

Five Guiding Principles of Reorganization

The far-ranging host of problems encountered in the course of analyzing the bureaucracy indicates an equally comprehensive and far-reaching range of solutions. However, the starting premise is readily defined: the Reorganization Plan should be an articulation of the thrust of this new government, an accurate reflection of the thinking of government on its role in Philippine society. This thinking is clearly expressed in the President's policy speeches (pre-election and during the first 100 days), in the various platforms of the relevant political parties/movements, and in the provisions of the Freedom Constitution.

The operating philosophy of this government is that market mechanisms will essentially be left alone to regulate social and economic activity, with intervention from government only in those areas and on those occasions where market forces alone are not sufficient to satisfy the demands of equity and social justice. This means redefining the role of government so that, on one hand, it does not compete with the private sector and, on the other, it expands or efficiently dispenses services to the poor and disadvantaged in the urban depths and the rural hinterlands. In this light, the task of reorganization is concerned more with redefining the scope of activity rather than merely being occupied with the size of government.

Infusing actual bureaucratic work with the proper orientation, however, is another matter entirely. The first item in this work agenda would be the clear promulgation of a set of guiding principles of reorganization. Five principles have been established: promoting private initiative, efficiency of front-line services, decentralization, accountability, and cost-effectiveness.

With the internalization of these five principles in the reorganization that must be undertaken in the new government structure, it is hoped that future generations can be assured that never again will the nation and the people suffer another leader like Marcos.

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Promoting Private Initiative

Essentially, the principle of promoting private initiative means that the government should withdraw from those areas where the private sector is sufficiently capable of providing the service or product.

This principle follows from the operating philosophy of allowing market mechanisms to determine the dimensions and directions of the economy, except for specific and special concerns which the government will clearly define.

Promoting private initiative can be done at both the policy and services levels. At the policy level, four postulates will have to be operationalized:

- o Privatization
- o Deregulation
- o Self-regulation
- o Community self-help

Privatization

This postulate is grounded on the government's present subscription to free market economic theory. Therefore, the provision of all marketable good and services shall be left to the private business sector. The only exceptions to this which may be done on a temporary basis shall be:

- a) "Collective goods and services, which by their very nature are not easily subject to normal market mechanisms;
- b) Institutional services to sectors where producers are too fragmented or disorganized, such that there is no incentive to undertake such non-production related activities as R & D or new market development;
- c) A third possible exception are those goods and services that involve large external costs or benefits.

Deregulation

This second postulate also has its roots in free market economics. Thus, all regulations that serve to inhibit the free play of market forces, i.e., free competition, shall be lifted. This is not to say that regulation shall be completely eliminated, for the public good requires certain types of government intervention, such as the following:

- a) In the case of products and services involving large external cost and benefits which the government may not see fit to provide itself,

then rules have to be set that will force private providers of those goods and services to consider these external costs and benefits in their decision-making processes. Zoning controls and pollution regulation are examples of such rules and regulations;

- b) Regulation of monopolies is another area of government concern because they negate the public benefit of market competition;
- c) The public must be protected from unethical business behavior. This is particularly relevant for products and services where the public cannot competently evaluate quality, such as in the case of drugs. Thus, regulatory agencies that are free from market pressures are needed.

Self-regulation

While this may appear contradictory or self-serving, there are certain circumstances where the matter of regulation may be delegated to the affected sector itself in order to unburden government of all but the most essential regulatory tasks:

- a) where external costs and benefits are minimal;
- b) where it is patently clear that all is to be gained and nothing to be lost from maintaining minimum standards of quality, such as in the export industries sector;
- c) where penal provision resulting from behavior that is detrimental to the public good are sufficiently onerous as to serve as an incentive to self-regulation. If, for example, the death of a pedestrian or passenger caused by a reckless bus driver is punishable by a six month suspension of a bus company's franchise or a jail term of the bus company's president, the probability is that the bus company or the bus industry will be more assiduous in regulating driver behavior.

Community Self-help

This pertains primarily to the premise that beyond a certain point, communities must not and cannot turn to government to meet their needs. Partly, this is a recognition of the fact that government resources are not unlimited. Primarily, however, is the fact that a community's strength can only come from within, and that government must ideally be only a catalyst for developing and marshalling this power of the community to help itself.

At the service program level, the following elements must be brought into play in the effort to promote private initiative:

- o Infrastructure support
- o Fiscal incentives
- o Extension service
- o Market information
- o Technological assistance
- o Manpower training

Infrastructure support. Infrastructure is a classic example of a "collective good" which can only be produced by government, but which is of particular importance in preparing the ground for promoting private initiative.

Fiscal incentives. This promotes private initiative in priority areas identified by reducing a significant internal cost of operating in those segments of free market activity.

Extension services, market information, technological assistance, and manpower training. All these are non-fiscal incentives that assist the private sector, particularly in small- and medium-scale industries, as well as in those sectors whose producers are highly fragmented or disorganized.

