Institutionalization in Philippine Decentralization: Rethinking the Bureaucratic Imperative

Abstract

Drawing from ongoing theoretical discourse on the NPM-bureaucracy nexus, this paper puts into perspective the extent of bureaucratic institutionalization achieved in Philippine political decentralization. The main thrust of this paper is to show whether and how the architecture of devolution in the country contributes to or constrains the strengthening of its government institutions. It provides empirical evidence on the actual intergovernmental distribution of authorities and resources achieved in the country in 15 years (1992-2007). It then analyzes how these are defined by the interaction of intergovernmental political structures and institutional mechanisms of the bureaucracy. At its core, the paper argues that amid a political system with deeply entrenched traditions of patrimonial rule, local bossism and intergovernmental contradictions of power, pursuing a reform strategy absent a comprehensive framework of power regulation would easily compromise bureaucratic institutionalization. Ignoring the bureaucratic imperative - to institutionalize structures of standardization, regulation, monitoring, coordination and capacity development, while maintaining coherence to the principles of subsidiarity and autonomy - constitutes the decisive drawback in the Philippine framework of devolution.

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**1.0 Introduction**

As governments continue to take center stage in governance processes, experts found themselves increasingly coming to terms with the compelling agenda on public sector reform strategies to promote the quality of government performance. Paradigms that advocated for shrinking the institutions of the public sector have to grapple with persistent reassertions of the considerable position of governments. Even the Washington Consensus was bound to take a paradigm shift toward the “Post-Washington Consensus” that emphasized the critical importance of fortifying government institutions to promote different economies (Hayami, 2003). Amid a broadening agreement on the enduring role of the state, however, debates among experts persist as to what paradigms of governance or models of administrative reform could actually enhance the quality of government institutions, particularly in developing countries which often have strained capacities to carry out their functions.

A particularly controversial framework in question is the widely adopted, albeit not uniformly, model of administrative modernization, the New Public Management (NPM). The NPM paradigm which has gained a great measure of international appeal for over a decade has been subjected to wide criticism as both its theory and practice prove to be divergent in various national contexts. There is even an apparent acknowledgment among its pioneers that “the NPM works best when it is built on the secure foundations of a stable Weberian democracy…[and of] the paradox… that the NPM needs its enemy – the traditional bureaucracy – in order to succeed” (Pollitt, van Thiel and Homburg 2007). Regardless, various elements of this paradigm continue to endure in many countries particularly in developing country contexts which have largely incoherent and subservient bureaucracies. Thus, questions are raised whether NPM-based reforms can contribute to bureaucratic strengthening in such contexts. This paper aims to add insight to these discussions by reexamining the political decentralization experience in the Philippines and evaluate whether and how it supports/constrains bureaucratic institutionalization.¹

Political decentralization/devolution – a key reform strategy within the NPM framework – is noted to be “the reigning paradigm of good governance in academic and policy-making at the turn of the twenty-first century” (Gerring, Thacker and Moreno 2005, p.569). The United Nations Public Administration and Development Management also acknowledge

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¹ Bureaucratic institutionalization is used in this study to operationalize the framework of Quality of Government.
decentralization as one of the key pillars of good governance (Cheema, 2007). With *subsidiarity* being an “overriding principle in government reform today” (United Nations Human Settlements Program 2005, p.92), decentralization continues to be one of the key strategies for government reform among many countries. A World Bank report (2005) has noted that across East Asia, “…a wholesale recentralization of government is unlikely. With all that is invested in successful development of these decentralized public sectors, the key question is no longer whether to decentralize… it is how best to design intergovernmental structures and manage the implementation process to achieve optimal results” (in White and Smoke p.1). The enduring phenomenon of decentralization compels for a critical rethinking of the implications of this policy process in shaping the quality of government institutions across contexts.

The Philippines was noted to be “one of the first countries in the developing world” (Balisacan, Hill and Piza 2006, p.4) to embark on the program of decentralization. The World Bank (2005) classified the country as a “fast starter” and a “frontrunner” in decentralization, and one with the “strongest history of democratic decentralization” in East Asia (p.26). Moreover, the 1991 Local Government Code through Republic Act 7160 was acknowledged as the first milestone for government decentralization in the Asia-Pacific (German Agency for Technical Cooperation and Konrad Adenauer Foundation, 2006). With these labels notwithstanding, there are continuing contentions and controversies against the actual motives behind the enactment of decentralization policy in the Philippines, as well as its viability amid the pre-existing character of politico-bureaucratic structures in the country.

The Philippines and the notoriety of the weaknesses of its government institutions and bureaucratic agencies vis-à-vis its political structures, constitute one of the most exigent case studies in Asia’s public sector reform initiatives. Amid a context of regime collapse and deep economic crisis, political decentralization has been upheld by the post-Marcos government as one of the core pillars in its democratic reform agenda. In its attempt to reform political and institutional structures, the country adopted the principles of self-government: efficiency, autonomy, subsidiarity and proximity (Brillantes and Fernandez 2008, p.22). By bringing institutions “closer to the people”, there were hopes for a more accountable, responsive and efficient autonomous government units that could be promoted. It was also believed that competition for tax and service delivery via decentralization will act as a discipline on bureaucratic excess and low-quality national governance.
As the country pushes the policy forward, however, its goals continue to be undermined by various constraints in its implementation. While there were notable gains and innovations that have emerged as a result of the transfer of public sector resources to local governments, many of these initiatives would however be documented to have been lacking in sustainability due to institutional constraints. Prevailing proposals would then call for the institutionalization of policy structures particularly of the bureaucracy. However, the question is, does the current framework operating Philippine decentralization allow for such bureaucratic institutionalization? This study examines how decentralization policy shapes the institutional mechanisms of the bureaucracy to address the intergovernmental political/power dynamics and its consequent impact on local autonomy. To show this, it provides empirical evidence on the actual intergovernmental distribution of authorities and resources, achieved in the country in 15 years (1992-2007).

2.0 Evaluating Bureaucratic Institutionalization in Decentralization: A Framework

2.1 Defining Quality of Government as Bureaucratic Institutionalization

With governments embedded in the realities of everyday politics, the process of institutionalization has been traditionally upheld to regulate political power play from compromising the independence and efficiency of government’s administrative/bureaucratic structures. It is a key requisite to ‘insulate’ the bureaucracy from interest-based manipulations of those in power and authority, and to promote the overall quality of government service. In principle, institutionalization promotes the rule of law, and the transparent, accountable and impartial enforcement of standards that discourages arbitrary, irregular and politically-motivated decisions and power play.

Institutionalization minimizes uncertainty through procedural stability and enhances the credibility of the government’s policy commitments. Laws enacted are effectively implemented, pursued and rationally calibrated. It also means that politics offers an attractive career for professionals (Gerring & Thacker 2003, p.4). Favoritism, nepotism and politicization in the civil service are replaced by a merit-based recruitment system. It means that the state has been able to achieve relative independence or insulation from the demanding clamor of particularistic interests (in Leftwich 2000, p.161). Polsby (1968) would argue that “policy structures, processes and programs need to be institutionalized for political systems to be viable” (p.144). An
institutionalized polity is more or less equivalent to a polity with strong institutions. North (1990) would define institutions as the “rules of the game in a society, or more formally, as the humanly devised constraints that shape/provide a stable structure of human interaction” (p.152). Institutions exist to sustain cooperation, ensure order and reduce uncertainty in everyday exchanges. In the public sphere, institutions create checks and balances, facilitate political cooperation, and reduce political uncertainties (W.R. Scott, 2004). Institutions must also enable government to be neutral and authoritative enforcer of rules (Grindle, 1997).

