

**Reforming Government:  
New Concepts and Practices in Local Public  
Administration in the Philippines**

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### **Introduction**

Administrative reform has become an enduring agenda among governments in the Asian Pacific region during the last three decades. Confronted with a wave of increasing demands for economic and social progress and rising expectations among the populace for a better quality of life, governments have readily taken zealous reform initiatives to address efficiency, effectiveness and responsiveness concerns in their administrative systems.

As in many other countries in the Asian Pacific region, administrative reform first emerged in the Philippines following the grant of formal independence due largely to the realization of the discontinuities between a colonial administrative system and the needs and demands of sovereign governments. Efforts to foster national unity took up a lot of time and resources in the post immediate independence years of the newly developing independent nation. In a desire to establish a national civil service and development administration, the government undertook a number of measures such as the crash employment of local civil service personnel, the establishment of departments and agencies and the introduction of local government institutions and new methods and procedures. The main tasks of the government were the maintenance of law and order and the collection of taxes.

The early stages of administrative reform in the country had its ideological roots in the concept of "Weberian" bureaucracy the lawful state. The law governs and public servants act according to the law. Administrative reform efforts focused on building a complex machinery of rules applied in a multi-layer hierarchy with stable and clear roles in each layer. The development of the Civil Service Rules and Regulations, clearly, has its origin in the lawful state.

By following the law, the government operated formalistically by the book. Things got done after a style but not necessarily most productively in the present sense of the word.

Administrative reform efforts in the Philippines extended to have the long-run consequence of strengthening the old framework; In some instances, there were cosmetic structural changes which had brought no real alteration in the status quo since the colonial days. With the concentration of authority and discretionary power in the hands of a few administrators and because of the absence of social and political accountability for the use of such enormous state power, the rulers found themselves playing an almighty role in the allocation of scarce resources.

In latter years, there came a growing awareness that a strict regulatory system cannot meet the more differentiated claims for public service which are typical for a

maturing welfare state. Administrative reform advocates argued that the regulatory system has become too complicated for efficiency; that the remnants of the lawful state severely handicapped the administration in its desire to respond to the demands of change.

The second stage in the administrative reform chronology may be characterized as the democratic stage. Politics governs. The law becomes a less stable phenomenon. The law becomes an instrument for reform. The ever-changing political will of the citizen, as seen and interpreted by the representatives in different decision making bodies, is the norm that regulates the activities of the administration. The great expansion of government services, government budgets and payrolls and government influence on daily life is characteristic of this stage.

The administrative reform efforts focused on attempts to develop a bureaucratic framework which was to be flexible in operation; able to take in consideration the exigencies of the circumstances from a practical point of view; encourages open decision-making processes based on discussions among colleagues; centered around a client-oriented philosophy and laden with human values of service and dignity for all.

The third stage reflects a shift to a market-oriented public administration. The demands of the people become more differentiated. It becomes increasingly difficult to meet this differentiated demand by use of a simple majority decision typical of the welfare state. The market-oriented administrative reform efforts did not imply a turn-away from democracy. But the moment every citizen wants his particular blend of services, majority decisions regarding policy output become increasingly difficult. If differentiated, services are to be accepted as a political goal, public administration must treat the citizen as consumer free to choose what he can pay for. And he can pay with taxes, with deflated fees or with production-cost-derived fees. A market-oriented administrative reform effort does not mean the equalization goals have to be abandoned. But new methods had to be used to reach traditional goals of a fairly even distribution of public services.

### **Recent Reform Efforts in the Philippines**

Recent events in the country indicate a shift in administrative reform policy both to halt nationalization policies and to reverse them. Hit by recession in the 1980s, it became quite obvious that an open economy could not maintain the momentum of public sector spending generated in the 1970s. The financial hardships faced by the government forced it to consider handing over some of the commercially-oriented operations to the private sector. The premise was that privatization would relieve the government of resources that could be more usefully spent on areas which were traditionally the business of government. There was also the desire, on the part of the government, to inject more efficient management techniques into these organizations, thus, saving the scarce resources of the country.