Decentralization

This principle concretizes the government's avowed goal of democratizing power. The oppressive structures left behind by the previous regime emanated in large part from extreme centralization. Perpetuation of this governing arrangement facilitates and lays government widely open to dictatorial takeovers.

Centralization, on one hand, discouraged initiatives and responsibility at the local level and, on the other, led to judgments which overlooked the particular characteristics of individual localities. The operative management premise here is that those in closest proximity to a situation would be more familiar with its peculiar problems and should have a greater say in the deliberations and decision-making.

The democratization of power has three major elements. The first, and most obvious, is the expansion of the powers delegated to the regional, provincial, and municipal levels.

The expansion of local authority must, however, also be paralleled by an expansion of the financial resources available to the local executives. In this regard, the revenue sharing of local governments vis-a-vis national government must be increased. This will not only reduce dependence on and control by the national government; it will encourage local initiative and heighten the sense of responsibility for the delivery of services.

Finally, controls on the management of local resources must be removed, except on local counterpart contributions to projects or programs that are proffered by the national government on a joint undertaking basis.

Cost-Effectiveness

This principle is a standard public administration postulate, gaining more emphasis in the financially critical situation of the government treasury. Cost-effectiveness does not, in fact, mean doing without, but doing better, i.e., increasing unit of output per resource expended. Government operations, which do not benefit from the salutary disciplinary effect derived from the pursuit of profits must be doubly oriented to optimality concepts.

The translation of this in practical terms may be seen in the largely self-explanatory examples that follow:

- o Elimination of gaps, overlaps, and duplications of functions
- o Effective span of control — any situation where this is not met will inevitably result in the mismanagement of resources
- o Effective supervision of attached units and agencies — at the present time, such supervision is very loosely defined and implemented
- o Effective supervision of regional offices
- o Clear delineation of responsibilities
- o Limitation of multiple positions
- o Fair and just compensation — poor compensation naturally leads to poor performance

Efficiency of Front-line Service

Front-line services are among those components of government's programs of governance and services that are transactional in nature. These refer to those services and functions that require individual processing because they are specific to the particular needs or circumstances of individual citizens. Thus, a front-line function of the peace and order program is police response to distress calls of crime victims; and a front-line service of the health care delivery program is emergency case treatment in government hospitals.

More than anywhere else in the broad spectrum of government functions, activities, and processes, it is in the area of front-line functions and services that the people's judgment of government efficiency is based. It is also here, to a large extent, that a supportive or a critical attitude towards government will be formed. This is because the negative effects of front-line inefficiencies are *direct and personal* to the affected individual.

Front-line offices and the functions and services attendant to them must therefore possess the following attributes:

- o timeliness
- o operating efficiency
- o accessibility
- o equity
- o relevance

To a large extent, front-line office shortcomings may be traced to four basic causes:

1. Defects in the office operating system, i.e., flaws in procedures, documentation, or staffing patterns;
2. Personnel competence or attitudes;
3. Funding;
4. Externalities.

This classification also serves as a ranking of the ease or difficulty of implementing remedial measures. The first kind are correctible through the application of standard operating management techniques. The second kind may be corrected through the implementation of training, rotation of personnel, or disciplinary measures. The resolution of problems of the third kind are a function of the amount of funding support, and the degree of political impact to be generated from the improvement of the particular front-line service or function. Finally, problems of the fourth kind may or may not be resolved depending on the magnitude of the external factors on which improvement may be dependent upon.

The government *must* take a firm stance on the matter of upgrading front-line services and functions, because it is here that the administration can adopt a highly visible posture of initiative and firmness that will be of resounding political impact. The present financial difficulties of government *should not* stand in the way of immediately implementing a front-line office improvement program.

Accountability

This principle was grossly violated as to be non-existent in the previous regime. In seeking to restore the people's faith in government after two decades of malfeasance, accountability must be promoted in the most zealous terms. Beyond determining the adequacy of existing accountability procedures, effective instruments/procedures for curbing the wanton exercise of discretionary powers (the prime source of abuses of the past) must be designed, installed and ingrained in public servants and in the public service. These will include, among others, the following:

- o Full disclosure of programs undertaken and the funds applied to them, rather than the mere filing of financial statements;
- o The establishment of key result areas as the basis for performance evaluation;
- o The establishment and strict implementation rules on conflict of interest;
- o No exemption from public audit;
- o Installation of a comprehensive management information system.

The five guiding principles are stated and promulgated as individual postulates. Close analysis however will reveal that they are really complementary, integrated, and achieve total effects in combination more than in single applications. Thus, accountability and cost-effectiveness necessarily flow from each other. Decentralization is an enabling condition for accountability, and greater private initiative would encourage public servants to be cost-effective.

At the several stages of work, the PCGR staff tried to consistently utilize these five guiding principles as a unifying set of guideposts for performing analyses and formulating recommendations for both the sectoral and the general concerns of the reorganizational effort. The overall framework which guided the effort is graphically presented in the following chart.

