Chapter 7

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. This has been underscored by numerous social disputes during the last decade, contesting 'new' public management and reclaiming public services that are anchored in an ethos of transparency, accountability, community responsibility and participation as well as integrity.

(Re)municipalisation of public services has taken root in a number of countries like Indonesia, Malaysia and the Philippines, among others. The cases are diverse but show common features. There are public authorities on the regional or municipal level reassuming control over privatised services. We can also see a number of municipal governments that use public money to create new public service structures that increase social welfare and climate resilience in response to their specific contexts in public-public and public-community partnerships. These cases emphasise that cities and municipalities can provide the means and spaces for democratisation and progressive policies.[1] This chapter highlights novel pathways to deliver quality and democratic essential services led by states, cities and municipalities. The cases include socially innovative systems of public service provision beyond privatisation and commercialisation. We have put a spotlight on examples from Malaysia and the Philippines, with a focus on water, social protection and local resilience to climate change.

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 systems are found in key megacities, however, such as Metro Manila, Jakarta and Kuala Lumpur where there have been decades long campaigns to de-privatise water services. Among them, Kuala Lumpur, one of Malaysia's three federal territories enclaved within the state of Selangor,[3] successfully returned water operations to public ownership (as part of the service area of a new state-wide public water utility, Air Selangor). The state of Selangor's remunicipalisation process represents a complicated and expensive two decades-long saga of regaining state autonomy and public control over the water system. Exposed to conflicts of interest between private companies and the Selangor state government, citizens had to cope with the consequences of poor service provision on a daily basis, including poor water quality and high tariffs, exacerbated by water shortages. As the richest and most populated state, remunicipalisation was made possible through a combination of political and economic will from the centre-left government, Pakatan Rakyat (People's Pact), which came into power in 2008. Its leaders put the re-consolidation of a fragmented and unbundled privatised water sector (see Figure 1) at the core of its strategy.

Until 1994, Selangor's water system had been publicly managed and owned, generating annual profits of between €11.5 and €18.5 million.[4] When the demand for water grew and the public utility could not keep up, privatisation was seen as the only viable solution, which was in line with the dominant mantra of neoliberal development at the time. The Selangor state government signed a 25-year Build-Operate-Transfer (BOT) contract in 1994 with Puncak Niaga Holdings, a company owned by the Malay Nationalist party (UMNO)[5]-linked Rozali Ismail. In the years that followed, Selangor's water system was split and its parts successively awarded to three more concessionaires: PNSB, owned by Puncak Niaga; Syarikat Pengeluar, owned by SPLASH; and the consortium ABASS. In 2004, without any 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 €2.26 billion as investments to reduce non-revenue water (i.e. water losses due to theft and leakages) by fixing pipes. The deal was pushed by Barisan National (National Front), coalition of parties on the right and centre of the political spectrum), which governed Selangor until 2008.

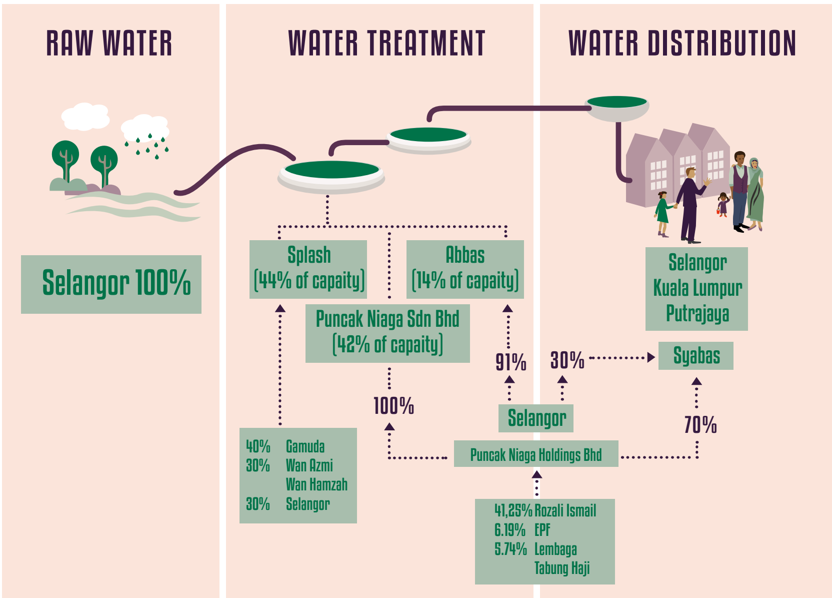


Figure 1: Selangor's privatised water system

Source: Razak, A. (2013) 'Selangor water: Privatisation gone awry', KINIBIZ Online, 26 February. http://www.kinibiz.com/story/corporate/5104/selangor-water-privatisation-gone-awry.html

