

# Center and Locality: A Philippine Experience in Policy Implementation

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*Effective policy implementation transforms a formulated policy into services and programs which answer the intended goals. The President has stressed that his government will go beyond the enunciation of policies with respect to local governments but there are a lot of intervening bureaucratic structures which affect the translation of such national policies. The operations of ministries, like that of Local Government and Community Development, of Finance, and of the Budget, are discussed to show how they comply with a national policy to develop local governments. During the Martial Law regime, however, dualism affects the policy formulation and implementation processes — a policy formulated once implemented produces two effects as the case with certain Presidential Decrees and Letters of Instructions which when implemented produced overlapping and conflicting results. The overall conclusion must be made that the central government is not yet ready to implement a devolution policy.*

## Policy Implementation: The Central Government Dimension

One central focus of viewing inter-governmental relations is in the realm of policy implementation. This view describes and explains the process by which policies are transformed into public services and programs, and provides explanation for the realization or non-realization of predetermined objectives. It also allows the analysis of the delivery of policies that require the participation of various governmental units.

Practitioners in government have realized that policy making and implementation are two separate processes, each with its own set of actors and

each requiring different sets of skills. A traditional orientation holds the view that those who formulate policies generally are comprehensive in their perspective and less subject to personal or sectoral bias as to the after-effect of policies established. On the other hand, those who implement policies, because they operationalize policy, are more inclined to inject their personal value systems, self-interest, organizational loyalties, or even existing preferred relationships to the detriment of policy delivery. Just as gaps exist between theory and practice, so do drifts and shifts between formulation and implementation of policies.

An effectively implemented policy is one that achieves compliance in its intended goals. This kind of implementation requires several forces, both administrative and political in nature.

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### *The Presidency in Action*

The Presidency is the center of the highest source of political power, traditionally commanding the respect and obedience of the central and local bureaucracies including the Interim Batasang Pambansa. It has gone beyond the enunciation of national policies with respect to local governments, to the implementation of such policies established. President Ferdinand E. Marcos, reinforced by the customary respect given by the people to the man holding the position, not to count his martial law powers, has convinced the people to support his reform programs in local governments.

For the last seven years, some 500 presidential decrees and letters of instructions were issued which practically touched on almost all aspects of local government administration. A significant observation in this regard is that these laws generally aim at the development of the administrative and fiscal capabilities of local governments for local development. The promulgated laws introduced changes and innovations which will go a long way in developing local authorities in the Philippines.

The President has stressed on several occasions that reforms are necessary to strengthen the structure and administration of local governments so that governmental powers and responsibilities are effectively administered. On March 3, 1973, President Marcos revised the internal revenue allotments to local governments by signing Presidential Decree (P.D.) No. 144. The revision allows a more equitable system of distribution of allotments and, more importantly, introduced the developmental concept in the allocation of funds to local governments.

Prior to this revision, local governments generally used to lobby for greater revenue shares from the central coffers. In 1974, the President signed P.D. No. 464, otherwise known as the Real Property Tax Code. The President explained that in spite of all existing laws on local finance, local governments still find difficulty in providing adequate funds with which to underwrite basic and essential public services. He explained that one of the main reasons behind this is the failure of local governments to fully tap the income potentialities of the real property tax; hence, P.D. No. 464.<sup>1</sup> As a result of the promulgation of this decree, the Ministry of Finance started to improve real property tax administration.

To strengthen the administrative machinery for local treasury operations in order to induce the judicious conservation and management of local government resources, P.D. No. 477 was signed. Officially known as the Decree on Local Fiscal Administration, it governs the conduct and management of the financial affairs, transactions and operations of provinces, cities, municipalities, and barangays. One salient provision of this Decree is the introduction of performance budgeting at the local levels.<sup>2</sup>

As a matter of fiscal policy to extend greater credit facilities to local governments in order that, through reasonable and moderate borrowings, they may raise additional funds to meet the

<sup>1</sup>Presidential Decree No. 464, enacting a Real Property Tax Code, signed on May 20, 1974.

<sup>2</sup>Presidential Decree No. 477, known as the Decree on Local Fiscal Administration, signed on June 3, 1974.

capital outlay requirements of priority projects, the President decreed a Credit for Financing for Local Governments.<sup>3</sup> The law allows greater utilization by local governments of development funds offered by financial institutions in the government and the business sectors.

To meaningfully relate local budget formulation with those of the central government, the Ministry of the Budget assumed the review function over local government budgets. This function was previously exercised by the Ministry of Finance prior to the promulgation of P.D. No. 1375. One of the primary reasons given for the transfer of the review function was to project total local funds as part of the overall public fund resource of the entire Philippine government.

As part of the continuing reforms in local government, the President signed P.D. No. 1136 allowing the practical application of the basic concept of position classification and salary standardization as a management tool to promote work efficiency in local governments. Through this Decree, outmoded salary laws and other statutes were amended putting local units on a much more competitive level with the business sector in the market for technical skills necessary for local development.<sup>4</sup>

The introduction of a more progressive local personnel administration

through this Decree hopefully will allow the formation of a pool of effective administrators at the local level. Experience has shown that personnel movement has been from local governments to the central government or the private sector. Hopefully, with this development the trend will be reversed.

To implement the results of the referendum held on February 27, 1975 which authorized the President to restructure the local governments of the four cities and thirteen municipalities in Greater Manila, President Marcos signed into law P.D. No. 824 creating the Metropolitan Manila Commission. The initiation of the metropolitan governance in the National Capital Region ushered in a new era in local government administration.<sup>5</sup>

The need to equalize and make more effective the delivery of public services in a metro-wide area spurred the President to create a public corporation known as the Metropolitan Manila Commission. The increasing urban problems of Metropolitan Manila pose a challenge to public administrators in the Commission. While the economies of scale, efficiency, and effectiveness in government were the primary considerations in the promulgation of P.D. No. 824, the creation of Metropolitan Manila signaled the metropolitanization of highly urbanized cities in the near future.

