Local governments tend to have the "comparative advantages compared to central governments because of their proximity to people, knowledge about local priorities and the pressure of local constituencies for greater accountability, participation, and transparency".[11] Notwithstanding the various weaknesses and susceptibility of local governments to corruption and bad governance, there are existing initiatives to advance universal access and social protection. In the Philippines, the municipality of Binalonan, Pangasinan, which is home to 54,555 people[12] and located 190 kilometres from the capital, provides social services such as day care centres, financial assistance to women and children, support for single parents, privileges for senior citizens, free primary healthcare services and aid to individuals experiencing crisis. This is anchored in its vision and core value to ensure "that the least in life have the most in law."[13] With primary healthcare provision as one of its priorities, the municipality has better health indicators than the national average: a chronic malnutrition rate among children ages 0-2 of 9.06 per cent (compared to the national average of 26.2 per cent in 2016), a severe underweight rate of 1.17 per cent and a contraceptive use rate of 51 per cent. In 2015 the Department of Interior and Local Government, the national agency responsible for strengthening local government capability to effectively deliver basic services to the population, awarded the municipality a seal of good governance and hailed it as a child- and women-friendly local government unit. The municipality of Cainta, Rizal has undertaken similar initiatives. It is the second most populous (322,128 people) and richest municipality in the country, with €70.7 billion in total assets in 2017.[14] Under the leadership of Mayor Johnielle Keith Pasion Nieto, who first won in 2012 and was re-elected in a landslide victory in 2016, the 'One Cainta' program was launched to revive and reinvigorate public services, foster municipal income growth and implement proactive governance. In 2018, at the mayor's initiative and with support from the municipal council, a local ordinance was passed to establish the One Cainta College that brings free tertiary education and lifelong learning to low-income households. The mayor enlisted the help of a known educator/resident, Dr. Victoria Naval, who conducted a six-month feasibility study and participatory consultations with local communities in partnership with a national NGO as well as facilitated the college's accreditation with the Commission on Higher Education.[15] The accreditation means that diplomas earned from the college can be used by students for graduate study and work abroad. As the current president, Dr. Naval oversees the college's lateralized program[16] that provides full bachelors' degree for full-time students and lifelong learning courses for individuals regardless of age and gender. Funded by the municipality directly, the College has admitted an initial 800 students in its first year.

Furthermore, as part of Mayor Nieto's 'development' platform to uplift poor people's lives and ensure safer communities for everyone, the delivery of health services is at the top of his agenda. The municipality has undertaken the construction of new health centres and birthing clinics, upgrading of the municipal hospital, free consultations and roll out of the *Libreng Gamot* (free medicine) program, which targets low-income and marginalised households. It has further embarked on improvements to its municipal hospital by increasing the number of hospital beds to accommodate more patients, augmenting the staffing system, upgrading hospital facilities in the charity wards and accrediting the hospital under the National Health Insurance Program. The accreditation gives health insurance members access to free medicine at the hospital's pharmacy, which is paid for by the national government. Municipal health care workers and senior citizens who are Health Green Card holders are also entitled to free hospitalisation that covers medicines, medical examinations, laboratory and doctor's fees and minor surgical procedures performed at the municipal hospital.

The Binalonan and Cainta cases stress the leadership roles that mayors and local councils play in delivering welfare-based social protection and public services. Both cases are anchored in visions and action plans that uphold people's social and human rights, especially of the most vulnerable and marginalised sections of Philippine society.

Case study: Selangor's People's Care Initiative, Inisiatif Peduli Rakyat[17]

The Selangor government introduced the Inisiatif Peduli Rakyat (IPR, People's Care Initiative) as an integrated social protection program in 2008. Funded by state revenues, the program aims to improve the welfare of different vulnerable groups in the sectors of education, healthcare, water provision, transportation, housing and food.

In the realm of education, there are six initiatives that focus on all levels. This include the Skim Bantuan Selangor (Skim TUNAS) that was set up in 2008 to enable children ages 5-6 to attend kindergarten or pre-primary school. Tuition fees are covered by public funds and are transferred directly to the institutions registered with the Selangor Kindergarten Consultative Council. Another program is the Hadia Pengajan IPT scholarship, set up in the same year with the objective of improving equal access to university education. The program covers the full amount of tuition fees and provides a one-time payment of RM1,000 (€215) for students who are qualified to study at a public college or university. It focuses on low-income families or those who earn less than RM 5,000 (€107.6) per month. A similar program directly targets children of farmworkers in Selangor.