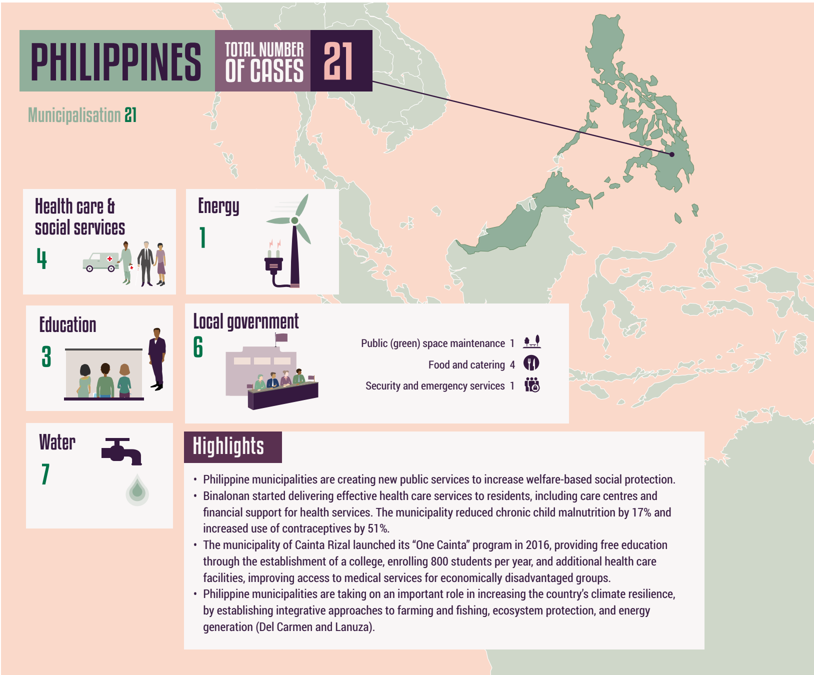
In 2008, a new government led by *Pakatan Rakyat* granted Selangor state the right to restructure and reconsolidate the water system. The political party promised to freeze tariff hikes as part of its electoral campaign focusing on social justice, human development, an equitable and sustainable economy, transparency and genuine democracy. However, the national government failed to respond to requests to cancel the concessionaires' contracts in 2008 and 2010.[6] SYABAS, on the other hand, filed claims to the state government for US$282 million as compensation for impeding the raise of consumption tariffs, further claiming that the price of US$0.45/$m^3$ did not cover its operating costs of US$0.55/m3.7 The Selangor government denied the private company's claims, arguing in turn that 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 consumers on water bills that were double that of 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 norm for 10 million affected residents. Following these supply problems, a Special Cabinet Committee on the Selangor water crisis was formed. The committee found that SYABAS operations were indeed inadequate, but conclusions fell short of recommending a full public takeover.

Meanwhile, state authorities and private operators exchanged accusations. From 2009 to 2014, the Selangor government made various attempts to reconsolidate the fragmented water sector based on 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 based on national interest. The government initially offered €2.2 billion to buy back utilities, 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 distributing treated water to 10 million consumers in Selangor, Kuala Lumpur and Putrajaya (federal administrative centre of the Malaysian capital).[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 was purchased for a total of €1.9 million in 2015 and ABASS for €194.7 million in 2016. The negotiations with SPLASH took longer, with the Selangor government finally accepting SPLASH's €549.5 million asking price in 2019, which according to critics is 10 times the original takeover offer from 2013.[9] Air Selangor has made a first payment of €409.5 million and the remaining amount will be paid over a period of nine years. This completes the final step in remunicipalising the water system, offering an opportunity to re-establish a reliable water system that will serve people in the long term. Air Selangor has already invested €237.1 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 usually decentralised in Southeast Asia. For many citizens, local government (municipal, village, provincial/state) is the layer they have daily contact 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. Therefore, 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 potential weaknesses and susceptibility of local governments to corruption and bad governance, some Philippine local governments deliver inspiring counter-examples to advance universal access to public services and social protection.



The municipality of Binalonan in the province of Pangasinan, home to 54,555 people[12] and located 190 kilometres from the capital, has recently used public funds to set up day care centres, provide financial assistance to women, children and single parents as well as social privileges for senior citizens. Further, it has introduced free primary healthcare services and aid to people in need. This initiative is anchored on the municipal government's vision and core value to ensure 'that [people who have] the least in life have the most in law'.[13] Prioritising primary healthcare provision in line with national laws promoting maternal and children's health, the municipality has improved health indicators above the national average. The chronic malnutrition rate among children ages 0-2 was at 9 per cent while the national average was at 26 per cent in 2016. The rate of severe underweight has been reduced to 1 per cent and the contraceptive use rate increased to 51 per cent in the same year. In 2015, the Department of Interior and Local Government, the national agency responsible for strengthening local government capacity to effectively deliver basic services to the population, awarded the municipality a seal of good governance and hailed it as a children- and women-friendly local government.

