Rethinking Bureaucratic Institutionalization in Philippine Political Decentralization

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As governments continue to take center stage in governance processes, a serious rethinking of the approaches to establish high quality government institutions becomes imperative. Drawing from ongoing theoretical discourse on bureaucracy-governance linkage, the study shows the extent of bureaucratic institutionalization achieved in Philippine political decentralization and its impact on local autonomy. It provides empirical evidence on the actual intergovernmental distribution of authorities and resources achieved in the country in 15 years (1992-2007). It further analyzes how this is defined by the interaction of intergovernmental power structures and institutional mechanisms of the bureaucracy under decentralization. At its core, the study argues that the weak institutionalization of policy mechanisms (i.e. standardization, enforcement, monitoring and coordination mechanisms) in central bureaucratic agencies, and their consequent subservience to central-local political structures, constitutes a decisive constraint to achieving local autonomy for the local governments.

A prevailing acknowledgement among global institutions and policy experts is that a key determinant to development is an effective state. As governments continue to take center stage in governance processes, a serious rethinking of the approaches to strengthen government institutions becomes imperative. Increasingly, political and economic reformers found themselves coming to terms with the compelling agenda on public sector reform strategies to increase capacity, efficiency and effectiveness of government performance. 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 of the enduring role of the state, however, debates among experts persist as to whether paradigms of governance could actually enhance the quality of government institutions, particularly in developing countries which often have strained capacities to carry out their functions. This article aims to contribute to these discussions by reexamining the political decentralization experience in the Philippines.

Decentralization 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 & Moreno, 2005; 569). The United Nations Public Administration and Development Management would also acknowledge decentralization as one of the key pillars of good governance (Cheema, 2007). With *subsidiarity*[1] being an "overriding principle in government reform today" (United Nations Human Settlements Program, 2002; 92), decentralization continues to be one of the key strategies in government reform agenda among many countries, particularly in Southeast Asia. The Philippines was "one of the first countries in the developing world" (Balisacan, Hill & Piza, 2006; 4) to embark on the program of decentralization. The World Bank (2005; 26) classified the country as a "fast starter" and a "frontrunner" in decentralization, and one with the "strongest history of democratic decentralization" in East Asia . 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, 2006).

Political decentralization continues to be one of the basic pillars in Philippine government reform initiatives. However, as the government pushes the policy forward, its goals continued to be frustrated by various constraints in its implementation. In the aim to contribute to ongoing endeavors enabling the review of the country's system of decentralization, this study analyzes the extent of policy implementation achieved in 15 years along the framework of bureaucratic institutionalization in governance. 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.[2] The study examines how the implementation of decentralization responds to the country's pervasive intergovernmental power dynamics.

At its core, the study argues that the weak institutionalization of policy structures (i.e. standardization, enforcement, monitoring and coordination mechanisms) in central bureaucratic agencies, and their consequent subservience to central-local political structures, constitute a decisive constraint to achieving local autonomy[3] for the local governments. The study concludes that for a government system so predominated by a patrimonial oligarchy, dynasties and bosses, private sector cooptation and intergovernmental power grabs, a crucial requisite to reinventing Philippine decentralized governance is a viable administrative mechanism that fortifies the institutions of bureaucracy, making it more resilient against the web and clout of power structures.

RESEARCH QUESTION AND UNITS OF ANALYSIS

This article pursues the agenda of institutionalization in governance and highlights the role of the central bureaucracy in such a process. Guided along the framework of bureaucratic institutionalization, this study reexamines the various factors that constrained decentralization in fully realizing its goals for local autonomy by looking into the institutional mechanisms that shape the intergovernmental distribution of authorities and resources. To address these concerns, the study is guided by its principal question: "What is the extent of institutionalization of bureaucratic policy structures achieved in Philippine political decentralization, the underlying politico-administrative factors, and the impact on local autonomy?" The study analyzes such an extent of institutionalization in the bureaucracy along key policy structures/mechanisms used as units of analysis: 1) standardization and enforcement; 2) monitoring and coordination. These are essentially the operational rules, procedures, regulatory frameworks and policy standards which are core responsibilities of central bureaucracy.

RESEARCH METHOD AND DATA SOURCES

The study is a descriptive evaluation of the extent of bureaucratic institutionalization established under political decentralization in the Philippines. It puts into perspective the quality of the country's government institutions along an analysis of the interaction of the intergovernmental political dynamics and institutional mechanisms in central bureaucracy. It examines how such interaction shapes local autonomy by showing empirical evidence on the actual level of intergovernmental distribution of authorities and resources in the country in 15 years (1992-2007) with a focus on finance. The article utilizes data taken from government statistics, media and online resources and various policy studies along with interviews with key officials, informants and experts from relevant national government agencies, local government units, academic and policy/research institutions.