A parallel decision by the President in this regard is the establishment of the autonomous regions in Regions IX

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<sup>3</sup>Presidential Decree No. 752, signed on July 25, 1975.

<sup>4</sup>See Presidential Decree No. 1136, Creation of a Joint Commission on Local Government Personnel Administration, signed on May 5, 1977.

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<sup>5</sup>See Presidential Decree No. 1396, Creating the Ministry of Human Settlements, signed on June 2, 1978.

and XII. In response to international commitment and imperatives, the experiment in Southern Philippines reflects the President's pragmatism not only in his search for new political ideologies but also in his bid to operationalize a workable local political structure peculiar to the Muslim region.<sup>6</sup> The creation of the autonomous regions indicates the determination of the President to give life and realism to the policy of decentralizing authority and government services in regions where central government efforts have not been very effective. This development can also be viewed as complementary to strengthening regional administration.<sup>7</sup>

All these, President Marcos claimed, are clear manifestations in formal form of the shift from Presidential policy pronouncements to policy implementation which have guided the crisis government toward the appropriate direction in the full development of local governments. During his inaugural address on June 12, 1978, the President made clear that the Presidency has gone beyond the enunciations of policies. He declared:

And perhaps most noteworthy of all, we committed ourselves to the tasks of returning power to our people, of rebuilding our political life at the grassroots through the creation of the barangays and the citizens' assemblies.

<sup>6</sup>Presidential Decree No. 824, Creating the Metropolitan Manila, signed November 7, 1975.

<sup>7</sup>See Presidential Decree No. 1618, Implementing the Organization of the *Sangguniang Pampook* and the *Lupong Tagapagpaganap ng Pook* in Region IX and Region XII and for other purposes, signed July 13, 1979.

In all of these areas, *our actions went beyond the writing of policies to the implementation of programs and the achievement of goals.* And the vision of our New Society did not fail to touch the smallest sector of the nation.

Taken together, all these spell a building of national capabilities, a consolidation of the national will for our development effort, which in the event injected new dynamism and purpose into our national life.<sup>8</sup>

Speaking for the central government, President Marcos added:

In addition, the national development plans in every instance sought the participation of the whole government machinery at all levels—national, regional, and local during the stage of preparation. Thus, there is a vital regional dimension to our national development program which ensures that no sector and no region would be left wanting of attention.<sup>9</sup>

The President, believing in the importance of the form, equally saw to it that the degree of government which can be effectively exercised to assist national development efforts be institutionalized from the central to local hierarchy of the whole governmental structure. Its effective realization, however, greatly depends in the comprehensive reorganization of government which includes the reform of budget management, of taxation, and of other public sectors.

President Marcos, in describing his policy views on national development and local government to the extent

<sup>8</sup>Extracted from President Ferdinand E. Marcos, Inaugural Address at the Interim Batasang Pambansa, Quezon City on June 12, 1978.

<sup>9</sup>*Ibid.*

that positive interrelationship is the logical conclusion, wrote:

Our current National Development Plan embodies among its primary objectives the "decentralization of authority" and the autonomy of local government units. What seems to me more important for political normalization than the mere calling of elections is the strengthening of local governments. For it is when powers and responsibilities are effectively shared by local governments that the basis of participatory democracy is established.<sup>10</sup>

In June 1978, the President told the members of the Interim Batasang Pambansa that he was not prepared to speculate on the holding of local elections at the time (nor did he express at that time the immediate calling of local elections) because the nation has not recovered from the divisiveness of the previous one.<sup>11</sup>

However, events that followed a year after saw the President, on December 15, 1979, declaring the holding of local elections in 1980. The President expressed that political will is as necessary today as it was during the previous six years to mobilize the energies of the people for development and change. Considered as a giant step towards political normalization, the Interim Batasang Pambansa in its Second Regular Session supported the Presidential decision to hold local elections and legislated Parliamentary Bill No. 891 which was finally approved

<sup>10</sup>Marcos, *op. cit.*, p. 81.

<sup>11</sup>See Presidential Decree No. 1296, "The 1978 Election Code" signed February 7, 1978. Article I, Section 3 sets the elections of the Interim Batasang Pambansa Representatives on April 7, 1978.

on December 1979, as *Batas Pambansa Bilang 54*.<sup>12</sup>

President Marcos, deciding to hold an election, believed that the democratic processes, so uniquely embodied in the parliamentary system of government, offer even at this stage of political transition an effective and speedy means for the translation of goals into programs, of policies into availing answers to the problems of national life.

The President has shown clarity in policy execution. However, what remains is the fact that the President is still too high in the tier of political power and authority to determine compliance of policies implemented and to be able to measure optimal achievement of intended goals. Very little may really be decided by the words of a decision or a statute; enunciation of national policy may just be the beginning of the decisive process of determining what will happen, and understanding this stage is essential to a full understanding of politics.

#### *Compliance by the Cabinet*

It is argued that a measure of an effectively implemented policy is the degree of compliance it will generate among those who execute the policy and the optimal achievement of the intended goals of the policy being implemented. Compliance to a national policy is influenced by a mixture of interrelated policy variables. The clarity of the policy is critical to the full

<sup>12</sup>See also the following: Parliamentary Bill 885 or *Batas Pambansa Bilang 51*; Parliamentary Bill 886 or *Batas Pambansa Bilang 52*; and Parliamentary Bill 889 or *Batas Pambansa Bilang 53*.

understanding of its goals. The extent to which policy deviates from customs or traditions, and the prestige of both policy makers and appliers greatly influence policy compliance. Even such facilitating or inhibiting environmental conditions, either administrative or political, determine to a great extent how effectively a policy may be implemented.

From the seat of the Presidency to the smallest local government unit is a maze of intervening bureaucratic structures through which the implementation of public policies is being carried out. Through these interrelating agencies are assigned various degrees of governmental powers through which administrators exhibit different administrative behaviors affecting policy outcomes. The possibilities of diverse factors operating within this inter-organizational relationship is too great to be ignored. Experiences have shown that, more often than not, problems in policy implementation is not in the nature of policy but more in the administration, and in the operationalization of such policies into workable programs.