Huntington (1965) would assert that “politics is a Hobbesian world of unrelenting competition among social forces… a society with weak political institutions lacks the ability to curb the excesses of personal and parochial desires” (p.411). Jackson and Rosberg (1982), with reference to African polities in the 1980s, explain that: “Non-institutionalized government is where persons take precedence over rules, where the office holder is not effectively bound by his office and is able to change its authority and powers to suit his own personal or political needs” (in Gerring & Thacker 2003, p.1). Essentially, to operationalize the notion of institutionalization, the main attribute that is easily measured across polities is stability (constancy, predictability, endurance, regularity, or non-variance).

Key to this paradigm is bureaucratic rationality. ² Max Weber (1946) famously argued that bureaucracy, as a constitutionally authorized means for the expression of public will, is the most efficient way of implementing the rule of law. The advancement of legal systems, policy regimes, mechanisms of accountability, regulatory frameworks, and monitoring systems that structure the performance of markets, governments, and public officials – all responsibilities assumed by the bureaucracy proved elemental for government operations to be effective. The idea of bureaucracy suggests that stability through rules, regulations, standards, coordination, capacity and merit are essential to the operations of government.

In an increasingly uncertain socio-political and economic environment where citizens become more cynical of politics and its structures, institutionalization in the bureaucracy becomes imperative. Through this institution, the resources of the country are best rationalized and transformed into concrete programs and projects towards attaining the goals of development. The bureaucracy holds a stabilizing and preserving role when top leaders enter and leave the

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² The concept of institutionalization borrows heavily from Weber’s notion of legal bureaucratic rationality. The tendency therefore is to associate the term institutionalize with bureaucratize (Carlson and Stephens 2002, p.2).
political scene… and has the necessary resources and the critical inputs to do so: people, experience, technology and information (de Guzman, Brillantes and Pacho 1988, pp.180-181). Through the bureaucratic policy structures, jurisdictional areas are specified, a clear system of decision-making rules is established, and the civil service is professionalized and compensated by salary, not spoils. Meier (1997) argued that only the bureaucracy can provide the efficiency needed to absorb the large transaction costs of democracy.

Evans (1995) would assert that the “State ability… depends on the bureaucracy being a corporately coherent entity” (p.5). An efficient bureaucracy, according to Max Weber, could not be dominated by private interests. The bureaucracy therefore, as Herring (1936 in Lynn 2001) would put it “… must be guarded from domination by economic groups or social classes… [and] must be kept free from the abuses of aloof, arbitrary, and irresponsible behavior to which public servants are so often prone” (pp.150-151). Such institutionalization in the bureaucracy is constituted in this paper as Quality of Government. It can be noted however that different polities achieve uneven degrees of institutionalization amid varying reform frameworks and political, social and cultural circumstances which shape the differences in their bureaucratic resilience. A common proposal is then to take into account political and normative contexts and to engage with the specifics of a particular political system and its bureaucratic institutions in analyzing the impact of reform models (Olsen 2005; Meier and O’Toole 2006; Pollitt, van Thiel and Homburg 2007).

2.2 Evolving Paradigm of Decentralization: From NPM to Governance

While the NPM framework has been rigorously distinguished from the paradigm of governance by various scholarly works (Peters and Pierre 1998; Stoker 1998; Lynn, Heinrich and Hill 2000; Sutton 2003; Peters 2004), actual distinctions continue to be blurred as certain NPM-based reforms are persistently associated with the paradigm of governance. With the ambiguity of the NPM “reform package”, some of its elements have been reworked and redefined to become independent paradigms. One case is the system of decentralization/devolution. The OECD identified devolution of authority as one of the eight characteristic trends of NPM (Kickert 1991, p.733). Similarly, decentralized government is also included by Osborne and Gaebler (1992) as one the ten principles that constitute the core of NPM toward reinventing governments. However, decentralization with all its perceived incentives have endured in both academic and
development policy agenda and evolved to be a core component of the paradigm of governance. Peters (2004) would note that “decentralization and devolution have become part of a mantra of governance…” (p.9). The World Bank and the UN would regard the policy a key pillar of good governance.

This is a manifestation of the adaptability of specific reforms under NPM and how they could be tailored and justified according to the prevailing principles either of the national political or global development agenda. Essentially, while certain scholars would regard NPM as a “relative failure” (Manning 2001, p.298), the case of decentralization would demonstrate that there are apparent features of specific NPM reforms, especially those tied to a key theme of the democratic ethos, which continue to be relevant in the policy agenda.

3.0 The Context: Motives, Antecedents, the Politics and External Forces behind Philippine Political Decentralization

3.1 Contradictions of Central-Local Power Structures: The Political Context
Since its independence, the Philippine state has gained notoriety as highly patrimonial—“predominated by oligarchic forces whose access to the state is the major avenue to private accumulation… [where] extra-bureaucratic forces overshadow… [and] extract privilege from a largely incoherent bureaucracy” (Hutchcroft 1998, p.234). In the Philippines, power and partisan politics are noted to hold a disproportionate influence upon the workings of public administration. The bureaucracy is a captive institution: co-opted and generally subservient to the control and influence of political/power structures dominated by ruling elite factions predisposed to protect narrow private interests. These patrimonial features extend to the local political structures where “local bosses rely on intergovernmental alliances… to monopolize public sector resources” (Sidel 1999, p.145) and “wield substantial coercive and socio-economic power” (Hutchcroft 2001, p.46). The traditional power culture of 3Gs: Guns, Goons and Gold, remain real and mostly rife in local politics. Without institutionalized political parties, central political forces need local counterparts capable of mobilizing voters and generating financial resources, and thus making the central government vulnerable to local influence. As a result, local elites can negotiate effectively during and between elections either through Congress or directly with the Executive.

However, while realities of local bossism and dynasties continue to endure, the central structures of power are not to be outmaneuvered. While dependent on local political alliances,
central politicians continuously operate machineries to perpetuate political control and limit the power of local politicians. The effective control of discretionary Congressional Allocations manifests how members of Congress maintain a stronghold over major local development projects. National expenditure allocations would also show that the central government reins in massive control of the national budgetary resources. Thus, the intergovernmental political system in the Philippines can be characterized as dichotomized sections of patrimonial powers: marked by contradictions/a tug-of-war between the oligarchies from central and local political structures, often bound in strategic compromise and shifting loyalties depending on what is expedient to their immediate interests (Gera 2007, p.148). This is the political context upon which the decentralization system in the Philippines is built upon.

3.2 Antecedents and Motives: The Domestic Scene

The actual motives behind the implementation of decentralization in the country have persistently been debated. Advocates of decentralization would underscore that the Philippines comes from a tradition of over-centralization and thus the enactment of the Local Government Code in 1991 is a “revolutionary solution to decades-old problem of over-centralized politico-administrative system” (Brillantes and Moscare, 2002). Certainly, the country’s political and economic crises following the collapse of a highly centralized and authoritarian regime triggered decentralization. The downfall of Marcos ushered an era of “people power” that massively called for re-democratization in society which facilitated the clamor for decentralization. The political upheaval heightened what was already a growing disenchantment and frustration against the Manila-centric rule especially among bypassed regions.