THEORETICAL FRAMEWORK: THE AGENDA FOR BUREAUCRATIC INSTITUTIONALIZATION

With governments entrenched 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. In principle, institutionalization promotes the rule of law, and the transparent and accountable enforcement of standards that discourages arbitrary, irregular and politically-motivated decisions and power play. 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. Institutionalization is said to minimize uncertainty and enhance the credibility of the government's policy commitments. Citizens and investors can have confidence that laws enacted are aggressively implemented and pursued over the long haul. It also means that politics offers an attractive career for professionals (Gerring & Thacker, 2003; 4). Favoritism and nepotism are replaced by a merit system and impersonal codes supplant personal preferences (Schwalbe, 2006). Therefore, policy structures, processes and programs need to be institutionalized for political systems to be viable (Polsby, 1968; 144*)*.

An institutionalized polity is more or less equivalent to a polity with strong institutions. Douglass North (1999; 152) defines 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*."* 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 a neutral and authoritative enforcer of rules (Grindle, 1997). Huntington (1965; 411) 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." 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; 1). Essentially, to operationalize the notion of an institutionalized polity, the main attribute that is easily measured across polities is stability (constancy, endurance, regularity, or non-variance). It means that the state has been able to achieve relative independence or insulation from the demanding clamor of particularistic interests (in Leftwich, 2000; 161).

Key to this paradigm is bureaucratic rationality.[4] Max Weber (1922) earlier argued that bureaucracy, as a constitutionally authorized means for the expression of public will, is a pervasive feature of modern societies and the most efficient way of implementing the rule of law. In an increasingly uncertain socio-political and economic environment where citizens become more cynical about politics and its structures, institutionalization in the bureaucracy becomes an imperative. 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. No amount of will to make a profit, or willingness to invest, would have had the desired result if investment and management had not been guided by systematic accounting carried on by a bureaucracy (Kilcullen, 1996). Peter Evans (1995; 5) would also assert that the "State ability… depends on the bureaucracy being a corporately coherent entity."

THEORETICAL FRAMEWORK: BUREAUCRACY-GOVERNANCE LINKAGE

Essentially, that bureaucratic systems should be institutionalized to be effective is already a well-argued case. It can be noted, however, that different polities achieve uneven degrees of institutionalization which shape the differences in their bureaucratic resilience. With governance frameworks emerging to define the public sector reform agenda of many countries, questions like "Can the imperative of an administrative/bureaucratic system be reconciled with the norms of democratic governance?" (Meier & O' Toole, 2006) have been continually raised. The prevailing discussions aim to address the broader question about the link and interaction of the frameworks of governance and bureaucracy and the opportunities to achieve their broader synthesis amid different political, social and economic conditions.

Peters and Pierre (n.d.) are among the leading political scientists who argued that public bureaucracy is "becoming the locus for democratic responsiveness in many political systems." They then argued the case of how the bureaucracy can become instrumental to democracy:

> Public bureaucracies are major actors in making and implementing policy and therefore accountability which is crucial for democracy.... the majority of contacts between the State and society occur through the public bureaucracy, and these contacts are important for political inputs as well as simply for administration of programs.

Peters (2004; 12) in a separate article would conclude that "Bureaucracies may not usually be considered the natural loci of democratic action, but in reality they are becoming more central to that process..." Lynn (2001; 154) would also propose on the 'bureaucratic paradigm' asserting that "structures and processes of the administrative state constitute an appropriate framework for achieving balance between administrative capacity and popular control on behalf of public purposes…. [and such] exhibited far more respect for law, politics, citizens and values…" The call is essentially to find the link and the balance between the imperative of state and bureaucratic capacity and the democratic notion of governance, such as decentralization. This study takes off from this theoretical discourse.

CONTRADICTIONS OF CENTRAL-LOCAL POWER STRUCTURES: THE POLITICAL PREMISE

For decades, the Philippine state has gained notoriety as highly patrimonial[5] – "predominated by oligarchic forces whose access to the state is the major avenue to private accumulation... [where] extra-bureaucratic forces overshadow… [and] extracts privilege from a largely incoherent bureaucracy" (Hutchcroft, 1998; 234). It is where "power and partisan politics have had a disproportionate influence upon the workings of public administration" (Brillantes & Fernandez, 2008; 3). As a patrimonial state, the Philippine 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; 145-146) and "wield substantial coercive and socio-economic power" (Hutchroft, 2001; 46). These authors highlighted that such influence of local powers emanate from weak central structures. 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 as data in this study would prove. The effective control of discretionary Congressional Allocations manifests how members of Congress maintain a stronghold over major local development projects. They also impose cuts and withhold local funds and appropriations often resulting to outright non-compliance of the mandated central transfers for the local governments (Gera, 2007; 138-139). National expenditure allocations would also show