With this view, an analysis of the Cabinet is a pivotal point to study compliance to a national policy. Such a study will show the underpinnings in intergovernmental relations in policy implementation.

Moreover, President Marcos, during the Cabinet meeting held in Malacañang on January 2, 1976, stressed the need for the involvement of the Cabinet in problems of local administration and advised the Cabinet members, thus:

Members of the Cabinet will have to involve themselves more and more

with the problems of the local administration. We have created a situation where the Cabinet no longer, or for that matter, most of the members of officialdom have no direct contact with the sources of the sovereign power. And this is what has been bothering me. At the same time, we have no means of political mobilization to meet any threat against our Society of the nature which may not be completely answered with counter force through the defense establishment and the military. There will be instances in the future both arising out of international situation as well as the domestic situation where Cabinet members may have to participate in an effort to politically mobilize our people to eliminate any obstacle to our present and future objectives.<sup>13</sup>

This paper will consider specific ministries which are translating national policies into specific sectoral programs. While almost all ministries exercise supervision over local governments for and in behalf of the President, no other ministry exercises supervision over local governments much more extensively than the Ministries of Local Government and Community Development, Finance, and the Budget, in that order. These ministries are cited to illustrate how they translate national policies designed to promote local autonomy and to develop local governments.

The first major administrative reform measure during the Martial Law period was the reorganization of the executive branch of the central government under P.D. No. 1 signed on September 24, 1972.

<sup>13</sup>Extracted from Republic of the Philippines, Cabinet Secretariat, Office of the President, *Minutes of the Cabinet Meeting*, January 2, 1976, Volume VIII, pp. 16-18.

Some of the basic thrusts of the reorganization plan which are directly related to local government operations are as follows:

- (1) The establishment of an integrated system of development planning with adequate sectoral and vertical linkages in the planning process and the institutionalization of regional development councils in the regions; and
- (2) The substantial decentralization of government operations through administrative decentralization in the various regions.

Undoubtedly, these are public concerns which will bring local authorities into an integrated system of development planning for national development and, at the same time, allow central government ministries to operate much more closely in the regions and subregions, where public services are delivered in response to specific community needs.

Because the continuing process of political and social development ceaselessly exerts new demands and pressures on government, a fundamental factor considered in the process of reorganization is the fact that government has ceased to be merely a dispenser of services. Government has become a primary reactor to the inexorable phenomenon of change, and has in time become capable of creating and hastening change.

The reorganization effort went beyond the dimensions of "simplicity, economy, and efficiency" to embrace the more meaningful objective of re-

organizing for development.<sup>14</sup> One major premise for the reorganization was that while government incessantly aimed at stretching the social and economic frontiers, it had done very little to improve its administrative capacities in pursuit of these goals.

In the furtherance of the policy of government decentralization, President Marcos issued Letter of Instructions directed to Ministers, Bureau Heads, Regional Directors and the Presidential Commission on Reorganization to strengthen the administrative capacity for regional operations.<sup>15</sup>

#### *Ministry of Local Government and Community Development*

Among the first ministries to effect administrative decentralization was the Ministry of Local Government and Community Development (MLGCD). Being primarily a backstaffing ministry to the President in his exercise of supervision over local governments, it was the first among the few to implement administrative decentralization immediately after it was organized on November 1, 1972. Most of the administrative and substantive powers in the Integrated Reorganization Plan pursuant to Republic Act No. 5435 and implemented in P.D. No. 1 were delegated to the Regional Directors of the Ministry.<sup>16</sup>

<sup>14</sup>Presidential Commission on Reorganization, "Organizing for Development," A presentation prepared for the Interim Batasang Pambansa, June 13, 1978, p. 4.

<sup>15</sup>Letter of Instructions No. 448 dated August 18, 1976.

<sup>16</sup>Letter of Implementation No. 449 dated August 18, 1976.

As contrasted to the defunct Department of Interior which was control-oriented, the MLGCD fully implemented administrative decentralization to substantiate its new role as a service- and development-oriented Ministry. After the Ministry was organized per Letter of Implementation No. 7, new programs aimed at improving local governments and the rural communities were immediately initiated.

President Marcos appointed Honorable Jose A. Roño as Minister of Local Government and Community Development. Having been in the service of the local government as governor of Samar and as city mayor of Calbayog, it was only natural for Minister Roño to favor full autonomy of local governments. His wealth of experience, in addition to his pragmatic point of view in solving local government problems, has greatly influenced policy implementation in the Ministry and in the local governments.

The MLGCD had a two-pronged program. First, the Ministry strengthened its administrative structure and managerial capabilities to assume ever increasing responsibilities. It maintained a regular staff development program for the Ministry to assure an effective program delivery. Field personnel, since the establishment of the Ministry, have been implementing various programs of other ministries besides its own responsibilities which somehow required flexibility, skill, and motivation to maintain this phase of work at the local level. Secondly, programs to improve the administrative and fiscal capabilities of local governments were launched in collaboration with other government agencies, learning institutions and even with the private sector.

Local executives were called to training courses authorized by the MLGCD. Local administrators and development staff of local units were encouraged to undergo regular training programs of the Ministry; technical assistance and projects were initiated, with local governments as cooperators, in almost all aspects of local government responsibilities. Engineering capabilities, local finance improvement, effective legislation and resource management were areas in local administration where innovations were introduced.

Researches delving into local government problems were conducted in collaboration with academic institutions and centers for research. Both basic and applied research results were found useful by local administrators and policy makers and legislators who made decisions on matters affecting local governments.

The MLGCD implemented all these activities as a program of improving local government administration and ultimately preparing local units to assume the fullest autonomy possible.

#### *Ministry of Finance*

Another central government instrumentality that exercises substantive supervision over local governments is the Ministry of Finance. Traditionally control-oriented primarily because of the nature of its function and responsibilities over local treasury service, the Ministry exercises great influence over local executives through the provincial and city treasurers who are responsible for local revenue administration.