There were however accounts arguing that the characterization of the Code as mainly a response to over-centralization “understates the well-known localisms of Philippine politics, where the center relies on local political strongmen, who may in turn chafe at administrative guidelines coming from the center” (Rood 1998, p.60). Rocamora (1995) would trace the roots of Philippine local bossism from American occupation’s conscious effort to shape a Filipino national elite by creating a structure of representation that was supposed to translate local power to national power via elections from lower levels of government. These however, inadvertently became occasions for coalitions among local elites. By the time a national representative body
was formed, the coalitional pyramid which became the characteristic structure of Philippine politics has already been set.

These authors would point out that Philippine decentralization was infused with political agenda to cater to the demands of the powerful local elites in exchange of support for the political objectives of certain central forces of the post-Marcos leadership (Rocamora 1995; Hutchcroft 1998; Rood 1998). It is said that while Aquino administration endorsed decentralization as a bulwark against the re-imposition of authoritarianism, it systematically restored the power of the anti-Marcos local elites. It has also been noted that then Speaker Mitra pushed for the Local Government Code so he would gain the support of local politicians in his bid to succeed President Aquino in 1992 (Rood 1998, p.60-61). These were a few of the political realities surrounding the enactment of the Code and the establishment of Philippine decentralization which are often overlooked in recent literature.

3.3 External Factors: Global Institutional Pressures

The persistence of decentralization in the Philippines is defined not only by a web of domestic pressures, of demands for political democratization among its civil society, and of ‘central-local dialectic’ and power trading. The influence of international financial institutions amid economic liberalization also cannot be discounted. The import of Western frameworks, concepts and ideas in the field of public administration is a common practice in the Philippines. There are prevailing cynicisms that the country’s implementation of political decentralization is no exception. The Philippine conformity to the Structural Adjustments Program of the World Bank and IMF and other conditionality from other funding agencies impose a considerable weight on its policy agenda. Balisacan, Hill and Piza (2006) would point out that “as countries open up to the global economy, sub-national dynamics alter, sometimes profoundly” (p.3).

Rocamora (1995) would also add that political decentralization in the country is occurring in the midst of economic decentralization. “The dispersal of industries could potentially reverse the political economy of central-local relations in the past century…Local politicians naturally want more political control over resources generated by more rapid local economic growth.” The interweave of all these factors and forces define the endurance of decentralization policy in the Philippines.

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3 Rocamora, Joel. 1995
4.0 Extent of Bureaucratic Institutionalization in Philippine Political Decentralization: Local Autonomy Fifteen Years in the Making

Political decentralization/devolution⁴ in the Philippines disperses power and resources from the central government to the various tiers of Local Government Units (LGUs) consisting of 81 provinces, 136 cities, and 1,495 municipalities in the country.⁵ This shift of power aims to promote the efficiency of government institutions by allowing local units – the “frontlines of governance” - more autonomy in decisions and service delivery. There is a common acknowledgment of the significant inroads that have emerged as a result of the decentralization process in the country. It has resulted in a restructuring of the bureaucracy and a significant shift in public sector resources toward LGUs.

But, to what extent is the power shift from the center to LGUs after a decade and a half of the Code remains to be seriously debated (Sosmena, 2007). Moreover, frustrations among stakeholders against the enduring constraints in the full implementation of the system persist, along with doubts on whether decentralization makes a viable reform strategy toward strengthening the institutions of government. The following discussion shows a generally low level of local autonomy among LGUs as evidenced by 15 years of actual intergovernmental distribution of authorities and resources, with emphasis on finance being the “lifeblood” of local autonomy. The study illustrates that such distribution has been largely defined by the weak bureaucratic institutionalization as manifested in the constraints on the institutional mechanisms of standardization, enforcement, supervision, monitoring, coordination and capacity development. The weakness in institutionalization stemmed from various policy lapses and ambiguities of the country’s devolution framework which largely ignores bureaucratic capacity and effective regulation.

4.1 The Philippine Devolution Framework

Among the major state policies articulated in the 1987 Philippine Constitution was the policy that “The State shall ensure the autonomy of local governments.” In accordance with Article X, Section 3 of the Constitution, the Local Government Code (also known as the Local Autonomy Act) was enacted in 1991 and provides the country’s framework of devolution. It involves the

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⁴ As used in the Code, devolution refers to the act by which the national government confers powers and authority upon the various LGUs to perform specific functions and responsibilities, RA 7160, Chap 2. Sec. 17 (4) (e)
⁵ As of November 2008, National Statistical Coordination Board
transfer of responsibility for the delivery of various aspects of basic services which were
previously the responsibilities of National Government Agencies (NGAs) such as: field health
and hospital services; social welfare; community-based forestry projects; agricultural extension
and on-site research; public works; school building program; tourism facilities, promotion and
development; telecommunications services; housing projects; and investment support. The
responsibility for their provision was divided among the various local tiers. It also transfers the
responsibility for the enforcement of certain regulatory powers.⁶

It also transfers the responsibility with regards revenue assignment. LGUs were allocated
tax powers, along with revenue sharing provisions among LGU tiers. The major tax reserved for
LGUs was that on property. The central government retained authority for income taxes (both
personal and corporate), customs and excise duties, and the value-added tax. Intergovernmental
transfers come in two forms: the formula-based Internal Revenue Allotment (IRA) and ad hoc
categorical grants/non-IRA funds. The Code requires that 40 percent of all internal revenue
collections (calculated with a three-year lag) be allocated to local governments as their IRA share,
according to a formula based on land area, population and income. Non-IRA funds include
transfers to LGUs and centrally spent funds on devolved LGU mandated functions, including
Government Funded Programs and Projects, Congressional Allocations, Loans and Grant Funded
and Off-Budget Funding provided by foreign development partners directly to LGUs.

Consistent with the NPM principles, the Code lays the foundation for the development
and evolution of more entrepreneurial-oriented local governments. Section 15 would recognize a
local government unit as both a body politic and a corporate entity, with the latter emphasizing
the role of local units in the efficient management of public resources. For instance, it provides
the foundations for local governments to enter into build-operate-transfer (BOT) arrangements
with the private sector, float bonds, obtain loans from local private institutions, etc., all within
the context of encouraging them to be “more business-like” and competitive in their operations
departing from “traditional” norms of government operations.

The Code also provides the legal and institutional infrastructure for expanded
participation of civil society in local governance. More specifically, it allocates to non-
governmental organizations (NGOs) and people’s organizations (POs) specific seats in local

⁶ i.e. reclassification of agricultural lands; enforcement of environmental laws; inspection of food products and
quarantine; enforcement of national building code; operation of tricycles; processing and approval of subdivision
plans; and establishment of cockpits.
special bodies. These special bodies include the local development council, the local health board, and the local school board. NGO and PO participation, through their facility for organizing and mobilization are most encouraged in promoting local accountability, specifically through the recall and people’s initiative provisions.

4.2 Limited Devolution of Personnel and Budget
Devolution brought with it the transfer of NGA personnel to LGUs. There were 70,283 NGA personnel devolved to LGUs in 1992 with the implementation of the Code. The World Bank (2002) noted that 51.5 percent of the total personnel (of devolved NGAs) were devolved to LGUs (p.10). However, when compared against the total number of NGA personnel of 870,050 in 1992, the actual rate of devolved personnel is only a minimal eight percent. Latest figures (2004) would show that LGU bureaucratic personnel constitute only 25 percent of the total civil service employees in the country. This is relatively low compared to averages in developed countries. Rotberg (2003) would note that “well over half of the OECD public sector was typically based in local government” (p.100). Japan’s local government ratio for example is 79 percent of total government employees (as of 2001).