TABLE 1. Distribution of Government Personnel

Government Subdivision	1992	%	Devolved	%	2004	%
National Government	870,050	70.3	70.3	8.0	1,001,495	68.0
Contractual	-	-			*32,871 (3.3%)*	*(2.2)*
Government Corps.	123,743	10.0			103,977	7.0
Contractual	-	-			*15,054 (15.5%)*	*(1.0)*
Local Government Units	**243,642**	**19.7**			**370,227**	**25.0**
Contractual	-	-			*72,720 (20%)*	*(5.0)*
Total Contractual					*120,645*	*(8.2)*
TOTAL	**1,237,435**				**1,475,699**	

NOTES. Dashes indicate unavailable data. Raw data are taken from the Civil Service Commission (CSC) and the Summary of Major Statistical Series of the National Statistical Coordination Board, 2008 edition. Between 1992 and 2004, the CSC produced only one other survey in 1999 with 1,445,498 total government employees, 27 percent of which (390,561) are LGU employees. Data in 2004 is the latest available.

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. This is the political context in which the decentralization system in the Philippines is built upon.

FIFTEEN YEARS OF POLITICAL DECENTRALIZATION IN THE PHILIPPINES

Political decentralization/devolution[6] in the Philippines envisions a dispersal of 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 (as of October 2008). 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 (Brillantes, 2003). 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. The following data show 15 years of decentralization in the Philippines and its prevailing constraints, with emphasis on the distribution of fiscal resources being the lifeblood of local autonomy.

Devolution of Authorities: Devolution to LGUs involves the transfer of responsibility for the delivery of various aspects of basic services which were previously the responsibilities of National Government Agencies (NGAs) such as: (1) field health and hospital services; (2) social welfare; (3) community-based forestry projects; (4) agricultural extension and on-site research; (5) public works; (6) school building program; (7) tourism facilities, promotion and development; (8) telecommunications services; (9) housing projects; and (10) investment support. It also transfers the responsibility for the enforcement of certain regulatory powers, such as the 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 (Brillantes & Fernandez, 2008; 20).

Various case studies would, however, document the continuing intervention by central government on these devolved authorities. A common theme among these studies point to the constraints imposed by the central government such as: (1) services were devolved abruptly without preparing the capability of local government units to assume such new responsibilities; (2) services and responsibilities were devolved without the provision of enough funds for its implementation and; (3) the central government still holds the much needed power (re: finance) to effectively implement initiatives and programs at the local level. LGUs would remain reliant on outside funds for their projects from the national leadership which treats the grant of funds as favor to the local executives. This resulted in difficulties for LGU operations and in sustaining priority initiatives. Brillantes (2008; 22) would argue that “given their supremacy, national government agencies… impinge on the territorial jurisdiction of local governments and adversely impact local communities.” Agra (in Brilliantes, 2003; 12) would

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

Year	BIR Collections	Mandated IRA Share*	Appropriations	%**	Actual Releases	%**
1992	133.90	37.30	20.30	*21.77*	18.08	*19.39*
1993	145.93	41.62	36.12	*34.72*	37.07	*35.63*
1994	187.44	46.50	46.13	*39.68*	46.80	*40.25*
1995	211.46	52.22	52.04	*38.86*	51.92	*38.78*
1996	260.77	56.90	56.59	*38.78*	56.59	*38.78*
1997	314.69	73.08	71.04	*37.90*	56.59	*30.19*
1998	337.18	81.00	80.99	*38.30*	76.94	*36.39*
1999	341.32	96.80	96.78	*37.11*	95.30	*36.55*
2000	360.80	121.80	111.77	*35.52*	***113.40	*36.04*
2001	388.68	131.90	111.77	*33.15*	86.82	*25.75*
2002	394.55	134.40	134.42	*39.38*	106.24	*31.12*
2003	426.52	141.00	141.00	*39.08*	113.33	*31.41*
2004	469.58	143.40	141.00	*36.28*	109.20	*28.09*
2005	(544.31)	151.60	151.60	*38.42*	121.40	*30.77*
2006	(653.28)	166.46	166.46	*39.03*	137.67	*32.28*
2007	(717.23)	183.90	183.94	*39.17*	134.00	*28.54*
		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.

note that "a number of issuances and circulars from NGAs continue to undermine the spirit of autonomy of local governments."