Being primarily the management source of the financial resources of



the government, the Ministry exercises supervision over the taxation powers and borrowing capabilities of local governments. The Ministry sees to it that local taxation and borrowings shall be in accordance with central government policy and that it shall be geared to national development goals. In this respect, the Ministry does carry a lot of weight and influence.

Finance Minister Cesar E.A. Virata is one of the most respected members of the Cabinet. He held sensitive positions in the central government prior to his appointment as Minister of Finance. A non-politician and a professional public finance man, he oversees local fiscal administration in the overall context of the central policy on public finance. He has continuously carried out a program of improving the overall performance of local treasury officials and personnel and in this respect, the Ministry has shown firm resolve to succeed. As an administrator of a Ministry which, by the nature of its function, is traditionally control-oriented, Minister Virata can hardly make an alternative policy with respect to local government finance.

Like other ministries, the Ministry of Finance recently implemented administrative decentralization by designating selected provincial and city treasurers as concurrent regional directors for the Ministry. This is an attempt to "localize" the Finance Ministry to the groundings of local administration.

In collaboration with the MLGCD and the Ministry of the Budget, it has likewise initiated specific projects and activities designed to improve local revenue administration.

### *Ministry of the Budget*

When President Marcos promulgated P.D. No. 1375, the Ministry of the Budget assumed the review function over the budgets of local governments from the Ministry of Finance. The President justified the transfer by saying that the Ministry of the Budget assists him in the preparation of the total national resources and expenditures budget which includes among others, those of local governments. He elaborated that the Ministry of the Budget is the appropriate ministry to oversee and evaluate the financial budgets of local governments since local government resources constitute a significant portion of the total development resources of government. Republic Act No. 992 as amended by P.D. No. 999 provides for the formulation of a comprehensive national resource budget which reflects all revenues, expenditures, domestic or foreign borrowings, donations at all levels of government, including service of government-owned or -controlled corporations and local governments. To attain these objectives, the functions of local government budget administration were transferred from the Ministry of Finance to the Ministry of the Budget per P.D. No. 1375. To implement the provisions of the decree, the Ministries of the Budget, of Finance, and of Local Government issued a joint Memorandum Circular addressed to all local executives, council members, and local treasurers regarding the transfer of functions of local government budget administration.<sup>17</sup>

<sup>17</sup>See Joint Local Budget Memorandum No. 1, MLGCD Circular No. 79-7 and Finance Circular No. 5-79 dated January 2, 1979.

Minister of the Budget Jaime C. Laya introduced many innovations in local budgeting. Being one of the youngest members of the Cabinet, who at one time was connected with the National Economic and Development Authority as Deputy Director General, and Dean of the College of Business Administration in the University of the Philippines System, Minister Laya brought technocracy and managerial innovations into the Ministry of the Budget. These innovations were visible in the procedures he has established in the Ministry, in the studies and research completed in the area of budgeting and in maintaining a perspective in the responsibilities of local governments which are more directed to self-sufficiency and autonomy.

Like the other two ministries, this Ministry also immediately went into administrative decentralization by first establishing regional offices in San Fernando, La Union in Region I, in Legaspi City in Region V, and in Zamboanga City in Region IX. Finally, in midyear 1979, the Ministry established regional offices in the rest of the country. As authorized by P.D. No. 1375, the positions of budget officers in provinces, cities, and municipalities were created subject to availability of local funds and qualified personnel.<sup>18</sup>

One of the innovations introduced by Minister Laya is the synchronization of the national and local government budgets formulation for calendar year 1980 as prescribed in Local Budget Circular No. 2.<sup>19</sup> Another innovation is

requiring all local governments in the preparation of their 1981 budgets to align their development goals to the fulfillment of the national objectives and thrusts contained in the Philippine Development Plan with particular emphasis on livelihood and supporting projects at the community level.

However, what is of concern to the local governments in this regard are the implementing provisions of Local Budget Memorandum No. 3 dated November 15, 1979 which read as follows:

Except as may be authorized jointly by the Ministry of Local Government and Community Development, Ministry of Finance, and Ministry of the Budget, funds appropriated for local government units in Batas Pambansa Blg. 40 (CY 1980 General Appropriations Act) shall be released only when these local government units have an approved budget pursuant to the provisions of Presidential Decree No. 1375;

(a) Failure of local government units to submit their annual budgets within the deadline set forth shall be considered ground for the withholding of the release of the following funds appropriated in Batas Pambansa Blg. 40.

(b) Bureau of Internal Revenue and Specific Tax Allotments, Apportionment of Local Government Fund.

(c) Fund for barangay development projects, Barangay Development Fund.

(d) Budgetary aid to local governments authorized under Presidential Decree No. 144 and approved pursuant to Letter of Instruction No. 636, Program 4.14 of the Ministry of Local Government and Community Development.

<sup>18</sup>See Ministry of the Budget, Local Budget Circular No. 2 dated January 5, 1979, for the duties and responsibilities, including qualifications of local budget officers.

<sup>19</sup>See Ministry of the Budget, Local Bud-

get Memorandum No. 2 dated January 5, 1979 for the new local government budget calendar and Local Budget Circular No. 3 dated March 16, 1979 for supplemental budget review, etc. Also see Ministry of the Budget Circular-Letter No. 79-22 dated November 15, 1979.

(e) Assistance to provincial, municipal, city, and barangay schools, Program 1.1.2 of the Ministry of Education and Culture.

(f) All other national aid to local governments, funds for which are appropriated in the aforesaid Batas Pambansa.<sup>20</sup>

The Ministry of the Budget has only recently assumed a supervisory function over local governments. To date, it has not been able to look into many aspects of local fiscal administration, like performance budgeting, and measuring work output of local governments and the local bureaucracy. No doubt, however, in the years to come, the Ministry, in collaboration with the MLGCD and the Ministry of Finance, will start an analysis of these areas of local government administration.

#### *Other Ministries*

Almost all ministries of the central government implementing programs at the local level have in various degrees shown compliance with the national policy of administrative decentralization, which the Presidential Commission on Reorganization recommended as necessary for improving governmental performance at all levels.