The devolution of authority and personnel to LGUs had been accompanied by the devolution of fiscal resources. World Bank (2002) would point out that the total devolved budget constitutes 13.25 percent of the pre-devolution budget of concerned NGAs (p.10). However, when compared to the total national budget of P284.04Billion in 1992 for all national agencies and bureaus, the devolved budget of P7.37Billion would only constitute a minimal 2.6 percent of the total (Gera 2007, p.137). The rest remain under the control of the central government. With the limited devolution of relevant fiscal authorities, many LGUs would remain reliant for funds for their projects from the national leadership which treats the grant of funds as favor to the local executives.

Executive Order 507 (1992) provided guidelines for the actual implementation of the devolution program mandated under the Code. It defines which programs and activities would be excluded from the budgets of devolved NGAs after devolution. A serious contention, however, lies in the parameters/criteria used in the determination of the level of devolution in each devolved agency. Crafters of the Code would admit that the final decision was left to the discretion of respective agencies as to what extent of its authorities and resources it would
devolve to LGUs. Also lacking is a framework that explicitly lays out the specific mechanisms to operationalize the devolution agenda, particularly the concept of power and fiscal sharing on a sustained basis. No clear standards and measures have been set as to what extent of devolution needs to be achieved in a particular sector over a given period. Without established standards, more venues are opened for political struggle over control of fiscal resources disallowing a calibrated strategy against both constraints and abuse of expanded authorities.

4.3 Minimal Intergovernmental Transfers

The Internal Revenue Allotment (IRA), the legally mandated LGU share of the national internal revenue tax collections is regarded by LGUs as the most important intergovernmental transfer. While not intended to cover the cost of devolution, the IRA constitutes around 99 percent of all LGU shares in national revenues and is the major source of local revenues. However, IRA appropriations remained minimal relative to the total national budget, accounting to only 15 percent average in 15 years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in billion pesos)</th>
<th>Total Budget (in billion pesos)</th>
<th>Percentage Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>20.30</td>
<td>295.20</td>
<td>6.88</td>
</tr>
<tr>
<td>1993</td>
<td>36.12</td>
<td>331.70</td>
<td>10.89</td>
</tr>
<tr>
<td>1994</td>
<td>46.13</td>
<td>369.00</td>
<td>12.50</td>
</tr>
<tr>
<td>1995</td>
<td>52.04</td>
<td>372.10</td>
<td>13.99</td>
</tr>
<tr>
<td>1996</td>
<td>56.59</td>
<td>445.10</td>
<td>12.71</td>
</tr>
<tr>
<td>1997</td>
<td>71.04</td>
<td>491.80</td>
<td>14.44</td>
</tr>
<tr>
<td>1998</td>
<td>80.99</td>
<td>537.40</td>
<td>15.07</td>
</tr>
<tr>
<td>1999</td>
<td>96.78</td>
<td>593.60</td>
<td>16.03</td>
</tr>
<tr>
<td>2000</td>
<td>111.77</td>
<td>651.00</td>
<td>17.17</td>
</tr>
<tr>
<td>2001</td>
<td>111.77</td>
<td>669.88</td>
<td>16.69</td>
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<tr>
<td>2002</td>
<td>134.42</td>
<td>780.80</td>
<td>17.22</td>
</tr>
<tr>
<td>2003</td>
<td>141.00</td>
<td>804.00</td>
<td>17.54</td>
</tr>
<tr>
<td>2004</td>
<td>141.00</td>
<td>861.60</td>
<td>16.36</td>
</tr>
<tr>
<td>2005</td>
<td>151.60</td>
<td>907.60</td>
<td>16.70</td>
</tr>
<tr>
<td>2006</td>
<td>166.46</td>
<td>907.60</td>
<td>18.34</td>
</tr>
<tr>
<td>2007</td>
<td>183.90</td>
<td>1,126.10</td>
<td>16.33</td>
</tr>
</tbody>
</table>

Average 14.9%

Note: Data are taken from General Appropriations Acts, Department of Budget and Management, integrating various years.
Notably, these IRA appropriations do not always conform to the mandated 40 percent share of total revenue collections of the Bureau of Internal Revenue (BIR). While it is true that the IRA appropriations increased significantly through the years parallel to the increase in national internal revenue collections of BIR, the average appropriation of 36.70 percent stays below the share mandated by the Code. Moreover, appropriations are not always the actual releases given to the LGUs which show to be even lesser, averaging to only 32.50 percent as rates fluctuate through 15 years (in Gera, forthcoming).

Table 2. IRA Mandated Share, Appropriations and Actual Releases
(in billion pesos)

<table>
<thead>
<tr>
<th>Year</th>
<th>BIR Collections</th>
<th>Mandated IRA Share*</th>
<th>Appropriations</th>
<th>%**</th>
<th>Actual Releases</th>
<th>%**</th>
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<tr>
<td>1992</td>
<td>133.90</td>
<td>37.30</td>
<td>20.30</td>
<td>21.77</td>
<td>18.08</td>
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<td>1993</td>
<td>145.93</td>
<td>41.62</td>
<td>36.12</td>
<td>34.72</td>
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<td>1994</td>
<td>187.44</td>
<td>46.50</td>
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<td>39.68</td>
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<td>1995</td>
<td>211.46</td>
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<td>38.86</td>
<td>51.92</td>
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<td>38.78</td>
<td>56.59</td>
<td>38.78</td>
</tr>
<tr>
<td>1997</td>
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<td>73.08</td>
<td>71.04</td>
<td>37.90</td>
<td>56.59</td>
<td>30.19</td>
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<tr>
<td>1998</td>
<td>337.18</td>
<td>81.00</td>
<td>80.99</td>
<td>38.30</td>
<td>76.94</td>
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<td>111.77</td>
<td>35.52</td>
<td>***113.40</td>
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<td>141.00</td>
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<td>141.00</td>
<td>36.28</td>
<td>109.20</td>
<td>28.09</td>
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<td>151.60</td>
<td>38.42</td>
<td>121.40</td>
<td>30.77</td>
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<tr>
<td>2006</td>
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<td>166.46</td>
<td>166.46</td>
<td>39.03</td>
<td>137.67</td>
<td>32.28</td>
</tr>
<tr>
<td>2007</td>
<td>(717.23)</td>
<td>183.90</td>
<td>183.94</td>
<td>39.17</td>
<td>134.00</td>
<td>28.54</td>
</tr>
</tbody>
</table>

Average | 36.70 | 32.50

Notes: *Mandated IRA Share is 40% of BIR Collections computed from three years prior. Amounts could be diluted by inflation. BIR collections for the following years are: 1989: P93.24 billion; 1990: P104.04 billion; 1991: P116.26 billion. **Percentages of appropriations and actual releases are also computed against BIR collections from three years prior. *** In the course of the budget year, P2.5 billion was transferred from the “unprogrammed funds” to the “programmed” portion of the budget. Data are collated from the Bureau of Internal Revenue, Department of Budget and Management, and Commission on Audit.

The insufficient IRA appropriations and releases can be traced from the various delays and cuts made before the IRA is actually distributed among LGUs, especially during periods of fiscal crisis. The Congressional General Appropriations Acts and Executive Directives have continuously introduced constraints on the IRA for various reasons (e.g. to earmark development funds for priority projects, to settle LGU obligations with NGAs, government corporations and leagues, or to finance new programs imposed by the national government). Moreover, the 40
percent mandate is computed based on the revenue collections from three years prior which could be diluted by inflation.