Three metapolicies, initiated in 1986, presently impact on local governance in the country. These are: decentralization, privatization and the use of alternative

institutions for service delivery.

### ***Decentralization***

In the Philippines, decentralization has been tried largely as a strategy for development and democratization since the 1950s. The decentralization thrusts, however, have shifted over time. For instance, while much of the decentralization efforts in the past focused on deconcentration (administrative decentralization) which is also synonymous to dispersion, the decentralization thrust, during the late eighties up to the present, is toward devolution or political decentralization which is synonymous to local autonomy.

With respect to deconcentration or dispersion, the regionalization of government administration which has already been institutionalized can be cited as one of the most significant decentralization measures in the past. This decentralization scheme, implemented under the Integrated Reorganization Plan (IRP) of the Marcos government divided the country into 13 administrative regions. Somehow, this scheme brought the government closer to the people as regional and local offices of the central government were established in all the regions in the country.

With respect to devolution, the enactment of: (1) the Local Autonomy Act of 1959 which conferred some powers to local governments in terms of budget making and appropriation, (2) the Barrio Charter Act which gave due recognition to village governments, and (3) the Decentralization Act of 1967 which bestowed some partial powers and functions upon local governments were the most important political decentralization measures in the past.

In more recent years (late 1980s) and up to the present, the government stepped up its decentralization efforts by emphasizing devolution. Thus, a new local government code was passed in 1991. This Code is said to be revolutionary in the sense that it transferred certain powers and functions, including resources, which were never devolved before. The 1991 Code intends to strengthen and empower local governments (provinces, cities, municipalities, barangays) so as to make them autonomous or to free them from their utter dependence on the national government. Another recent devolution measure is the establishment of two autonomous regions in areas where cultural communities are concentrated, i.e., in the Cordilleras in the north and in Muslim Mindanao in the south.

Under the Decentralization Act of 1967, co-production of service delivery in the fields of agricultural extension and rural health was decentralized whereby provincial and city governments were mandated to supplement or assist in the delivery of these functions. Under the Local Autonomy Act, resource sharing was mandated as the cities and municipalities were given additional taxing powers within the framework of national tax laws. These additional taxing powers were meant to increase the resources of the financially strapped local government units.

A large measure of functions has been devolved under the 1991 Local Government Code. In terms of responsibility sharing and authority sharing, local governments were given significant responsibilities and the corresponding authority in the performance of some aspects of the following basic functions: agriculture, health,

public works, environment and natural resources, and social welfare. The transfer of these functions to local governments can also be viewed as a scheme of co-production of service delivery in the sense that the central government ceased to be the sole producer of these services or functions. Moreover, the transfer of the same can also be interpreted as a decision-sharing scheme or governance sharing as local units were given the power to make decisions on the delivery or performance of the aforementioned functions.

In the area of personnel management, local chief executives were given enhanced powers over personnel matters. For instance, the national government personnel performing the devolved functions, who were correspondingly devolved, were logically placed under the supervision and control of the local chief executives. Furthermore, the power to make personnel appointments by the local chief executives was expanded. Thus, previously, centrally appointed officers like the local assessors, assistant assessors, and budget officers are now under the appointing authority of the local chief executives.

With respect to financial management, the financial aspect of the devolved functions was, likewise, decentralized to local government units. In addition, local units were given the power to enhance their financial resources by allowing them to increase their rates of tax impositions. Aside from these, their share of the internal revenue allotment (IRA), which represents the shares of provinces, cities, municipalities, and barangays from the total collection of national taxes, was increased from 20 per cent to 40 per cent but on a staggered basis, that is, 30 per cent on the first year of the implementation of the new Code (1992), 35 per cent on the second year (1993), and 40 per cent on the succeeding year and onwards (1994 and beyond). All these measures are supposed to lead to fiscal autonomy of the local government units.

Planning and goal-setting is another aspect that has been devolved to local governments. In the past, local development planning has always been subjected to central controls but, with the enactment of the new Code, local units were given a free hand in charting their own development paths. Thus, the requirement that local governments submit to the central government, particularly the Department of Interior and Local Government, their development plans for review has been scrapped. In order to emphasize the importance of local planning, the new Code mandates the creation of the Planning and Development Coordinator position for every local government unit. This officer is responsible for preparing comprehensive plans to be submitted to the local development councils for review; conducting studies, researches, and training programs related to planning and implementing local development programs; analyzing income and expenditure patterns and formulating fiscal plans, among others.