The municipality of Cainta, in the province of Rizal, has undertaken similar initiatives. It is the second most populated municipality (322,128 people) and the richest 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 local elections in 2012 and was re-elected in a landslide victory in 2016, the 'One Cainta' programme 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 introducing free tertiary education and lifelong learning to low-income households. The mayor enlisted the help of a known educator and 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 its current president, Dr. Naval oversees the college's lateralised programme[16] that provides full bachelor's degrees for full-time students and lifelong learning courses for individuals regardless of age and gender. Funded by the municipality directly, the college has admitted a cohort of 800 students in its first year.

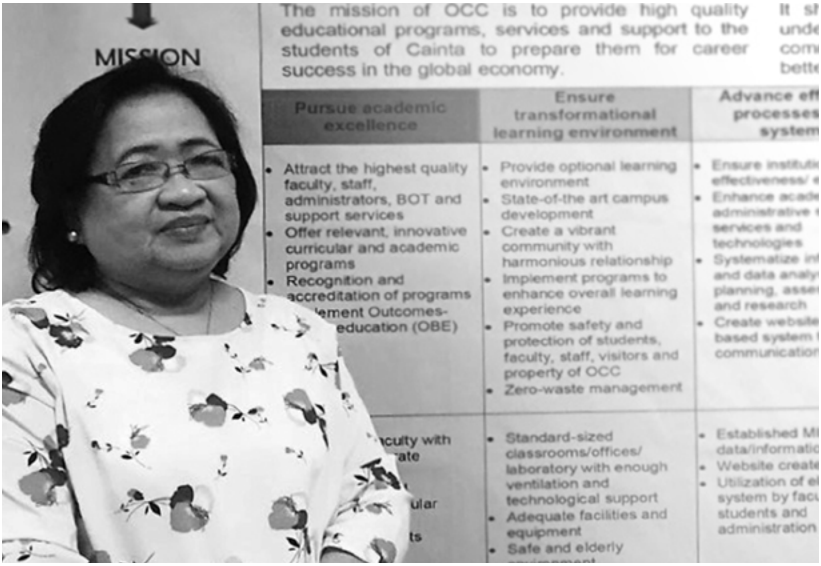


Photo: The author interviewed Dr. Victoria Naval of One Cainta College in 2019

Furthermore, as part of Mayor Nieto's 'development' platform to uplift impoverished people and ensure safer communities for everyone, the delivery of health services is on top of his agenda. In that framework, the municipality has undertaken the construction of new health centres and birthing clinics, upgraded the municipal hospital andset up free consultations with the roll out of the *Libreng Gamot* (free medicine) program, targeting 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 hold in delivering welfare-based social protection and basic public services. In both cases local public authorities forward visions and action plans that focus on upholding social and human rights, benefitting especially the most vulnerable and marginalised members of Philippine society.

Case I: Selangor's People's Care Initiative

The Selangor government introduced the *Inisiatif Peduli Rakyat*[17] (IPR, People's Care Initiative) as an integrated social protection programme in 2008. Funded by state revenues, the programme was set up to improve social welfare of different vulnerable groups through better education, health care, water provision, transportation, housing and food.

In the realm of education, six initiatives were introduced. The *Skim Bantuan Tadika Selangor* (Skim TUNAS) 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 directly transferred to the institutions registered with the Selangor Kindergarten Consultative Council. Another programme is the *Hadia Pengajan IPT* scholarship, launched the same year with the objective of improving equal access to university education. The scholarship fully covers tuition fees and provides a one-time payment of RM 1,000 (€215) for students qualified to study at a public college or university. It focuses on low-income families or those earning less than RM 5,000 (€108) per month. A similar programme directly targets children of farmworkers in Selangor.

Two programmes were introduced in 2008 and 2010 to improve access to health care. The *Skim Mesra Usia Emas Scheme* offers a death benefit of RM 2,500 (€538) for registered senior citizens to help surviving relatives cover burial expenses. In the framework of the *Women's Health Scheme*, mammograms are free for women aged 35 and over. Another initiative launched in 2017 provides a subsidy for primary healthcare provision, targeting low-income households. The state provides RM 500 (€109) per year for medical expenses. Part of this scheme entitles residents holding a Peduli Sihat health card,18 including their spouses and two children aged 21 or below, to free treatments at registered clinics.