Devolution of Personnel: 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; 10) noted that 51.5 percent of the total personnel (of devolved NGAs)[7] were devolved to LGUs. 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. As shown in Table 1, 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 as Rotberg (2003; 100) would note that "well over half of the OECD public sector was typically based in local government." Japan's local government ratio for example is 79 percent of total government employees (as of 2001). Moreover, Philippine LGUs absorb around 60 percent of the total 120,645 contractual employees in the government in 2004.

Devolution of Budget and Transfer of Fiscal Resources: The devolution of authority and personnel to LGUs had been accompanied by the devolution of fiscal resources. World Bank (2002; 10) would point out that the total devolved budget constitutes 13.25 percent of the pre-devolution budget of concerned NGAs. 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; 137). The rest remain under the control of the central government which also continues to hold on to productive taxes with huge tax bases (such as income tax and custom duties). With the limited devolution of relevant fiscal authorities, many LGUs still find themselves constrained in setting development priorities crucial for a strategic and integrated local development planning which is contingent upon the availability of funds.

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. IRA appropriations, however, do not always conform to the mandated 40 percent share of total revenue collections of the Bureau of

TABLE 3. IRA as Percentage of Total National Budget (1992-2007)

Year	Amount*	Total Budget*	Percentage Share
1992	20.30	295.20	6.88
1993	36.12	331.70	10.89
1994	46.13	369.00	12.50
1995	52.04	372.10	13.99
1996	56.59	445.10	12.71
1997	71.04	491.80	14.44
1998	80.99	537.40	15.07
1999	96.78	593.60	16.03
2000	111.77	651.00	17.17
2001	111.77	669.88	16.69
2002	134.42	780.80	17.22
2003	141.00	804.00	17.54
2004	141.00	861.60	16.36
2005	151.60	907.60	16.70
2006	166.46	907.60	18.34
2007	183.90	1,126.10	16.33
Average			**14.9%**

NOTE: Data are taken from the General Appropriations Acts and the Department of Budget and Management, integrating various years. [*in billion pesos]

Internal Revenue (BIR) from three years prior. 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 32.48 percent as rates fluctuate throughout 15 years (See Table 2).

Relative to the total national budget, IRA appropriations remained minimal accounting to only 15 percent average in 15 years (See Table 3).

Central Control of Other Funds for Local Development. Many other sources of funds for local development are within the control of central agencies. These funds are also known as non-IRA funds[8] that are spent for local services and devolved functions but are under the control of central structures (i.e. when national agencies implement the programs/ projects). Most notable is the discretionary Congressional pork barrel fund, otherwise known as Priority Development Assistance Fund (PDAF). As a policy, the legislators identify the local projects to be funded and the money is released to and implemented by an NGA/government owned and controlled corporation, subject to Department of Budget and Management guidelines. The PDAF may only be used for projects endorsed by members of Congress, each of whom receives an annual allotment (P200million for each Senator and P70million for each Congressman). The President also receives P1billion of PDAF annually (also known as Confidential and Intelligence Fund) and P30million for the Vice-President. For the 24 Senators and 235 Congressman plus the pork of the President and the Vice-President, pork barrel funds has been restored to P21.3billion to constitute 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. Soriano, Steffensen, Makayan, and Nisperos (2005; 13, 21) would account such a fund to be 62 percent of non-IRA grants, 2 percent of it unallocated. Six percent of total non-IRA funds were unallocated.

"Pork barrel insertions" are then made to include the pet projects of Congressmen and the President into the budgets of 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 a stronghold over local affairs - has become the single most controversial NGA under decentralization. Soriano et al. (2005; 25) would note that the DPWH, a supposedly devolved agency responsible for roads, bridges and water works infrastructure, holds the biggest amount (65.54 percent) of non-IRA funding spent for local services. Parreno (1998; 34) 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."

Small Actors in Economy: With the extent of expanded revenue authorities transferred to LGUs, Table 4 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.

Various reports would also validate this assertion. 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" (Philippines Development Forum, 2005; 5). Javier (2006; 4-5) 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

TABLE 4. LGU Revenue Sources (Aggregate of Provinces, Cities, Municipalities) (in billion pesos)