These constraints explain why LGUs have been receiving less than the mandated 40 percent under the Code. The cuts made on the IRA which run counter to the provision on ‘automatic appropriations’ by the Code have been declared unconstitutional by Supreme Court rulings and yet continues to be a practice. The Union of Local Authorities in the Philippines would also argue that the automatic release of the IRA shares of LGUs has been continually hampered by the perennial gridlock in legislative battles. They argued that the “recurring budget standoffs between the Executive and the House of Representatives, on one hand, and the Senate on the other, has severely dented local governance” (Pilapil 2006, para. 5) since the effect of a deadlock meant reenactments of previous year’s budget which affects IRA allocation.

Although in principle, IRA is formula-driven and automatic, in practice, as Manasan (2007) observes, it has emerged as a “highly unpredictable” source of funding. The non-institutionalization of mechanisms to regularize, standardize and enforce automatic fiscal appropriations has made the local budget vulnerable to the delayed decisions of Congress who would then have to debate on the approval of supplemental budgets including the outlay for LGUs to cover the IRA gap.

4.4 Arbitrary Central Control of Other Funds for Local Development

Many other sources of funds for local development are within the control of central government. These funds are also known as ad hoc categorical grants/ non-IRA funds that are spent for local services and devolved functions but are under the control of central structures (i.e. when national agencies implement the projects). Most notable is the discretionary Congressional pork barrel fund, otherwise known as Priority Development Assistance Fund (PDAF). Soriano, Steffensen, Makayan, and Nisperos (2005) would account such fund to be 62 percent of non-IRA grants (p.13). The PDAF may only be used for projects endorsed by members of Congress, each of whom receives an annual allotment.7 As a policy, the legislators identify the local projects to be funded and the money is released to and implemented by a national agency or a government owned and controlled corporation, subject to Department of Budget and Management guidelines.

7 P200million for each Senator and P70million for each Congressman. The President also receives P1billion of pork barrel annually, also known as Confidential and Intelligence Fund, and P30million for the Vice-President (as of 2007).
In policy, NGAs have full control of the planning, costing as well as selection of a contractor/supplier. In practice, bureaucratic officials would assert that lawmakers have complete control of project implementation. They pointed out that most of the time, the projects proposed by engineers/consultants based on feasibility studies are not the ones being implemented. The whole line of bureaucratic process for project identification, site selection, and regional development consultations are easily dismissed and vetoed according to the desire of these Congressmen. “Pork barrel insertions” are then made to include the pet projects of Congressmen and the President into the budgets of concerned NGAs, including the devolved agencies. For instance, the Department of Public Works and Highways (DPWH) - a “favorite target for pork barrel insertions” (Drilon in Danao 2008) and noted as a crucial avenue of central officials to maintain stronghold over local affairs - has become the single most controversial NGA under decentralization. Soriano et. al. (2005) would note that the DPWH, a supposedly devolved agency responsible for roads, bridges and water works infrastructure, holds the biggest chunk (65.54 percent) of non-IRA funding spent for local services (p.25).

PDAF constitutes approximately 2 percent of the P1.126trillion national budget in 2007 and more than a tenth of the appropriated P184million of combined IRA for all 1,712 LGUs across levels in the same year. Discretionary in nature, the lack of accountability in the pork barrel system has created huge losses of government funds. Parreno (1998) would note that “legislators are said to get cuts anywhere from 12-20 percent… a lot of the money ends up in infrastructure projects unfinished” (p.34).

4.4.1 Lack of Monitoring and Harmonization in the Flow of Non-IRA Funds
Since categorical/non-IRA funds are administered by various NGAs using different procedures and requirements, the flow of funds to LGUs is not immediately transparent and is easily manipulated. Moreover, since the discretionary pork barrel funds do not pass through the normal budget process, it is often not clear whether the expenditures identified by Congressmen are implemented by an NGA, a government corporation or even by an LGU which obscures the actual flows of Congressional spending.

Moreover, since the various categorical grants, including the Congressional pork allocations, are not considered regular revenues, these are lumped into “Extraordinary Receipts/Grants/Aid” in the accounting system of LGUs which generally obscures the actual
flow of funds on specific projects. The World Bank and ADB report (2005) notes that “opacity renders the estimation of congressional allocations… extremely difficult… large amount of discretionary funds that do not pass through the normal budget process diminishes the credibility of government’s strategic allocation procedures…” (p.14).

This is a clear case of disparity in the budget coordination, accounting and fiscal monitoring/auditing that undermines the transparency of actual resource distribution. While these national government programs under categorical grants may have actually benefited local development, it becomes difficult to enforce accountability as these funds have often become intangible in the accounting of actual central fiscal flows. These funds could have been effectively programmed through institutional allocations that are fully aligned to local development priorities, yet left subjected to arbitrary central control.

4.4.2 Lack of Vertical Complementation: Intergovernmental Coordination Issues

Notably, the ambiguity in the country’s devolution process stems from the Code itself, with Sections 17(c) and (f) allowing for the existence of a two-track delivery system, where both NGAs and LGUs can initiate devolved activities. Congressmen employ these provisions to provide pork-barrel funds through the General Appropriations Act. With such provisions, the devolution framework created unnecessary ambiguities that compromise a more transparent and institutionalized fund allocation system. This policy gap also affects the coordination and complementation of responsibilities between NGAs and LGUs. It results to a confused mixture of national and local government inputs in many services. Brillantes and Fernandez (2008) would argue that “given their supremacy, national government agencies… impinge on the territorial jurisdiction of local governments and adversely impact local communities” (p.22). Without clear division of responsibilities and consensus on central-local roles, it is difficult to define what level of government should undertake what task. The low vertical coherence creates uncertainties and duplications in government functions.

This is manifested in development planning. In principle, the process requires a “bottom-up” approach to decision-making. NGAs implementing projects at the local jurisdictions are mandated to coordinate with the LGUs particularly in ensuring their participation in the planning and implementation of the projects (Section 25b). LGUs are also mandated to prepare long-term multi-sectoral and comprehensive development and land use plans where NGAs integrate their
requirements so as to ensure that local plans are in consonance to national priorities. Moreover, local governments are tasked to produce Annual Investment Plans through their respective Local Development Councils, which they will submit to higher levels for integration up to the Regional Development Council (RDC). RDC is designed to be a forum where local and regional development plans can be related and integrated with national development activities to promote and direct the inflow and allocation of private investments in the region.

There is, however, a lack of clear guidelines for the interface of NGAs requiring certain sectoral plans from LGUs in various stages of local planning which compromises central-local continuum in the policy process. Current practice shows that NGAs devise, formulate and implement programs without fully coordinating with local authorities. Predominant in RDC processes are promotion of sectoral concerns based on the agenda of national agencies more than a targeted direction for regional development. Various local governments would assert that Regional Development Plans tend to ignore local development plans because they mainly focus on inter-provincial projects. Participation of local governments in the bottom-up approach is limited to submitting their wish list of projects which usually do not make it to the national budget. Regional actors mainly agree among themselves who gets the projects first, and who is next since there is never enough money for all the projects.

Moreover, local planning and investment programming also often tend to be mayor/governor-centric with ad hoc prioritization of projects designed to be co-terminus to their 3-year term of office disregarding the mandated long-term based local development plans that don’t offer direct incentives for local officials. From project inception to planning down to implementation, it takes between 5-15 years. Thus, instead of going through the various stages of local development planning, LGU officials would rather work their way to directly access the influence of those who actually control the purse strings: the Congressmen or the President.