Decentralization changes have been applied to pursue development and democratization goals as mentioned previously. Under the 1991 Local Government Code, a number of functions have been devolved to local governments in the Philippines on the following grounds: it is more efficient for local authorities to administer said functions because they are in a better position to respond to diverse and changing

local conditions; it promotes local democracy since local elected officials are now responsible for the delivery of such functions; and it is more equitable in the sense that local communities are more likely to get their due share of public services.

All the tiers of local governments in the Philippines are involved in this devolution. The new Code specifies the minimum set of services for the province, city, municipality, and the barangay (village government) to administer. In terms of mode of implementation, the devolution mandate of the Code endeavors to change the traditional top-down approach to a bottom-up approach of implementation. This, likewise, allows the impetus for change and development to originate from the local communities.

One important lesson that can be pointed out from the Philippine decentralization experience is that decentralization has more chances of succeeding in a more liberal political environment. To illustrate, decentralization (particularly, devolution) during the authoritarian regime of Marcos did not prosper because the nature of the regime called for centralization of power while decentralization under the libertarian regime of Aquino was more fruitful, the 1991 Local Government Code being the best achievement. This was, in fact, hailed as a 'landmark' legislation in decentralization since it devolves powers, functions, and resources which were never previously devolved to local governments.

Notwithstanding, however, the revolutionary nature of the new Code, this piece of decentralization legislation is far from perfect. One Codal flaw that has been identified in the process of its initial implementation has to do with financing the devolution process. Initial experience of local governments showed that there was a mismatch of resources and services devolved. It was found out that the cost of administering the devolved services is greater than the devolved financial outlays for those services. Local government units fear that their increased IRA share is not sufficient for the functions and personnel that they absorbed from the national government agencies. Another lesson that can be offered, therefore, is that there should be matching of funds and functions in devolution in order to effect a true or genuine devolution of governmental powers.

### ***Privatization***

A policy of privatization, geared towards two major areas, was formally launched in 1986 (Proclamation No. 50). This two major areas are: the disposition of non-performing assets which were primarily private behest loans of the government financial institutions, like the Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP), and assumed by the National Government; and the privatization of government corporations or their subsidiaries as a reaction to their perceived proliferation during the Marcos regime and the budgetary burden these posed as a consequence of their indebtedness from mostly foreign sources.

The rationale of privatization as a policy reform in the Philippines is manifold. The proceeds of the disposition of non-performing assets were targeted at P 25 billion and was earmarked to fund the Comprehensive Agrarian Reform Program. As a policy reform, privatization was a mechanism to 'get government out of business' on

the philosophy that government has no business in business. This is in line with the policy thrust of the private sector as the main engine of growth and that government should only come in areas where private sector is unwilling or unable to provide the goods and services in a market setting. Most importantly, privatization was a vehicle by which the budgetary burden was eased as the government corporations required huge subsidies and equity contributions in the provision and delivery of goods and services. The transfer of government responsibility to private hands was seen as a strategy to reduce capital outlays and financial burden of the government which was saddled with a heavy debt service burden. In this respect, privatization formed part of the conditionalities of the International Monetary Fund and the World Bank in their stabilization and structural adjustment reform agenda.

Since 1986, the target of the privatization policy was the 296 government corporations and their subsidiaries and, more or less, the same number of non-performing assets. The implementation of the privatization policy was lodged in two government agencies: the Committee on Privatization (COP), an inter-agency committee which is the policy-making body which approves and decides on the sale, abolition, merger, regularization, privatization, and retention of government corporations and their subsidiaries and the disposition of non-performing assets; and the Asset Privatization Trust (APT) which is the marketing arm of the COP concerned with the actual sale/disposition of the non-performing assets or the government corporations approved for sale/disposition by the COP. So far, the APT has already sold P 28.25 billion worth of non-performing assets but a significant portion is still in escrow. The target was only P 25 B or 20 per cent of the transfer value of P 130 B.