Year	Local Own Revenues	*Percentage Share (%)*	IRA	*Percentage Share (%)*	Other External Receipts	*Percentage Share (%)*	TOTAL
1992	8.91	*32.48*	18.08	*65.91*	0.44	*1.60*	27.43
1993	5.78	*13.07*	37.07	*83.85*	1.36	*3.07*	44.21
1994	10.39	*17.37*	46.80	*78.22*	2.64	*4.41*	59.83
1995	13.39	*19.74*	51.92	*76.53*	2.53	*3.73*	67.84
1996	15.91	*20.90*	56.59	*74.35*	3.61	*4.74*	76.11
1997	33.28	*35.52*	56.59	*60.41*	3.80	*4.06*	93.67
1998	19.83	*19.78*	76.94	*76.76*	3.46	*3.45*	100.23
1999	19.02	*15.80*	95.30	*79.19*	6.03	*5.01*	120.35
2000	17.80	*12.89*	113.40	*82.14*	6.85	*4.96*	138.05
2001	44.66	*32.55*	86.82	*63.28*	6.71	*4.89*	137.19
2002	49.94	*31.50*	106.24	*67.00*	2.29	*1.50*	158.47
2003	57.85	*33.00*	113.33	*64.80*	3.67	*2.20*	174.85
2004	60.22	*34.80*	109.20	*63.10*	3.70	*2.10*	173.12
2005	69.84	*35.70*	121.40	*62.10*	4.30	*2.20*	195.54
2006	75.50	*34.60*	137.67	*63.10*	5.07	*2.30*	218.24
Average		***25.97***		***70.70***		***3.33***	***100***

NOTE. The coverage of the aggregated data would differ every year depending on the number of reporting LGUs. This itself 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.

awardees on best local practices as finance-related. This is not to deny the innovations made by some LGUs on income generation and local resource mobilization. Nonetheless, the majority remains dependent on the IRA and constrained in mobilizing their own funds needed to address their expanded responsibilities.

Low Expenditure Shares and Contribution to GDP. In terms of the share of local governments in general government expenditures, the World Bank (2005; 10) computed the Philippine local expenditure share to be 26 percent in 2001-02, classifying the country as a "moderately decentralized state." In a recent study, Manasan (2007; 2) 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. 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 in average, the share of LGUs in the overall actual national expenditures in 15 years constitute a minimal 12.15 percent (See Table 6). Issues in computations and standards, notwithstanding, clearly the shares of expenditure allocations and actual resource appropriations for local governments remain small.

Moreover, Balisacan, Hill and Piza (2006; 13) 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. These illustrate the reality that LGUs in general remain small actors in the country's economy. Essentially, the lifeblood of local autonomy is finance. Gleaning from the data, there is certainly not much to claim with regards to meaningful local autonomy of Philippine LGUs.

LACK OF INSTITUTIONALIZATION IN CENTRAL BUREAUCRATIC POLICY STRUCTURES

It is often convenient to blame these constraints on the prevailing patrimonial power dynamics in the intergovernmental political structure. 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. This study underscores on the incoherence and weak institutionalization of

TABLE 5. Ratio of LGU Expenditures to General Government Expenditure, 1992-2006, in billion Pesos

Year	Total Expenditure	LGU Expenses	Percentage Share
1992	325.20	23.00	7.07
1993	479.30	36.50	7.62
1994	496.90	49.90	10.04
1995	792.40	53.80	6.80
1996	596.10	59.20	9.93
1997	870.80	75.80	8.70
1998	838.30	98.11	11.70
1999	892.80	110.79	12.41
2000	1071.80	130.14	12.14
2001	919.90	144.60	15.71
2002	597.70	118.60	19.84
2003	800.30	140.60	17.57
2004	1049.60	143.70	13.69
2005	1405.55	159.05	11.32
2006	1004.40	177.53	17.68
Average			**12.15%**

NOTE. Data taken from the Commission on Audit Annual Financial Report, various years integrated with National Statistical Coordination Board Major Statistical Series 2008 edition.

bureaucratic structures in the Philippines which allow for the overwhelming influence of political oligarchies.

What becomes apparent is the lack of institutional capacity of central bureaucratic structures to effectively enforce a two-pronged regulation mechanism: (1) standardize, coordinate and monitor the lawful, prompt and equitable allotments for LGUs by central political structures; and (2) enforce standards to compel LGUs to increase performance, specifically on local revenue generation within their expected means. The constraints in the systems of standardization, monitoring and supervision, along with audit and accounting systems as well as coordination of responsibilities, consequently compromise the bureaucratic roles of enforcing rational rules and providing procedural stability in decentralized governance.

<u>Constraints in Standardization, Enforcement and Supervision</u>: 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 (i.e. the ratios of devolved personnel, office and budget to LGUs) 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.

<u>On Minimal Central Transfers</u>. The insufficient IRA appropriations and releases can be traced from the various deductions and cuts made before the IRA is actually distributed among LGUs. 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, among others). These constraints explain why LGUs have been receiving less than the mandated 40 percent under the Code. Moreover, the 40 percent mandate is computed based on the revenue collections from three years prior which could be diluted by inflation. 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 continue 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) since the effect of a deadlock meant reenactments of previous year's budget which affects IRA allocation. 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.