4.4.3 Fragmented Functions: Interdepartmental Coordination Issues

Certain NGAs are tasked to exercise oversight functions to promote local autonomy. Lack of coordination among such agencies, however, result to duplication of tasks. In facilitating local planning for example, the National Economic Development Authority (NEDA) and the Department of Interior and Local Government (DILG) exercise overlapping responsibilities in providing technical assistance and project development and monitoring of LGUs. While DILG
has the mandate over LGUs as a whole, NEDA also exercises supervision and monitoring over highly urbanized cities and provinces, particularly for ODA-funded projects, often creating confusions.

In the aspect of local government finance, a fragmentation of responsibility can be observed as follows: the Bureau of Local Government Finance is responsible for local property taxation and ensuring effective financial management; the Department of Budget and Management is responsible for share of national taxes such as the IRA; the Commission on Audit is responsible for audit in LGUs and the DILG is responsible for general supervision of LGUs and capacity building including financial management and local resource mobilization (Panadero, 2006). These signify a lack of coordination and streamlining of functions among central agencies involved and a lack of systemic rationalization to clearly delineate NGA functions in relation to LGUs. This also poses implications on enforcing standards and accountability among LGUs given the ambiguities in the functions of central agencies.8

### 4.5 The Compromise of Local Autonomy

#### 4.5.1 Low Levels of Own-Source Revenue Generation

While there are constraints to intergovernmental funding arrangements resulting to unstable flow of revenues, LGU revenue-raising efforts have also been generally disappointing. Local politicos veering away from aggressive tax collection who, either refuse to tax themselves or the influential private sector for fear of political fall-out, is also a pervasive and systemic problem. A report made in 2005 Philippines Development Forum noted that “many LGUs are not fully utilizing available local revenue opportunities, with real property tax collection efficiency averaging only 60 percent” (p.5). The next table would show that the aggregate own-source revenue generation continues to stagnate at a minimal average of 26 percent of total LGU revenues, as opposed to the IRA shares with an average of 71 percent in 15 years. Broadly, it appears that LGUs as a whole continue to be dependent on the IRA (in Gera, forthcoming).

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8 The Joint Memorandum Circular (JMC 1, 2007) has mandated the harmonization of such NGAs performing oversight functions in planning and budgeting. The effectiveness of such mandate however remains to be seen.
Table 3. LGU Revenue Sources (Aggregate of Provinces, Cities, Municipalities)  
(in billion pesos)

<table>
<thead>
<tr>
<th>Year</th>
<th>Local Own Revenues</th>
<th>Percentage Share (%)</th>
<th>IRA</th>
<th>Percentage Share (%)</th>
<th>Other External Receipts</th>
<th>Percentage Share (%)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>8.91</td>
<td>32.48</td>
<td>18.08</td>
<td>65.91</td>
<td>0.44</td>
<td>1.60</td>
<td>27.43</td>
</tr>
<tr>
<td>1993</td>
<td>5.78</td>
<td>13.07</td>
<td>37.07</td>
<td>83.85</td>
<td>1.36</td>
<td>3.07</td>
<td>44.21</td>
</tr>
<tr>
<td>1994</td>
<td>10.39</td>
<td>17.37</td>
<td>46.80</td>
<td>78.22</td>
<td>2.64</td>
<td>4.41</td>
<td>59.83</td>
</tr>
<tr>
<td>1995</td>
<td>13.39</td>
<td>19.74</td>
<td>51.92</td>
<td>76.53</td>
<td>2.53</td>
<td>3.73</td>
<td>67.84</td>
</tr>
<tr>
<td>1996</td>
<td>15.91</td>
<td>20.90</td>
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<td>74.35</td>
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<td>4.74</td>
<td>76.11</td>
</tr>
<tr>
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<td>35.52</td>
<td>56.59</td>
<td>60.41</td>
<td>3.80</td>
<td>4.06</td>
<td>93.67</td>
</tr>
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<td>1998</td>
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<td>76.76</td>
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<td>3.45</td>
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<td>5.01</td>
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<td>4.96</td>
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<td>34.80</td>
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<td>3.70</td>
<td>2.10</td>
<td>173.12</td>
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<td>2005</td>
<td>69.84</td>
<td>35.70</td>
<td>121.40</td>
<td>62.10</td>
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<td>2.20</td>
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<td>63.10</td>
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<td>2.30</td>
<td>218.24</td>
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<tr>
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<td>70.70</td>
<td>3.33</td>
<td>100.00</td>
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<td></td>
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</table>

Note: The coverage of the aggregated data would differ every year depending on the number of reporting LGUs. This would reflect the lack of mechanisms to enforce compliance on fiscal reporting. Data are taken from Commission on Audit (COA), various years. Data on 2002-2006 are based from COA’s New Government Accounting System.

This does not deny the existence of ‘champion LGUs’ which have taken remarkable innovations in local revenue generation. The good practices however proved to be sporadic occurrences which are often dependent upon the individual leadership and initiative of the mayor or governor more than upon an institutionalized compliance of standards enforced by the bureaucracy – because it turned out, there is none. The 2005 Philippines Development Forum report stated that there is an “absence of an institutionalized performance management system and weak capacity to generate appropriate data needed for performance benchmarking” (p.5). Officials from the Department of Interior and Local Government (DILG), the NGA mandated to conduct general supervision over LGUs, would admit that it does not enforce any performance standards. There are also no incentives, nor disciplinary mechanisms that are concretely outlined, much less institutionalized, to either motivate or compel local officials to generate revenues or collect taxes within their capacity.

The Local Governance Performance Management System (LGPMS) was implemented by DILG in 2004 as a monitoring mechanism to determine LGU service delivery. Officials would, however, qualify that it is designed mainly to promote an LGU-based information system for needs/capacity-assessment rather than for having a national-based evaluation system of LGU.
performance “so as not to compromise the spirit of local autonomy.” This would prove to be one of the compromises of autonomy principle under the devolution framework which inhibits the ability of DILG to effectively regulate the performance of local politicians. Moreover, Agriteam Canada (2006) cited the limited participation and access to the LGPMS, as well as ineffective and ad hoc basis cooperation between the DILG and the stakeholders in utilizing the system.

An important consideration for effective evaluation is the extent of the revenue base of each LGU. The standardization of property taxation and the estimation of property values are critical as these are often influenced by local political dynamics. Property assessments, however, have not kept up with changes in market values. This is also due to the lack of a legal provision that could facilitate a systematic cooperation between local tax administrations and the Bureau of Internal Revenue which operate independently from one another. Accountability is also compromised because audits and financial analysis are rarely done on time and while local treasurers are appointed by and report to the Department of Finance, they are paid for by the LGUs.

Due to lack of standardized assessments on the resource base/potential of individual local units, the DILG couldn’t effectively monitor performance and initiatives on local revenue generation. Nonetheless, in attempts to reassert its influence and regulate the LGUs, DILG often resort to enforcement of ad hoc and arbitrary circulars. Thus, the role of DILG for effective supervision and oversight provided in the Code has become more of an intrusive regulation tinged with its policing mandate generally resented by many local governments. Expected to promote LGU autonomy, the DILG is instead predominantly seen as a political instrument of the Executive to perpetuate LGU dependence on central structures and resources and to strategically capture the loyalties of local officials (Gera 2008, p.105). Without a coherent and institutionalized framework of national standards and straightforward performance measures appropriately designed for each class of LGU, it becomes difficult to establish an effective mandate that would instill cooperation among LGUs and promote efficiency in local performance.