Regional offices have already been established by various line ministries and agencies and the regionalization concept is now recognized as a viable instrument of both national and local developments. What calls for further clarification that will ultimately lead to the formulation of new policies is the definition of the relationship

between local governments and the regional and sub-regional offices of the central government. In the future, new policies will have to be formulated on the basis of political decisions arrived at based on the thrust of local government structures.

#### *Performance of the Central Bureaucracy*

Policy decisions of the Cabinet are implemented by the central bureaucracy, a hierarchy of authority, specialization, rules, and regulations. The central bureaucracy, being a highly organizational differentiated group, is a major instrument for achieving policy objectives. It can facilitate, impede, or modify policy outputs. Its bureaucratic network composed of an impersonal system of civil service personnel through which ministerial policies are distilled in the process of implementation, the central bureaucracy is not immune to the illness and pathology of large organizations which can cause disparities in the implementation and outcomes of public policies.

When bureaucratic illness exists, it generally exhibits polar tendencies of aggressiveness and recessiveness. The central bureaucracy manifests its aggressiveness when its jurisdiction is extended, causing friction in the inter-governmental relations. Overlapping functions among ministries which create confusion at the local level illustrate a misplaced aggressiveness. The Nutrition Program being implemented by 24 different government and private agencies results in low performance of program implementors for lack of coordination, local leadership, and identity. The Population Program at one time implemented by 32 government and private coopera-

<sup>20</sup>Ministry of the Budget, Local Budget Memorandum No. 3 dated November 15, 1979, for local government units, Budget Preparation Guidelines for CY 1981.

tors is suffering similar difficulties — creating confusion among local officials through whom these two programs are being implemented.

The Ministry of Public Highways which is administering the Barrio Roads Program and the MLGCD which, at the same time, is implementing the Rural Roads Program are other examples of bureaucratic aggressiveness resulting in:

- (1) Confusion among local units as to what ministry is implementing what projects;
- (2) Problem of coordinating sectoral programs at subregional level; and
- (3) Local programs and priorities being subsumed by ministerial programs negating local initiative in solving community problems.

The central bureaucracy has used its massive organizational size as a springboard to further functional proliferations. Almost all central ministries in one way or another relate with local authorities. Many of these agencies are likewise performing closely similar functions. The proliferations of cooperatives which are locally based but directly supervised by central or regional authorities are present realities. The barangay-based *Samahang Nayan*, supervised by the MLGCD, has no functional relationship with the barangay government whatsoever. The town-centered rural elective cooperatives of the National Electrification Administration and the Coconut Federations of the Philippine Coconut Authority are primarily extension units of central

government agencies without any functional relationship with the local governments. These have caused too much departmentalization of functions and much greater central supervision giving the impression among local officials of the expansionist tendencies of central authorities.

Moreover, studies and experiences in regional administration point out that the central bureaucracy as a power wielder is control-oriented. Except for a few ministries, implementation of administrative decentralization has not really been effective as contemplated in the integrated reorganization plan by the Presidential Commission on Reorganization. The reasons for this are varied. One significant observation is that power wielders at the central office are not willing to delegate authorities to the regional offices of the concerned ministries. For example, the Ministry of Agriculture approves local ordinance on fishing. The Ministry of Human Settlements determines the nature of town planning and even controls land use in certain local jurisdictions.

In spite of efforts of the President to improve the performance of the bureaucracy, recessiveness still exists as the other end of the polarized tendencies of bureaucratic illness. This is generally manifested by bureaucrats and offices that shrink from innovations, a situation where inept, incompetent, and even corrupt personnel are implementing policy decisions but are generally short of achieving intended goals. Agencies hesitate to assert operating policies because administrators allow social values to dominate over organizational rules to the detriment of achieving final goals of public policies.

Philippine experience shows that central politics and organization, and local power relationships are important in the outcomes of policy implementation. This interrelationship is relevant in local government reform which often requires commensurate changes in central administrative structures. A comprehensive reform program for local governments has to be accepted beforehand by central ministries exercising supervisory control over field officers who constitute the bulk of technicians that carry out central functions at the local level. Experience in governmental reforms shows that central officials generally resist local reforms that will result in a loss of administrative control over their field officers.

On the other hand, central development efforts risk failure if they do not take full advantage of the potentials of local government units as partners in reform. Local units can provide the basis for coordination among different ministries. Moreover, local government units can create an awareness of local needs and of the importance of their incorporation into central development programs, promote the adoption of a publicly acceptable system of national priorities, as well as foster meaningful popular participation in the control of development programs.

The central bureaucracy does not appear to be ready to implement decentralization policies. Instead of substantially devolving authority, it merely advocates deconcentration and dispersion of its own central personnel. The implementation of decentralization policies is accepted to be difficult. Without prescribing means of achieving patterns of administrative behavior which are both organizationally opti-