<u>On Low Local Revenue Generation</u>. Local politicos veering away from aggressive tax collection who, either refuse to tax themselves or the influential private sector

TABLE 6. Ratio of LGU Expenditure Share to GDP

Period	Average	15-year average
1985-1991	1.61%	
1992-2003	3.30%	
2004-2007	2.94%	3.12%

NOTE. 1985-2003 data are adapted from *Regional Development Dynamics and Decentralization in the Philippines. Ten Lessons from a 'Fast Starter'*, by Balisacan, Hill and Piza, 2006, p.13, integrated with data from the Commission on Audit for 2004-2007.

for fear of political fall-out, generate a pervasive and systemic problem. 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 incidences 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. Officials from the Department of Interior and Local Government (DILG), the NGA mandated to conduct general supervision over LGUs, would admit that the agency does not enforce any performance standards. The Local Governance Performance Management System (LGPMS) was implemented by the DILG-Bureau of Local Government Supervision in 2004 as a monitoring mechanism to determine LGU service delivery. DILG officials would, however, explain that it is designed 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." System-wise, there have been gaps in the applicability of program indicators due to varying conditions of localities. Moreover, Agriteam Canada Consulting Ltd. (2006; 3-4) cited the limited participation and access to the system, ineffective and ad hoc basis cooperation between the DILG and the stakeholders in utilizing LGPMS, as well as confusions and overlaps created due to multiple performance monitoring systems being promoted to LGUs. In effect, without a coherent framework of national standards and measures appropriately designed for each class of LGU, it becomes difficult to determine and instill efficiency in local performance.

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 (World Bank & ADB, 2005; 22). 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. Due to lack of standardized assessments on the resource base/potential of individual local units, the DILG could not effectively monitor performance and initiatives on local revenue generation. A report made in 2005 Philippines Development Forum stated that there is an "absence of an institutionalized performance management system and weak capacity to generate appropriate data needed for performance benchmarking" (5). There is also very little accountability because audits are rarely done on time. Local treasurers are appointed by and report to the Department of Finance but they are paid for by the LGUs. 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. Expected to promote LGU capacity, 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.

<u>Constraints in Monitoring and Coordination: Flow of Non-IRA Funds</u>: Apart from the IRA, the other central allotments and transfers noted as non-IRA funds or categorical grants have their share of controversies in their mode of resource sharing. These are significant funds spent for devolved services and local projects which are generally not captured in the statistics of LGU revenues. Since the various categorical grants are not considered regular revenues these are not integrated in the standard accounting system of LGUs, unlike the IRA. Moreover, these funds are administered by various NGAs using different procedures and requirements, and thus the flow of funds to LGUs is not immediately transparent and easily manipulated. The Congressional allocations, in particular, are usually recorded under "extraordinary items" if not generally obscured in the LGU reports. 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. The World Bank and ADB report (2005; 14) would state 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…"

It has been said that the ambiguity in the country's devolution process stems from the Code 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 Section 17(f) to provide pork-barrel funds through special provisions in the General Appropriations Act. They would defend their pork asserting that NGAs have full control of the planning, costing as well as selection of a contractor/supplier. However, in the case of infrastructure projects, officials would candidly assert that the lawmakers are the ones who have complete control of project implementation. They pointed out that most of the time, the projects proposed by engineers based on feasibility studies are not the ones being implemented. The Department of Public Works and Highways as a central agency is a mere tool/instrument for the often politically-motivated projects of Congressmen for their constituent LGUs, participating in the planning only if requested by the lawmakers. 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. Discretionary in nature, the lack of accountability in the pork barrel system has created huge losses of government funds.

This is a clear case of disparity in the budget coordination and accounting that undermines the transparency of actual resource distribution. While these national government programs may have actually benefited local development, since these are not provided as lump-sum subsidies that can be categorically classified as LGU revenues, these have often become intangible in the accounting of actual central fiscal flows. These funds could have been effectively programmed through institutional allocations yet left subjected to arbitrary control. Essentially, what is missing is a more transparent and institutionalized fund allocation system that would restructure the distribution of Congressional Allocations and other categorical and non-IRA funds to become fully aligned to local development priorities.

<u>Lack of Vertical Complementation: Inter-governmental Coordination Issues</u>. Another limitation is the lack of coordination and complementation of responsibilities between NGAs and LGUs. This is manifested in development planning. 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). The process essentially requires a "bottom-up" approach to decision-making.

There is, however, a lack of clear guidelines on the interface of NGAs requiring certain sectoral plans from LGUs in various stages of the local planning process 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 economic development. Local planning also often tends 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 planning that does not offer direct incentives for local officials. Without clear division of responsibilities and consensus on the role of the states, it is difficult to define what level of government should undertake what task. Instead of going through the various stages of local development planning to secure allocation of resources, 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.