Other programmes focus on access to affordable housing, water, food, transportation and telecommunication services. The *Rumah Selangorku* was introduced in 2012 to provide access to affordable housing. Selangor residents earning below RM 3,000 (€646) per month can apply for house financing not exceeding a value of RM 250,000 (€53,793). Since 2018, the Smart Motherhood Charity programme has helped mothers from low-income households reduce living costs by subsidising purchases of basic food and non-food necessities up to RM 200 per month (€43) using state-issued cards in registered shops across Selangor. This welfare programme recognises the special role of women in managing family affairs and has benefited an estimated 5,000 households belonging to the bottom 40 per cent income bracket. The Smart Selangor 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 sector of public transport, the *Smart Selangor* programme provides free bus service covering 11municipalities and cities. Finally, with the *Skim Air Darul Ehsan* 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 experienced in ways as diverse as the environments where it unfolds. Market-based instruments are increasingly recognised as insufficient to respond to the climate change-related challenges that 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 pre-condition here is the involvement, ownership and even self-provisioning (self-help/community-organised initiatives, often without government support) of affected communities and people that nurture local capacities and knowledge.

With the world's third largest exposure to climate risks,[19] Philippine municipalities and communities are building and expanding holistic public service structures that respond to present and future risks and reduce people's vulnerability to climate change-related and natural disasters.

The first example comes from the town of Lanuza, located in Surigao del Sur in the Southeastern Philippines. In 2016, local leaders 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, decision-makers take the entire ecosystem and its interconnectedness into account in formulating programmes that tackle multi-faceted issues in this town of 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, all of whom are the most impacted by climate change and natural disasters. In order to finance the initiative, the national and local levels work together. The municipality has secured €692,322 from the People's Survival Fund, a special fund in the National Treasury that supports climate change adaption and disaster risk reduction programmes in impoverished and vulnerable local communities, while the municipality itself has allocated €148,987 in matching funds.

Similarly, in the same province the Siargao Climate Field School for Farmers and Fisherfolks obtained public funds worth €1.43 million from the People's Survival Fund and earmarked a further €226,758 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 as the town's principal source of livelihood. The school provides technical assistance to farmers and fisherfolks and delivers 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 also finances a regional research centre that surveys options for climate and disaster-resilient food production.

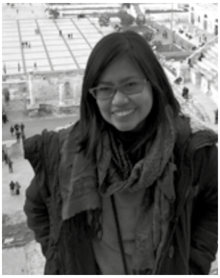
Challenges ahead

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. Remunicipalisation and municipalisation have articulated politics that move education, welfare and socio-ecological relations to the centre. They stress the important role of targeted public spending strategies accompanied by visionary political narratives and pragmatic policy programmes. While national funds are an important source of money, local authorities can build on local institutions and knowledge to set up programmes that adapt to their specific needs. Malaysian and Philippine municipalities thus move forward with recipes for public ownership with local ingredients.

One cannot overemphasise that (re)municipalisation means mobilising public money. The main lesson here is that besides political will, fiscal space and actual funds are available to take over a private entity and run a service effectively. Selangor, as the richest state, can easily buy out private concessionaires, but *what if there is jurisdiction and political will to remunicipalise but the authority in charge does not have the financial means?* Here, central government support and foreign development assistance to capacitate and strengthen the local public sector's ability to establish and maintain a public service have to be considered as potential modes of cooperation. Then, there are issues surrounding user tariffs. It is important, for example, to see how Air Selangor as a non-profit utility will ensure that its water tariffs continue to be linked to social justice and human rights goals. Citizens and civil society must also continue to hold public utilities accountable to avoid pitfalls of the past and to make sure that 'new' public utilities remain subject to the same and even higher standards than privatised services to live up to their very nature and mandate.

In short, the new generation of 'the public' must continue to expand its capacities and listen to the needs of people and the environment to create futures that sustainably challenge economic and political norms and 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.

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

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

5 The United Malays National Organization (UMNO) used to dominate Malaysia's politics until 2018, when Pakatan Harapan, a coalition of centre-left and centre-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', op cit.

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9 See Free Malaysia Today (2018) 'Selangor bought SPLASH at 10 times its price, claims Khalid Ibrahim', 3 August. *https://www.freemalaysiatoday.com/category/nation/2018/08/03/selangor-bought-splash-at-10-times-its-price-claims-khalid-ibrahim/*; and Aisyah, F. (2019) 'Air Selangor's offer for Splash turns unconditional', Malaysian Reserve, 25 April. *https://themalaysianreserve.com/2019/04/25/air-selangors-offer-for-splash-turns-unconditional/* (accessed 31 October 2019). (retrieved 31 October 2019).

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

16 A lateralised programme 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 programme or course work.

17 Inisiatif Peduli Rakyat *http://ssipr.selangor.gov.my/* (24 April 2020).

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. *https://www.arcgis.com/home/webmap/viewer.html?webmap=ee5978152b5c4cd2aaaaaf3a14d379c8&extent=-180,-86.3126,180,88.0275* (retrieved 31 October 2019).