4.5.2 Resistance to Manage Investments: Lack of Capacity
The absence of regulatory and procedural frameworks which undermines LGU’s tax effort and efficiency in traditional revenue generation is even more counter-stimulating for LGUs to engage
in alternative modes of project financing and other development projects beyond the required basic services. Javier (2006) compiled various figures to show low local resource mobilization: less than 10 percent of all LGUs exercise their new financing mandate; only 21 or 1.24 percent of all LGUs have issued bonds; only 15 or 0.88 percent have Build-Operate-Transfer projects; and the Galing Pook Foundation documented only 8 out of 71 awardees on best local practices as finance-related (pp.4-5).

Despite being a partly corporate entity, local units would however evolve to assume mainly political roles than actual management of public enterprises. This is manifested in bond floatation as a means to finance local infrastructure projects which has not been maximized by local chief executives. This is due primarily to the lack of awareness among LGU officials on the merits of bond floatation as well as the lack of technical knowledge/capacity to this mechanism. In fact, some local officials may not even be aware that LGUs are authorized to float bonds to fund projects.

According to Orial (2002), there is no national government support for LGU bond development as evidenced by the absence of any Presidential directives on LGU bonds. As a result, there is no national blueprint for LGU bond market development and no national agency champion for the cause. The private financial sector has no confidence in LGUs and their credit-worthiness since LGUs are perceived to be very high risk and more politically-driven than management-oriented. Therefore, not many private financial institutions are willing to underwrite LGU bonds. This would manifest that without an efficient traditional revenue generation mechanism in place, pursuing non-traditional revenue generation and resource mobilization schemes would be meaningless. The lack of capacity and procedural frameworks by the bureaucracy, compromises the supposedly management roles of LGUs.

4.5.3 Local Budget Misappropriations
Apart from issues of revenue generation are issues of expenditures. With LGUs absorbing around 60 percent of the total 120,645 contractual employees in government as of 2004, the bulk of local spending goes to personnel services accounting to 45-55 percent (World Bank and ADB 2005) or more since it is a practice to charge payments of contractual employees to maintenance and other operating expenses (MOOEs). Thus, the capital outlay for actual sectoral services is squeezed to around 5 percent more or less across tiers.
The politicization of the central bureaucracy is carried over to LGU levels with the creation posts, even outside the legal mandate, to accommodate political appointees. A common scenario among LGUs is the existence of “ghost employees” who, even not in actual service, continue to be listed in the payroll of employees. Moreover, is the rapid turn-over of officials. With every change of LGU political leadership, new administrative and financial staffs are appointed replacing key experienced staff. These would result to turbulent changes and ‘courtesy resignations’ during transition from one administration to another.

4.5.4 Unregulated Political Clashes: Horizontal Coordination Issues
Political bickering/clashes among independent local powers (i.e. between provincial governors and mayors of chartered cities with independent jurisdictions) would often result to non-cooperation of such local officials to regional development arrangements facilitated by central government. Notwithstanding the relevance of such arrangements to national economic growth, the devolution framework and the non-institutionalization of accountability/regulatory mechanisms would limit the capacity of central structures to enforce cooperation among local officials. Certainly, political struggles are inevitable realities that pose serious hazards to development. Notwithstanding, the core issue is whether institutional frameworks are made available to contain and regulate such political power play among local elites. In the architecture of Philippine devolution, highly urbanized LGUs are made independent from the province which can chart their own direction and contribution for economic growth and development. However, in cases of political divergence and cleavages, cooperation in project planning and implementation cannot be effectively enforced as it would go against autonomy the principle.

While the Code would encourage convergence and inter-local collaboration (Section 33), there are no institutional mechanisms outlined to compel cooperation specifically on issues of shared interests. Without an effective framework of regulation and coordination from the central government to enforce collaborative arrangements among clashing independent local powers, initiatives to inter-local cooperation could not be sustained. Thus, LGUs in general would then have to rely on central transfers rather than depend on unstable partnerships with other LGUs. Essentially, what the devolution framework breeds is a culture of mendicancy among LGUs to avail discretionary transfers from central political structures, specifically from lucrative pork barrel funds and a quandary among bureaucratic agencies helpless amid local political battles.
4.6 Small Actors in Economy

4.6.1 Low Expenditure Shares

In terms of the share of local governments in general government expenditures, the World Bank (2005) computed the Philippine local expenditure share to be 26 percent in 2001-02, classifying the country as a “moderately decentralized state” (p.10). In a recent study, Manasan (2007) would note that from 1992-2005, the average LGU expenditure share to general government expenditure is 21.23 percent, an increase from 1985-1991 average of 11 percent (p.2). These figures are based on calculations of expenditures net of debt servicing expenses.

However, computing 15 years of decentralization based on overall expenditures would show that on average, the share of LGUs in the overall actual national expenditures in 15 years constitute a minimal 12.15 percent. Issues in computations notwithstanding, clearly the shares of expenditure and actual resource capacities of local governments remain small.


<table>
<thead>
<tr>
<th>Year</th>
<th>Total Expenditures</th>
<th>LGU Expenses</th>
<th>Percentage Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>325.20</td>
<td>23.00</td>
<td>7.07</td>
</tr>
<tr>
<td>1993</td>
<td>479.30</td>
<td>36.50</td>
<td>7.62</td>
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<td>1994</td>
<td>496.90</td>
<td>49.90</td>
<td>10.04</td>
</tr>
<tr>
<td>1995</td>
<td>792.40</td>
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</tr>
<tr>
<td>1996</td>
<td>596.10</td>
<td>59.20</td>
<td>9.93</td>
</tr>
<tr>
<td>1997</td>
<td>870.80</td>
<td>75.80</td>
<td>8.70</td>
</tr>
<tr>
<td>1998</td>
<td>838.30</td>
<td>98.11</td>
<td>11.70</td>
</tr>
<tr>
<td>1999</td>
<td>892.80</td>
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<tr>
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<td>1071.81</td>
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<td>12.14</td>
</tr>
<tr>
<td>2001</td>
<td>919.98</td>
<td>144.60</td>
<td>15.71</td>
</tr>
<tr>
<td>2002</td>
<td>597.70</td>
<td>118.60</td>
<td>19.84</td>
</tr>
<tr>
<td>2003</td>
<td>800.30</td>
<td>140.60</td>
<td>17.57</td>
</tr>
<tr>
<td>2004</td>
<td>1049.60</td>
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<td>13.69</td>
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<tr>
<td>2005</td>
<td>1405.55</td>
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<td>11.32</td>
</tr>
<tr>
<td>2006</td>
<td>1004.40</td>
<td>177.53</td>
<td>17.68</td>
</tr>
<tr>
<td>Ave.</td>
<td></td>
<td></td>
<td><strong>12.15</strong></td>
</tr>
</tbody>
</table>

4.6.2 Low Contribution to GDP

Moreover, Balisacan, Hill and Piza (2006) noted that as a result of decentralization, LGU expenditure as a share of Gross Domestic Product approximately doubled, but the amounts remained relatively small, rising from 1.6 percent of GDP in 1985–91, prior to the introduction of the Code, to 3.3 percent in 1992–2003 (p.13). Recent years would show an average of 2.94 percent (between 2004-2007) making a 15-year average of 3.12 percent LGU spending power against the country’s GDP.

Table 5. Ratio of LGU Expenditure Share to GDP

<table>
<thead>
<tr>
<th>Period</th>
<th>Average</th>
<th>15-year average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-1991</td>
<td>1.61%</td>
<td></td>
</tr>
<tr>
<td>1992-2003</td>
<td>3.30%</td>
<td></td>
</tr>
<tr>
<td>2004-2007</td>
<td>2.94%</td>
<td>3.12%</td>
</tr>
</tbody>
</table>

Note: 1985-2003 data are adopted from Balisacan, Hill and Piza 2006, p.13 integrated with the data from Commission on Audit for 2004-2007

These illustrate the reality that LGUs in general remain small actors in the country’s economy. Arguably, the lifeblood of local autonomy is finance. Gleaning from the data, there is certainly not much to claim with regards meaningful local autonomy of Philippine LGUs.