<u>Fragmented Functions: Interdepartmental Coordination Issues</u>. Apart from DILG, other NGAs are also tasked to exercise oversight functions to promote local capacity. 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 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, 2007). 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. The Joint Memorandum Circular (JMC 1, 2007) has mandated on the harmonization of such NGAs performing oversight functions in planning and budgeting. The effectiveness of such mandate however remains to be seen.

CONCLUSION: A FRACTURED BUREAUCRACY

Amid networks of particularistic maneuvers of powerful elites, the Philippine bureaucracy is largely fractured - rarely displaying the capacity to implement standards without succumbing to patrimonial pressures. Essentially, because of weak institutionalization of the policy structures in the central bureaucracy, the personal favor or disfavor of power traders becomes a critical determinant of resource and project allocations. It is easy to see that personal affairs are so embedded in the public administration of the country where bureaucratic rationality - the neutral and objective enforcement of policies according to the rule of law – could not prevail. Practically everything depends upon political considerations, personal connections and exchange. This radically goes in contradiction to the ideal framework of a bureaucracy epitomized by Weber: one that could not be dominated by private interests as if the state is the ruler's private domain. This lack of institutionalization allows for the susceptibility and subservience of bureaucratic agencies to central-local political machineries and structures. The Philippine bureaucracy is so lacking in autonomy from dominant elite economic interests from both central and local realms of power that even the most basic regulation of policy mandates could not be effectively carried out. This essentially defined the decentralization system in the country which characteristically lacks the procedural stability supposed to be provided by the rational rules of bureaucratic administration. As a result, the aim for meaningful local autonomy and local capacity are continuously frustrated.

What becomes apparent in the current picture of the Philippines is that frameworks of governance such as decentralization could only be engulfed by the predominant rule of the game in society: the long entrenched patrimonial system in government. It must however be understood that such system has been deeply-rooted by long years of patronage tradition, institutionalized by a remarkably forgiving, short memory and generally passive culture among its citizens. The country's framework of decentralization, however, fails to put emphasis on bureaucratic capacity/strengthening and mainly focused on democratic participation. Moreover, the lack of clarity of certain policies and rules, specifically on the role of central agencies in decentralization, has further undermined the position of bureaucrats who can only rely on explicit laws to buffer them from undue political influence. Nevertheless, the country has never been short of advocacy movements and accountability mechanisms, albeit sporadic, which offer signals of an evolving society open for new frameworks of governance. New engagements have been emerging, and new forces from bureaucratic agencies have been showing defiance against arbitrary decisions. Certainly, there is a lot more to be understood in these new processes and dynamics.

<u>Policy Recommendations - The Bureaucratic Imperative</u>: It is generally acknowledged that decentralization in the Philippines is seriously hampered by the persistent deficiencies in its political structures. Yet, while the workings of the bureaucracy are not entirely independent of the political system, the bureaucratic and political processes are still bound and contained by rules and standards upon which they should operate. The thrust is to look into opportunities within a governance framework that allows the bureaucracy to deliver accountable and efficient public service. The continuing challenge is how to create a governance context wherein the bureaucracy can demonstrate resilience amid political pressures; or to establish appropriate interventions that could effectively regulate the oligarchic manipulations that so predominate the country's political systems; or to create incentive structures to encourage political commitment to developmental goals.

It is almost cliché to say that it is most important to establish a system that is based on explicit rules. Yet this could not be more urgent for the Philippines and its decentralization system which is yet to see strong institutions that withstand political arbitrariness. A bureaucratic machinery is yet to be seen that enforces concrete standards and lay out clear rules specifically in the division of functional and resource responsibilities among levels of government to reduce ambiguity and promote accountability. The clear imperative is to establish strong and coherent bureaucratic agencies that are secured and legitimized by institutionalized policy structures to withstand and transcend beyond political maneuvers. It becomes imperative to establish an independent bureaucracy that vigorously enforces fiscal discipline, conducts standardized property evaluation and monitoring of taxation and revenue generation performance of LGUs. It shall likewise be institutionally viable to standardize and coordinate the interdependent functions and accountabilities among concerned NGAs. It shall enforce regulatory structures to central politicians particularly in Congress and the Executive who have traditionally reined in their authorities to defy the principles of shared accountabilities in decentralization. Beyond local political dynamics, bigger political forces from central structures must be equally reckoned with. Both sections of power and their intergovernmental political struggles pose serious threats to achieving a more definitive strategy to distribute authority and resources under the principle of decentralization. There are pressing needs to rethink and comprehensively redesign the country's system of decentralization.