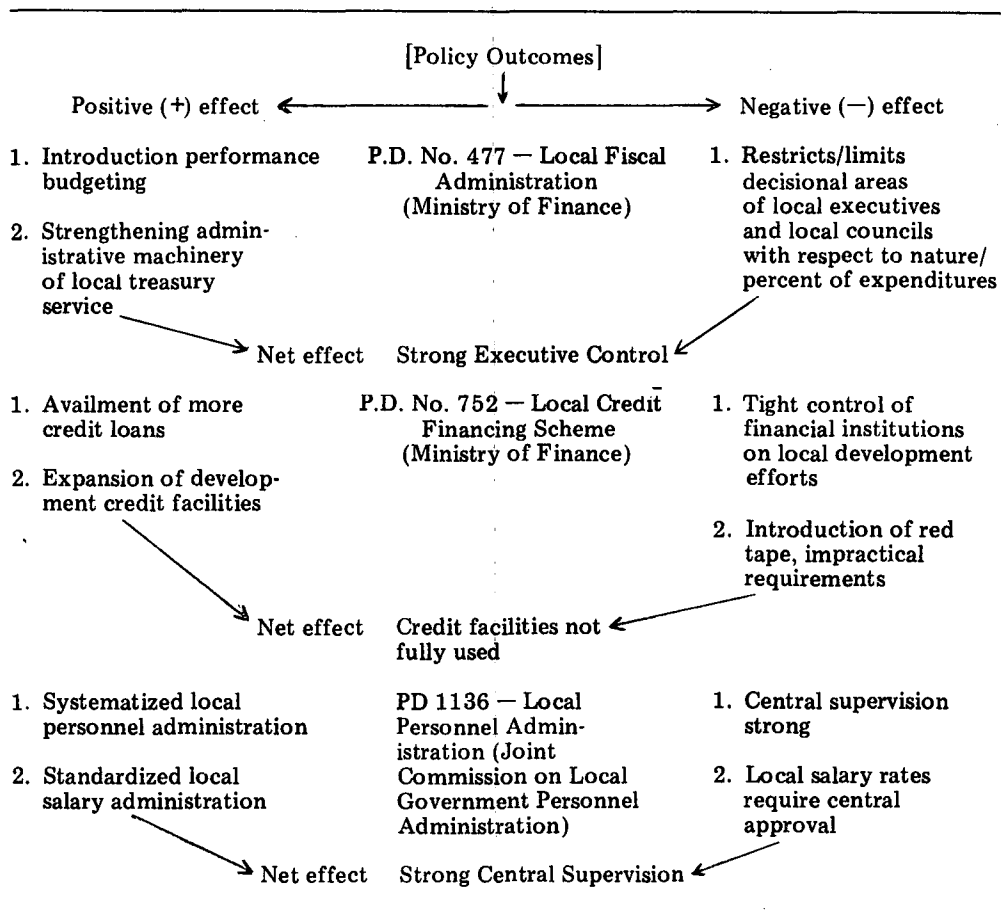
mal and politically acceptable, the central bureaucracy has not given prominence to performance criteria under the Martial Law regime.

#### A Case of Dualism: Centralism vs. Decentralization

The decentralization perspective is related to centralism in this section. An observation is made that at no time in Philippine history except under the Martial Law regime have various laws been promulgated to advance the cause of local autonomy. However, every time the central government makes a policy decision, it triggers opposing or dualistic results that in the end, the policy becomes ineffective. The decision-making process turns into a dualism, whereby a policy formulated once implemented produces twofold effects, one contradicting the ultimate objective of the other. The phenomenon of dualism in local government policy decisions can be illustrated by citing some effects of certain Presidential Decrees and Letter of Instructions relevant to local administration. Many of these laws have overlapping and conflicting provisions and purposes. (See Figure 1.)

One of the areas in local government administration where the central government has a very strong control is in fiscal administration. P.D. No. 477 is an example of dualism in terms of its effects. While the law introduced innovations to improve local fiscal administration like performance budgeting and strengthening the administrative machinery of the local treasury service, the same Presidential Decree restricts the decisional areas of local executives and local councils. Besides the required review of the local budgets by the central government, the

Figure 1. Dualism in Policy Formulation



law limits to 55 percent of the total annual appropriation for salaries and wages (Section 28-G). The Presidential Decree likewise limits annual appropriation for discretionary purposes of the local executive to not more than 1 percent of the real property tax collections actually realized during the preceding fiscal year or P100,000.00, whichever amount is lower (Section 28-H).

Presidential Decree No. 477 also prevents the municipal councils from reviewing the annual barrio budget

(Section 32). At the same time, the review of municipal budgets is given as a responsibility of the Provincial Treasurer (Section 30). While the function of review can be localized and given to local executives or other local officials, yet it is being exercised by central officials appointed by the President of the Philippines. In the 1979 Annual Convention of the Provincial and City Treasurers and Auditors Association (PACTAA), the provincial and city treasurers passed a resolution addressed to President Marcos recommending that they be appointed by

local executives as proposed in the Local Government Code.<sup>21</sup> Minister of Finance Cesar E.A. Virata talked to the President regarding this and, as a result, Minister Jose A. Roño, Chairman of the Committee which drafted the Code, received a memorandum from the President directing him to exclude any provision that will empower local executives to appoint treasurers.

While Presidential Decrees, like 144, 464, 231 as amended, including P.D. No. 1256, have definitely increased the revenue sources of local governments thereby improving their fiscal capabilities, the central government at the same time continuously devolve its responsibilities. So whatever gains the local units may have achieved in local fiscal administration due to policies formulated accordingly are lost since the central government "sucked" all the gains attained by continuously devolving to local units, without the corresponding financial backing, more responsibilities, like population and nutrition programs, BLISS, or environmental control. These are programs which are generally central government responsibilities but are continuously thrown to the local governments.

The central government has also encouraged local authorities, under P.D. No. 752, to avail themselves of credit loans from financial institutions in order to allow them to pursue a program of local development. Yet, studies show that local units have not really taken advantage of the credit oppor-

tunities because of too much red tape and impractical requirements imposed by government financial institutions before the loans can be granted. These examples show a conflict of implementation of policies having one single objective, that of providing loans to local governments.

The Ministry of the Budget, by virtue of its power to review the annual budgets of cities and provinces under P.D. No. 1375, has introduced an effective system of local budgeting and has also synchronized local budgeting formulation with the budgeting schedule in the central government. Local Budget Memorandum No. 2 of January 2, 1979 provided the mechanism of how synchronization can be effected. Ministry of the Budget Local Budget Circular No. 2 of January 5, 1979 institutionalized the Local Government Budget Office with its functions defined and personnel requirements spelled out. The Ministry is likewise encouraging effective use of performance budgeting and is attempting to evolve work measurements for local government units. While all these are positive efforts to introduce innovations in local fiscal administration which lead local units towards local autonomy, contradictory actions by the Ministry render these positive efforts ineffective. To cite a particular case, Ministry Local Budget Circular No. 1 dated November 28, 1978 requires that local government budget priorities for CY 1980 be linked to national and regional goals which generally do not include most local priorities. Areas of development suggested were the following:

- (1) Social development and social justice through the creation of employment opportunities, re-

<sup>21</sup> See Office of the President, Memorandum for Minister, Ministry of Local Government and Community Development dated October 30, 1979.

duction of income disparities, improvement of living standards, and the enrichment of social values;

- (2) Attainment of self sufficiency in food and greater self-reliance in energy; and
- (3) Attainment of high and sustained growth.