Two programs were introduced in 2008 and 2010 to improve access to healthcare. The Skim Mesra Usia Emas Scheme offers a death benefit of RM2,500 (€538) for registered senior citizens to help surviving relatives cover burial expenses. In the framework of the Women's Health Scheme, free mammograms are offered to women aged 35 and over. Another initiative launched in 2017 provides a subsidy for primary healthcare provision, targeting low-income households. The state provides RM500 (€109.41) per year for medical expenses. Part of this scheme entitles residents who hold a Peduli Sihat health card,[18] as well as their spouses and two children below the age of 21, to receive free treatments at registered clinics.

Other programs focus on access to affordable housing, water, food, transportation and telecommunication services. The Selangorku Housing Scheme was introduced in 2012 to provide access to affordable housing. Selangor residents with a monthly income below RM 3,000 (€646) can apply for house financing not exceeding a value of RM 250,000 (€53,792.75). Since 2018, the Smart Motherhood Charity program has helped mothers from low-income households reduce their living costs by subsidising the purchase of basic food and non-food necessities up to RM 200 per month (€43) using state-issued cards in registered shops across Selangor. The special welfare program recognises the role of mothers in managing family affairs and has benefitted around 5,000 families that belong to the bottom 40per cent income bracket. The SmartSelangor Wi-Fi initiative provides free internet access at 300 spots throughout the state. The state is currently improving access in lower income neighbourhoods, as well as in rural and high-student-density areas. In the area of public transport, the Khidmat Bas Selanforku Percuma program provides free bus service covering the municipalities of Shah Alam City, Subang Jaya and Klang Valley. Finally, with the Air Percuma Satiap Bulan project, the People's Care Initiative also provides free water to households that consume 20 cubic meters or less per month.

Locally anchored climate resilience strategies

The impacts of climate change are being experienced in ways as diverse as the places where they unfold. Market-based instruments are increasingly recognized as being insufficient to respond to climate change-related challenges communities face in a variety of local contexts. In contrast, locally anchored climate resilience strategies focus on adapting to a community's specific experience of the threats, impacts and consequences of the climate and ecological crises. They also include mitigation strategies that increase resource and energy efficiency, led by local communities. A crucial precondition here is the involvement, ownership and even self-provisioning (self-help/community-organized initiatives, often without government support) of affected communities and people that nurture local capacities and knowledge.

As the country with the world's third largest exposure to climate risks,[19] Philippine municipalities and communities have been setting up public service structures that respond to present and future risks as well as reduce peoples' exposure to climate-related disasters.

An example is the surfing town of Lanuza, located in Surigao del Sur in the south-eastern Philippines. In 2016, the town's leadership implemented a holistic project on disaster risk reduction and management that fosters adaptation policies anchored on a ridge-to-reef approach. As the local economy depends on its forests, watersheds and mangroves, the ridge-to-reef approach looks at the town's entire ecosystem and its interconnectivity to help shape and formulate programs that tackle multi-faceted issues faced by the town's 12,000 residents. The issues include sustainable livelihoods, environmental protection and safeguarding the rights of vulnerable groups such as women, children, elderly people and people with disabilities, who are most impacted by climate change. The municipality secured €692,322.09 from a special fund in the National Treasury called the People's Survival Fund, which finances climate change adaptation and disaster risk reduction programs in poor and vulnerable local governments and communities. The municipality also allocated €148,987.43 in matching funds.

In the same province, the Siargao Climate Field School for Farmers and Fisherfolks also obtained public funds worth €1.43 million from the People's Survival Fund and earmarked a further €226,758.51 from the municipal budget. The climate field school is a joint undertaking between the coastal municipality of Del Carmen and the Surigao State College of Technology. Established in 2016, it aims to improve food security and agriculture, which is the town's principal source of livelihood. The school provides technical assistance to farmers and fisherfolks as well as tools to reduce diseases caused by pathogens, bacteria and viruses transmitted by insects and snails that affect agriculture-dependent households. It promotes community education on weather forecasting and climate variability to empower local farmers and fisherfolks by increasing their decision-making capacity. The project includes a regional research centre that surveys options for climate and disaster-resilient food production.

The above cases stress the viability of (re)municipalisation in a region where neoliberal reforms have long undermined public sector performance and permeated the everyday lives of people. These examples articulate a new form of politics, one that puts poor and marginalised people at the centre of governance and brings services back into public ownership. They also shed light on the important role of public spending and mobilising resources for the common good. Finally, the cases are reminders that states, cities and municipalities are forging different kinds of futures that not only challenge the norms but also advance people's rights, equity and resilience.