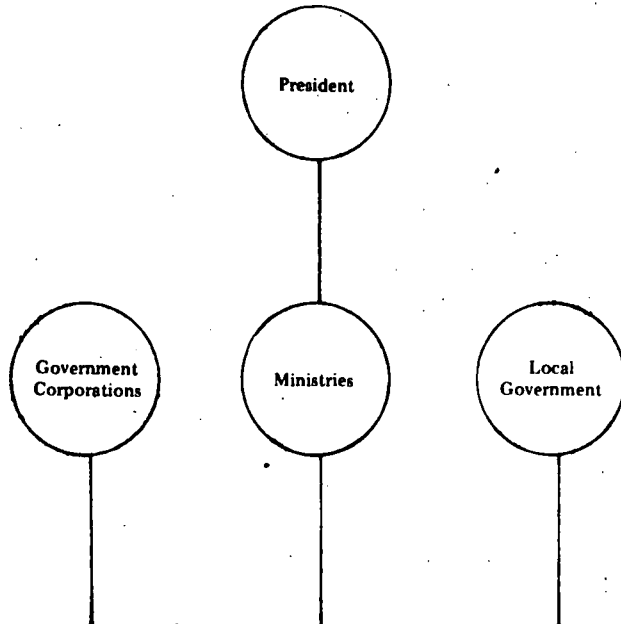
In concept, the PCGR perceives the executive branch to have three arms: the government corporate sector, the national bureaucracy (ministries) and the local bureaucracy (local government). Each arm can have its own policy and program applications of the five principles. Examples of these are shown in each of the pertinent boxes in the grid and are discussed briefly below.

Government Corporate Sector

Promoting private initiatives. In this arm of the executive branch of government, the principle of promoting private initiative can be operationalized by the policy of privatization of most, if not all, market-oriented government-owned corporations (GOCC's), particularly in those industries that have already matured.

Decentralization. This principle is applicable in the government corporate sector by the implementation of anti-trust policies and regulations, especially if a GOCC has evolved into a dominant economic force in a given industry or has obtained unfair competitive advantages because of its government ownership or control.

Cost-effectiveness and front office efficiency. The implementation of these two principles is achieved by a policy of equal treatment, i.e. GOCC's



Governing Principles			
1. Promote Private Initiative	Privatization Self-Regulation	Deregulation Self-Regulation	Deregulation Community Self-Help
2. Decentralization	No special monopolies	Deconcentration Delegation	Local Autonomy
3. Cost Effectiveness	No special privileges vis-a-vis private sector competition	No Gaps, Overlaps Effective Span of Control Supervision of Attached Agencies Supervision of Regional Offices No Multiple Positions Fair Compensation	Fair Compensation Integration of Services
4. Front-Line Services Efficiency	No special privileges vis-a-vis private sector competition	Government-Wide in Scope Institutionalize Presidential Evaluation	Gov. Wide in Scope Institutionalize MLG Evaluation
5. Accountability	Info System Performance Disclosure Audit Key Result Area Performance Evaluation	Info System Performance Disclosure Audit Key Result Area Performance Evaluation	Info System Performance Disclosure Audit Key Result Area Performance Evaluation

are not vested with certain privileges that would place their competitors at a disadvantage in the marketplace. This way the GOCC must, perforce, be efficient if it is to survive.

Accountability. This principle is put into force by such traditional management policies and mechanisms as performance disclosure, full external audit, key result area identification, and performance evaluation.

The Ministries

Promoting private initiative. The best example of how the ministries can apply the principle of promoting private initiative would be the implementation of a policy of deregulation of market activities and launching of service programs such as infrastructure support, market information, and technological assistance, as discussed earlier in this section.

Decentralization. The decentralization of power is attained by a policy of delegation of authority and responsibility to the regional and provincial offices of the ministries.

Cost-effectiveness. The application of this principle is realized by such measures as reorganization to eliminate gaps and overlaps in inter- and intra-ministry programs and the reduction of span of controls to reasonable magnitudes. Similarly, work content analysis program may be implemented to rationalize staffing patterns in order to keep manpower overhead at optimal levels.

Front-line service. This principle can be actualized by the implementation of a government-wide program of improvement and its designation as a key result area for each minister.

Accountability. The same examples as those mentioned for the government corporate sector apply for the ministries.

Local Governments

Promoting private initiative. Local governments can apply this principle by instituting community self-help programs, or by actively promoting and effectively administering livelihood programs of national government, e.g. KKK, and the private sector, e.g. PBSP programs.

Decentralization. Local governments can put life into this principle simply by taking full advantage of the local autonomy features of Local Government Code.

Cost-effectiveness. This can be achieved, for example, by a policy of integrating at the local level the different service programs of the national

government. The principle of cost-effectiveness can also be operationalized by the application of the same public administration policies as those for the national government, e.g., effective span of control, elimination of structural and program gaps and overlaps, etc.

Front-line service efficiency and accountability. These two principles may be applied through the implementation of the same measures as those cited above for the ministries.