A look at these directed areas of development will easily indicate that these are mostly beyond the financial capabilities of local authorities.

To anchor local development programming in these identified priorities merely to comply with the central government will be a move defeating local autonomy.

The Ministry of the Budget in its Local Budget Memorandum No. 3 dated November 15, 1979 further instructed local governments that their 1981 budgets should support community-level programs of the central government, such as the BLISS and nutrition programs. The same Local Budget Memorandum also provides that unless the local governments comply, the Ministry of the Budget will not release the following:

- (1) Bureau of Internal Revenue and Specific Tax Allotments, Apportionment to Local Government Fund,
- (2) Fund for barangay development projects, Barangay Development Fund;
- (3) Budgetary aid to local governments authorized under Presidential Decree No. 144 and

approved pursuant to Letter of Instruction No. 636, Program 4.14 of the Ministry of Local Government and Community Development;

- (4) Assistance to provincial, municipal, city, and barangay schools, Program 1.1.2 of the Ministry of Education and Culture; and
- (5) All other national aid to local governments, funds for which are appropriated in the afore-said Batas Pambansa.

It must be recalled that the internal revenue allotment under P.D. No. 144 are to be automatically released to the local governments, programming of which is purely a local concern. And yet control by the Ministry of the Budget in its release is conditional to a compliance with requirements in local budgeting.

The dualistic nature of the policy decisions of the Ministry of the Budget is discernible in the above example. While P.D. No. 1136 introduced changes for an efficient local administration, like systematized local personnel administration, updated local pay plans to bring local personnel system at par with the central government or the private sector, same established policy has encouraged the central bureaucracy to design administrative mechanism and promulgate regulations that allow a centralized supervision over local personnel administration, which is highly contradictory to the pronounced policy of decentralization.

Salary rates of all government officials from the local executives, members of the local councils, depart-



ment heads down to the rank and file, are determined by the Joint Commission on Local Government Personnel Administration (JCLGPA), a central agency.<sup>22</sup> Creation of new positions at the local levels are subject to the approval of the MLGCD and the JCLGPA.

While the local executives are held responsible for multifarious local functions, they have no appointing power over the treasurers, the police force, health officials, and the city and provincial fiscals. Yet, provincial governors, city, and municipal mayors are held accountable for all these services in their respective jurisdictions. While these officials perform their duties they generally take instructions from the central ministries but the same officials are paid or draw allowances from the local governments. This is a case where local executives are expected to perform defined responsibilities but have no control over those who are to accomplish said services.

The central government implements programs to improve the engineering capabilities of local units; at the same time, they are given responsibilities in the construction of local roads. But local governments are not allowed to buy equipment unless authorized by the Office of the President.<sup>23</sup>

Formulation of policies on zoning and land use are more of local functions than central government func-

tions. But again the Ministry of Human Settlements established under P.D. No. 1396 controls land use per Letter of Instructions No. 713 and also issues rules and regulations on zoning. Local public markets have to be constructed in accordance with plan specifications made by the Ministry of Human Settlements and have to be within a prescribed distance from abattoirs as ruled by the National Meat Inspection Commission. Once a local public market is completed, it is placed under the management of the local treasurer who is centrally appointed. Yet, a public market is constructed and capitalized with funds of local governments.

The central government also enjoins local governments to adopt a policy of continuous staff development among its staff and personnel. Judging from the amount of funds spent yearly for training programs, it can be said that indeed the local units have increasingly responded through the years. But the central government will not authorize sponsored training programs, where possibilities of getting innovations or new techniques of management are greater than most government-sponsored training course without the authority from the Office of the President.<sup>24</sup>

The aforementioned are but few illustrations of the dualistic attitude of the central government in its policy decisions over local governments.

A more intensive review of other local government policies that produce dualism will dramatically high-

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<sup>22</sup>National Law No. 51 approved during the Second Session of Interim Batasang Pambansa. Also see Joint Commission on Local Government Personnel Administration Circular Nos. 1 and 3.

<sup>23</sup>See Letter of Instructions No. 667 dated February 2, 1978.

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<sup>24</sup>See Office of the President Memorandum Circular No. 951 dated October 27, 1976.

light the ineffectiveness of such policies. However, the examples cited show that in many instances central government policy decisions are dualistic, straddling between genuine objective and expediency.

The reasons for the resulting dualism can be found in a network of inter-related factors. Policy interpretations of the cabinet can greatly vary with the actual performance of the central bureaucracy. On the other hand, inter-relationships between the central bureaucracy and the local governments are not that conducive for a single and unified interpretation of a policy between the time it is formulated by the central government to the phase when the same policy is implemented by the bureaucracies at the local level. Whatever be the case, the dualism in central-local government relations has not contributed much towards fuller autonomy.

#### Local Autonomy: Myth or Reality

Local autonomy, as mandated in the 1973 Constitution, has been interpreted by the Supreme Court of the Philippines to mean that in substance and in spirit, the provisions of Article XI have made the adherence to the basic principle of local self-government quite clear. Thus, as interpreted by the Chief Justice of the Supreme Court, the new Constitution guarantees local autonomy and local self-government. Whether local autonomy is a myth or a reality in the Philippines, can be validated by analyzing two views, viz.: (1) the legal-historical; and (2) the political-administrative.

The legal-historical view perceives local autonomy to be a right and a requirement as mandated in the new

Constitution. The central government is duty bound to espouse local autonomy which is a constitutional right of local governments. In the same light, local autonomy is viewed to possess considerable political significance and consequence and the recognition local autonomy deserves is made effective in conformity with law.