ABOUT THE AUTHORS

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Endnotes

1 Manahan, M. and Alvarez, K. (2019), “An Atlas of Praxes and Political Possibilities: Radical Collective Action and Urban Transformations” in Cities of Dignity: Urban Transformations Around the World, forthcoming.

2 Dargantes, Batistel and Manahan (2012) “Springs of Hope: Alternatives to Commercialization of Water Resources and Services in Asia”, in Alternatives to Privatization Public Options for Essential Services in the Global South, David A. McDonald and Greg Ruiters (eds.), New York: Routledge.

3 Malaysia is a federal constitutional monarchy comprised of 13 states and 3 federal territories (Kuala Lumpur, Putraja and Labuan off the coast of East Malaysia). Each state has its own constitution, legislative assembly and executive council, responsible to the legislative assembly and headed by a chief minister. See https://www.britannica.com/place/Malaysia/Local-government for more information.

4 Remunicipalisation Tracker. (2015). Water Remunicipalisation Selangor State. See http://www.remunicipalisation.org/print/Selangor+State (Accessed 31 October 2019).

5 The United Malays National Organization (UMNO) used to dominate Malaysia’s politics until 2018, when Pakatan Harapan, a coalition of center-left and center-right political parties won the elections headed by Mahatir Mohamad. UMNO advances Malay nationalism, the protection of Malay culture as the national culture and expansion of Islam across the country.

6 World Bank. (2010). Private Participation in Infrastructure Database : Datasets for Malaysia and water.

7 Remunicipalisation Tracker. (2015). Water Remunicipalisation Selangor State. See http://www.remunicipalisation.org/print/Selangor+State (31 October 2019).

8 Air Selangor (n.d.), “About Us”, https://www.airselangor.com/about-us/our-transformation

9 https://www.freemalaysiatoday.com/category/nation/2018/08/03/selangor-bought-splash-at-10-times-its-price-claims-khalid-ibrahim/; https://themalaysianreserve.com/2019/04/25/air-selangors-offer-for-splash-turns-unconditional/

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11 United Nations Capital Development Fund (UNCDF) , Local Development Unit (2005), The Role of Local Governments in Local Development Pro-poor provision of infrastructure services, Kigali, Rwanda: UNDESA, UNCDF, MDP Government of Rwanda, pp. 4-5, Available at http://unpan1.un.org/intradoc/groups/public/documents/un/unpan021577.pdf (Accessed on 2 November 2019).

12 Based on the 2015 Census. See https://psa.gov.ph/population-and-housing/statistical-tables/title/Philippine%20Population%20Surpassed%20the%20100%20Million%20Mark%20%28Results%20from%20the%202015%20Census%20of%20Population%29

13 Municipality of Binalonan website, “Social Services”, Available at http://www.binalonan.gov.ph/services/social-services/ (Accessed on 4 November 2019).

14 Republic of the Philippines, Commission on Audit (2018), 2017 Annual Financial Report, Local Government Volume 1, Quezon City, p. 4, Available at https://coa.gov.ph/phocadownload/userupload/Annual-Financial-Report/lgu/2017/2017_AFR_Local_Govt_Volume_I.pdf (Accessed on 12 November 2019).

15 Interview with Dr. Victoria Naval, president of One Cainta College, Cainta, Rizal, February 19, 2019.

16 A lateralized program takes into account the previous qualifications or competencies of students who wish to start a bachelor’s degree or certificate course. For example, a student who has done courses in college may then stop to work and support their family. The school administration will take those previous courses into consideration and include that in determining the student’s program or course work.

17 Portal Rasmi Kerajaan Negeri Selangor, “Inisiatif Peduki Rakyat” (n.d.), Available at https://www.selangor.gov.my.index.php/pages/view/2534 (Accessed on 30 October 2019).

18 Those eligible to hold this card are residents who were born in Selangor or who have been living in the state for more than 10 years. There are 1,000 participating clinics in Selangor and Klang Valley.

19 Institute of Regional Development Planning, University of Stuttgart. (2017). World Risk Index. See https://www.arcgis.com/home/webmap/viewer.html?webmap=ee5978152b5c4cd2aaaaaf3a14d379c8&extent=-180,-86.3126,180,88.0275 (Accessed 31 October 2019).

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