4.7 Manipulations of Democratic Provisions

Beyond devolution of political authorities and fiscal resources, the Code provided a number of mechanisms for civil society participation. Under Section 34, LGUs are mandated to “promote the establishment and operation of people’s organizations and NGOs to become active partners in the pursuit of local autonomy.” LGUs are mandated to establish Local Special Bodies with the participation of civil society representatives to formulate policy recommendations and develop plans that will help the local council in enacting laws. However, civil society representation is often nominal as PO/NGOs are mainly appointed or selected by the local executives, regardless of their capacity and skills. Although such bodies have been created in
many LGUs, this mechanism has been utilized mainly to “rubber stamp” policies already decided by local authorities.

In the case of the Local Development Council (LDC), PO/NGOs are entitled to 25 percent of the seats. The LDC can propose multi-sectoral five-year development plans, determining how the 20 percent development fund from central government should be invested. It also monitors and evaluates program implementation. The World Bank and ADB (2005) would account that only 30-50 percent of LGUs have LDCs in place. Because of lack of clear authority of LDC acting as an advisory body, it is conveniently dismissed by officials. If at all there are occasions of GO-NGO collaboration, these are often used for implementing short-term projects and programs, rather than within a more comprehensive framework of partnership (Robredo, 2001). Moreover, the Code provides for the Local Sectoral Representation to provide for representation of the marginalized sectors in the local council. However, to date this provision has not been implemented, due to the absence of an enabling law (Iszatt, 2004).

A particularly sensitive provision is the special recall elections where local officials’ tenure can be terminated by popular vote. Section 70 (c) and (d) of the Code clarify that recall of any elective official can be validly initiated by a Preparatory Recall Assembly (PRA) composed of elected officials or “upon petition of at least 25 percent of the total number of registered voters in the local government unit concerned”. Recall powers however are often seen to be manipulated by political interest groups. Defeat in elections by certain local dynasties would often result to a recall petition as the process, specifically the claim of “loss of confidence,” is not subject to court inquiry or close central monitoring. Thus, while it takes a majority vote to win elections, proclaimed winners are easily threatened by this mechanism as political rivals can easily mobilize its supporters to constitute the minimal requirement of 25 percent. This provision would result to a mere political circus that often threatens the survival of many reformers in local government and compromises stability and efficiency in local governance.

5.0 Conclusion
5.1 Philippine Devolution: A Politicized Governance
With the foregoing discussion, it is clear that the institutionalization of bureaucratic structures of standardization, regulation, monitoring, coordination and capacity development, has been largely ignored in the Philippine framework of devolution. What we see in the country is a full embrace
of a democratic reform framework absent a rational calibration of its strategies according to the
demands of its political dynamics. With an apparent disregard of the deeply entrenched
patrimonial rule in the country that takes roots from local levels, its devolution was built
primarily around mechanisms to distribute authorities and resources and to expand spaces for
participation, marginalizing the mechanisms to regulate central-local political maneuvers to such
processes. Without a unified national framework that systematically regulates and coordinates a
clear vertical and horizontal complementation of government programs, the personal favor or
disfavor of power traders becomes a critical determinant of resource and project allocations.
Pursuing devolution without a corresponding framework of power regulation could only
politicize an otherwise democratic framework of governance and consequently compromise the
country’s goal for local autonomy.

A deliberate strategy or not, with the non-institutionalization of regulatory standards
under devolution, central political forces are able to continually assert themselves over local
units. Clearly, without institutionalized frameworks, a lot of room has been opened for arbitrary
impositions allowing central powers to continually predominate the process, and systematically
placing LGUs in continued dependence to central patronage. In the same vein, this allows for
leniency and blunders among local officials in their revenue and spending performance. It also
opens opportunities for the abuse of or refusal to use, their expanded authorities. By simply
distributing resource authorities without a parallel framework of capacity development, the
country could only see local officials shirking away from management responsibilities bestowed
on them. The absence of such frameworks could also compromise the sustainability of initiatives
of even the most well-intentioned local reformers.

The highly sophisticated and deeply entrenched tradition of patrimonial rule in the
Philippines and the unrelenting tug-of-war between central and local political structures would
have to be reckoned with. It is crucial to recognize persistent shifts in the leverage of influence as
central and local politicians continuously operate machineries to assert or negotiate political
control. The unpredictable transitions of political alliances, both vertically and horizontally, pose
serious threats to achieving a more balanced intergovernmental delineation and complementation
of authorities and resources. These maneuvers in the country’s intergovernmental political
landscape prove a formidable constraint to reform.
However, it can be argued that the breadth and depth of such political clout on the administrative system are defined largely by the degree of institutionalization of the policy mechanisms in the bureaucracy. The country’s system of decentralization generally failed to respond to this. Rather, there is a lack of emphasis on institutional capacity of central bureaucratic structures to promote a more rational regulation via explicit laws, coherent coordination and impartial oversight in decentralization. This consequently limits the bureaucratic roles of enforcing rational rules and providing procedural stability in decentralized governance. In effect, bureaucratic agencies remain helpless intermediaries amid intergovernmental and inter-local political battles for access of state resources.

5.2 The Bureaucratic Imperative: Balancing Autonomy and Regulation

The case of the Philippines is not unique from many developing countries, except for its remarkable refusal to fortify the institutions of the state. With a strong affinity to the democratic process, Filipinos have a penchant to focus on personalities and an appetite to place and replace leadership. There is however little willingness, or encouragement, to invest in a strong government anchored on a resilient high-capacity bureaucracy. Bello, Docena, De Guzman, and Malig (2004) would assert that “…the Philippines’ relative stagnation can be more adequately explained by the state’s inability to control elite factions…and to harness them and their resources for development” (pp. 285-286). A pragmatic trajectory of reform would therefore be to institutionalize mechanisms to regulate power – and not mainly its distribution or its replacement.

Yet no other countervailing social force has yet effectively challenged the patrimonial features of the country. This is precisely because without effective institutionalization of regulatory frameworks, innovations and reforms of progressive leaderships could be easily overwhelmed by traditional structures of power. The lack of clarity of certain policies and rules, specifically on the role of central agencies in decentralization, would undermine the position of bureaucrats who could only rely on explicit laws to buffer them from undue political influence. With the continuing relevance of decentralization in national development agenda, it becomes imperative to establish a comprehensive policy and legal framework that draws up concrete and calibrated institutional mechanisms toward a strategic structural reform. Significant strides
would have to be taken with regards institutionalizing structures of standardization, regulation, monitoring, coordination and capacity development in the bureaucracy.

While it appears counter-intuitive to enforce regulation to promote autonomy, for cases like the Philippines, only by pursuing such paradox and achieving a balance between flexibility and control can meaningful autonomy hold ground. The challenge then is how to pursue bureaucratic institutionalization while maintaining coherence to the principles of subsidiarity, autonomy and democratization. Achieving a critical balance between autonomy and impartial regulation entails a careful calibration and rationalization of the institutional framework whereby central administrative structures operate. There are certainly little incentives for political elites to press for a more predictable and stable political order that can be offered by institutionalized structures. The key to achieving this balance must therefore hinge upon the design of institutions that create the incentives or disincentives that make it in the interest of central and local political structures to conform to the rules and cooperate.
REFERENCES


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