The APT was given five years for the disposition of non-performing assets. In 1992, the life of the APT was extended. While the sale/disposition of assets were substantial during the six-year period, there were difficulties in the sale of other assets. Furthermore, the government suffered substantial losses in the sale of these assets because the liabilities/transfer price/book value of the assets far exceeded their fair market value. Behest loans of these non-performing assets were estimated at P 147 billion. Most sales recover only about 30 to 50 per cent of transfer value to the government. The government had to contend with the actual and accounting losses brought about by the sale. Moreover, the government still had to service the liabilities of the behest loans. Privatization of government corporations has also met with very limited success. While some government corporations and their subsidiaries are slated for privatization, the capital market is very limited and there are limited takers. Also, very few government corporations are profit-generating such that only few corporations have been privatized.

Public enterprise reform and divestiture is a companion policy reform of privatization. The rationalization of the Philippine government corporate sector began right after the financial and economic crisis in 1983. With the government corporate sector accounting for 75 per cent of the total external debt of the country and being largely responsible for the government's large budget deficit, the sector was the target of reform in the following areas: (1) the definition and identification of government-owned or controlled corporations and their role in economic develop-



ment; (2) the abolition, merger, retention, privatization, and regularization of government corporations; (3) the financial condition of the government corporations; (4) the monitoring, supervision, and performance evaluation of government corporations; and (5) the flexibility/autonomy and the accountability/control of government corporations.

The implementation of public enterprise divestiture is lodged in the COP and the APT. So far, there are 78 GOCCs for retention out of 301 listed GOCCs in 1986. Furthermore, the Government Corporate Monitoring and Coordinating Committee (GCMCC) is responsible for the monitoring of 14 major government corporations, mostly public utility corporations, with respect to their financial condition, investments, and capital expenditures and borrowings. There have also been institutional changes brought about in the performance evaluation system of government corporations. All government corporations have been brought under COA audit.

Presidential Decree 2029 defines government-owned or controlled corporations. This was the basis for identifying and listing government corporations. The definition, however, is legalistic and does not set policy directions on the role of government corporations in economic development. Until now, the issue of which areas public enterprises or government corporations should operate has not been settled.

With respect to monitoring and supervision, the GCMCC monitors the financial conditions, capital investments, and borrowings of major government corporations. Performance evaluation has also been evolving as it is being developed. There is, however, a need for non-financial and social indicators by which performance of government corporations should be evaluated. Furthermore, there is a need for the control and audit of government corporations to be geared towards efficiency, economy, and effectiveness of corporate operations to take into consideration the flexibility and autonomy of government corporations in the performance of their mandates.

The policy and practice of contracting out to the private sector has been used extensively by the national government, government corporations and local governments with respect to civil works in most infrastructure projects. Some experiences have also been derived from lease-management contracts and contracting out of segmented operations of government corporations.

Recently, a law was passed by Congress — the Build-Operate-and-Transfer (BOT) Law allowing the private sector to construct, own, maintain, operate, and manage infrastructure projects. This opens the doors to active participation by the private sector in development/infrastructure projects of the government such as roads, highways, expressways, ports, harbors, airports, industrial estates, solid waste management, telecommunications, and so forth. Contracting out through BOT has also been set as a policy for power generation projects (Executive Order 215). The most advantageous aspect of contracting out through BOT is that the private sector contractor is wholly responsible for the financing, construction, maintenance, and operation/management of the project. The project will be owned by the private contractor for a period not exceeding 50 years, after which it shall be transferred to the government according to the terms and conditions of the BOT contract.

The BOT scheme has been encouraged by the government and there are a

number of local government projects, particularly, the construction of public markets, that have been undertaken through the BOT scheme.

While it is too early to evaluate the success or failure of the contracting out scheme through BOT, there are indications that BOT is a complex process and involves time and expertise in putting together. Success under BOT requires experience, capability, and institutional support in putting the package together.