Although a historical criticism can be made that local autonomy has been nonexistent and its legal hold is often without basis in actual fact, nevertheless the legal historical view is the primary base of formulating local government goals in the whole policy process.

The political administration view perceives local autonomy to mean political decentralization. It means a substantial devolution of authority and power and goes beyond the static legal definition of what constitutes authority, and views it in relative terms of objectives and programs which are areas of policy implementation.

The legal-historical view serves as the policy formulation base and the political administrative view as the policy implementation phase of the continuum of the policy process. The latter view allows an appraisal of the extent of local autonomy as a result of the decentralization policies implemented. In measuring the extent of local autonomy, four variables can be used as parameters: (1) adequacy; (2) efficiency; (3) equity; and (4) central control.

Adequacy as a measurement variable focuses on the question of adequate authority and resources among local

governments. Previous discussions and definitions of local autonomy suggest that local governments do not exercise enough authority commensurate with their increasing responsibilities. Local executives have no appointing powers over most local functionaries that, as a result, the coordination of the multi-agency efforts to provide public services becomes difficult thereby creating gaps between local expectations and actual performance. The lack of the right to suspend local officials and to discipline them are critical questions.

Local resources are limited as shown in the income base and local budgets. Most local units exist with as high as 50 percent of their income coming from central grants and subsidies, without which they cannot provide even the barest governmental services. The remaining 50 percent represents locally-generated income which comes from the real property tax (approximately 25 percent), licenses and fees (approximately 15 percent) and other incomes like those from public markets, and so on (approximately 10 percent).

An analysis of local budgets also indicate that most local units do not really have much financial flexibility to solve their own problems. More than 70 percent of their total budget goes to mandatory obligations, leaving the marginal balance to local governments' discretion, if not "sucked" by the central government which continues to devolve central responsibilities without providing the corresponding funds.

Efficiency is a performance variable which introduces the concept of high and low performances among local

governments. When applied in measuring degrees of local autonomy, efficiency specifically refers to how local governments provide a given service with the least use of resources. Measuring how local authorities solve local problems on their own initiative and resources, getting community participation as an opportunity for its constituents to get involved in local government is not only a measure of efficiency but also of local autonomy expressed in the exercise of local responsibilities.

The use of efficiency as a performance indicator among local governments is new in the Philippines and, at present, has very limited application. However, if efficiency is to be applied to measure local autonomy by determining local performance in the delivery of public services, very few local governments will live up to the measure of efficiency. Inadequacy of resources, the lack of authority and well-defined local policy making among local authorities are the primary causes of inefficiency.

The equity factor when used to measure local autonomy has two dimensions. The central-local relations aspect, which specifically refers to function and power allocation, has already indicated the bias of inter-governmental relations in favor of the central government. Devolution of central government responsibilities is continuously increasing without the corresponding authority and resources which, in the ultimate analysis, negates local autonomy.

The other dimension of equity involves the determination of local government capabilities to provide services and distribute resources in a

manner that is politically acceptable. This dimension connotes local acceptance of political responsibilities as a measurable gauge of local autonomy.

Devising a methodology that will validate the extent of local acceptance of political responsibilities in the context of the equity variable may yield interesting answers as to the prospects and realities of local autonomy. The Philippine experience may indicate the cultural, political, and economic constraints that inhibit local authorities to enjoy full autonomy.

Central supervision and control is the last variable proposed to measure autonomy. The dualism in central-local government relations and the continuous predominant central intervention in almost all aspects of local administration readily point out high central control. Central supervision and control are highly visible in:

- (a) Presidential power over local officials;
- (b) Central supervision over local administrative and financial affairs;
- (c) Central control over development planning;
- (d) Integration of the police force;
- (e) Limitations on the use of funds and restrictions on local government expenditures; and
- (f) Centralization of personnel administration.

Interrelating the four variables as they intertwine in the process of inter-governmental relations indicates that

local autonomy is more of a myth than a reality for local governments.

### Conclusion

From the above discussion, it appears that in the Martial Law regime the President is the principal actor in the formulation of local government policies. The others, like the cabinet members and the central bureaucrats, are secondary actors more concerned with policy execution.

The paper suggests that an effective local government system is most achievable under conditions where devolution policies allow the fullest development of local authorities.

Policies that recognize the need for financial and functional autonomy for local governments in a conducive administrative political environment is desirable in the achievement of an effective local government system. All these intertwined will encourage not only local participation but also initiative on the part of those who feel that they are involved in the process of local decision making.

The need to review present capabilities of local governments in relation to their increasing development responsibilities is urgent if a full utilization of local efforts is desired. Looking forward to what will be the most effective role of local authorities in national development in the future and how inter-governmental relations can be carried under conditions of more local autonomy are possible critical central thrusts in future policy decisions. Considering all these as components in evolving policies on local autonomy will guarantee an effective local government system.

Between formulation and implementation of policies for local governments, the central bureaucracy is a major policy instrument. It has facilitated and impeded policy deliveries and, more importantly, altered policy outcomes as shown in this paper. This organizational network of human institutions illustrates that compliance with a national policy varies depending on who makes the policy, the authority of those who implement the policy and what sanctions are available to obtain compliance. Indirectly illustrated is the theory that the ultimate determinant to compliance is a perception of expected benefits to be greater in comparison to what results come out because of non-compliance.

The paper also shows that variances occur within the policy continuum from formulation to execution. Policies are established for predetermined purposes; however, the execution of

the same policies may cause dysfunction that ultimately disrupts the achievement of intended goals. This explains the realization or non-realization of policy objectives.

The effects of variables in the decisional process influence public policy outcomes. Accepting their influential role operationalizes the realities that exist between theory and practice in public policy making.

While a devolution policy is advocated, its effect is nil due to a dualistic policy decision process. Local government policies are positively premised but their implementation generates counter-productive results. While the President formulates policy decisions, the cabinet and the central bureaucracy implement and interpret policies detrimental to intended policy goals. The conclusion is that the central government is not yet ready to implement a devolution policy.