For a start, it is key to revisit the policies, including the Code and the implementing rules and regulations to concretely set the frameworks, standards and parameters in the implementation of the system. It must be stressed that a careful assessment of the country condition must be done to determine what is "good enough" autonomy and/or capacity that has to be achieved for local governments, if only to make goals more realistic. Various sectors have raised the crucial need to: identify powers and functions that should have been devolved in accordance with laws, or what can further be devolved, and clarify the delineation of responsibilities among levels of government, as well as the intergovernmental fiscal assignments towards a national integrated program in implementing the Code (Panadero, 2006). The strategic role of relevant NGAs to implement the devolution agenda has to be clearly defined. In particular, the rationalization and structural revamp of the DILG, given its critical mandate for general supervision of LGUs, would have to be made. Clearly, a concerted program of political and institutional reform will be required if the Philippine state is to effectively implement its decentralization goals.

There is only so much we can expect in a change by political forces unless they are made accountable by strong and legitimate institutions. There are certainly little incentives for oligarchs to press for a more predictable and stable political order that can be offered by institutionalized structures. Yet, no other contending social force has yet effectively challenged the patrimonial features of the country's intergovernmental political landscape. With all its social relevance, even the country's civil society has demonstrated its limits in taming 'political brutes'. In 2004, Bello, Docena, De Guzman, and Malig would assert that the country's economic stagnation cannot be attributed simply to corruption given the fact that neighboring countries which have enjoyed rapid growths has as bad or worse. "Rather, 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). The key is still within the bounds of the state. It then becomes imperative to press for change and advocacy among key reformers which have demonstrated keen awareness and will to transcend beyond the structural obstacles. These reformers are best placed in the bureaucracy.

It then becomes a challenge to mobilize the educated and talented professionals to take over the shackles inherent in the bureaucracy and take charge of the systems to effectively manage and maximize competing elite interests. Essentially, options for innovation do not mainly involve a dichotomy between the top and the bottom. The resilience that may be afforded by the broad middle class in the Philippines would have to be reckoned with if "peopling" the bureaucracy is of the issue. The primary strategy then is to invest in bureaucratic capacity-building, creating incentives to attract the best and the brightest to work for the bureaucracy through merit-based recruitment and incentive systems, providing opportunities for long term civil service career rewards. The arduous task of fortifying the bureaucratic structures requires serious commitment and political will from its human resources. And, such can only be effectively facilitated - offsetting any prevailing disenchantment and disillusionment among the Filipino middle class - through clear and stable processes, consistent policies, transparent coordination, and legitimate and lawful regulatory mechanisms in government institutions that would hold any political force accountable amid public scrutiny and public opinion. The thrust is toward a more pragmatic approach to institutionalization. It is about directing the trajectory of reform to what is most feasible: the policy and institutional mechanisms. These initial steps should however be calibrated in a way that would support more strategic responses to the larger systemic/structural issues of patrimonial rule and oligarchic manipulations in Philippine governance.

NOTES

[1] *Subsidiarity* posits that decision-making powers, development responsibilities and control over resources must be transferred to the lowest possible level of government (which can do so efficiently) in order to broaden public sector legitimacy, transparency and accountability, to contribute to effective governance and service delivery (*Mercado 2002, p.21*). According to this principle, taxing, spending and regulatory functions should be exercised by lower levels of government unless a convincing case can be made for assigning them to higher levels (*Shah and Shah 2007, p.4*).

[2] Transparency International "Corruption Perception Index", moving from least to most corrupt, placed the Philippines 131st out of 179 countries in 2007 classified as among the worst in perceived corruption incidence. ADB would also rate the country as the third worst in relative inequality among 22 countries in Asia with a Gini coefficient at 0.45 percent in 2006 (ADB, 2007).

[3] The ultimate goal in Philippine decentralization is to achieve *local autonomy* for local governments, which means less dependence upon national government and increased reliance upon internally generated resources and increased capacity for local development initiatives.

[4] 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).

[5] *Patrimonialism* is a form of political domination described by Max Weber (Economy and Society,

1922), in which authority rests on the personal and bureaucratic power exercised by a royal household, where such power is formally arbitrary and administration is under the direct control of the ruler.

[6] As used in the Code, *devolution* refers to the act by which the national government confers powers and authority upon the various local government units to perform specific functions and responsibilities, RA 7160, Chap 2. Sec. 17 (4) (e)

[7] NGAs most heavily affected by devolution includes: Departments of Agriculture, Health, and Social Welfare and Development, along with Budget and Management, Environment and Game fowl Commission. Departments of Agrarian Reform, Public Works, Tourism and Transportation and Communication have devolved budgets without devolved personnel.

[8] *Non-IRA funding* includes transfers (cash) to LGUs for implementation and spending and centrally spent funds (direct spending) 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 (Soriano, Steffensen, Makayan, Nisperos, 2005, p.3&13).

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