### ***The Use of Alternative Mechanisms for Service Delivery***

The private sector, including the NGOs, are considered as the partners of government in pushing its development agenda and in implementing the same, particularly with regard to social service delivery, and in economic and trade enterprises. It is within this context that implementation of programs/projects are pursued by government through the private sector, the NGOs, and the QUANGOs.

There has been a dramatic change during the Aquino administration when it recognized the need for privatization in the economy and the decentralization of powers through expanded participation of the NGOs and the people's organizations. Accruing mainly from the fear of authoritarianism and the dictatorship during the martial law years, the Aquino administration shifted to a participative approach to the institution of democratic structures. Hence, the mushrooming of NGOs and people's organizations. With the 1987 Constitution giving due recognition to NGOs, it has been easy to jump into the institutionalization of people's participation in governance and in the implementation of projects and programs which used to be too centralized at the governmental structures.

The inadequacy and, to a certain extent, the ineffectiveness of government in delivering basic services to the people have altogether led to the opening up of service delivery functions to NGOs and quasi-NGOs. The absence of structural or bureaucratic constraints in the operation of many NGOs and QUANGOs make them more reliable and efficient implementing mechanisms of basic services because many of these are flexible in managing the operation and implementation of projects. In some cases, services have been contracted out by government to the private sector for more effectiveness and better results.

The Local Government Code of 1991 is one good example where the government sees the implementation of projects and service delivery function in governance as jointly coursed through the private sector and the NGOs. While this may serve as a remedial measure in meeting the public's needs, the functions of service delivery and implementation of development programs are still largely the responsibility of the government and that it should, in no way, remain complacent in the administration of public services and goods nor should it pass the buck to NGOs, quasi-NGOs, and the private sector.

### **Future Projections of Administrative Reforms to Improve Local Governance**

Major reform measures in government will veer towards strengthening the

capability of local government officials who are now being extended substantial responsibilities in the development process. Capability building exercises will consider both the improvement of technical capacity and the importance of developing their value commitments for a more responsive, people-centered, and people-powered development efforts.

The upgrade of the skills and administrative leadership capabilities of local executives is an urgent, yet, of long-term value to local government reforms. This will have to be an important target of government to enhance its internal capacities for administration.

Improvements in the monitoring and evaluation systems at the lowest subnational level of the barangay will be forged since this is the basis for ascertaining the performance of provincial elective officials.

Improvement in the development of a sound and reliable management information system requires the procurement and setting-up of computer-based data at the lowest subnational levels. To date, this technology has not yet filtered down at the barangay level. The oncoming 10–15 years necessitate the setting up of this technology to assure expedient aggregation of data. A sound information system is crucial to policy and decision-making and governance.

Procurement of more modern facilities to support the delivery of services is of utmost importance. In the area of health, refrigeration of drugs and vaccines to assure the health and safety of the community has to be taken into consideration. Refrigeration, in turn, hinges on rural electrification.

While efforts to introduce modern technology can assure more rational and efficient methodologies in the delivery of services, attempts to examine indigenous resources that are responsive, less costly, and more culturally-sensitive can be explored. The initial attempt to introduce an act that caters to indigenization like the Generic Act of the Aquino Administration, can be duplicated in other aspects of the industry.

In the grassroots arena, a more aggressive move to organize the citizenry to make the citizens a part of the developmental process will be encouraged. Initiatives for community mobilization and citizen participation in development efforts have been undertaken in various sectoral departments in the past. With the introduction of the Local Government Code, sectoral departments, which have initiated the participatory thrusts, have now passed on the responsibility to devolved personnel. It may be expedient for the local executives to converge the responsibility of community mobilization to a few service delivery persons (i. e., social welfare officer) instead of making other technical experts originating from various sectoral departments (such as the Department of Health and the Department of Agriculture) to undertake the same process.

Strong linkages with NGOs who are committed to community mobilization and citizen participation can be further enhanced to collaborate with local implementors in forging these strategies.

Community organizations will band together with similar groups in other localities through a federation. A federation can assure a stronger posture especially if

policy advocacy is to be undertaken. Furthermore, federations can strengthen interlocal linkages to respond to common concerns of these areas.

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