

Global Forces and Local Governments in the Philippines: Challenges and Responses

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Philippine political institutions and policies have had to make some adaptations and adjustments as a consequence of global imperatives that have gone beyond the artificial political boundaries of the nations of the world. The enactment of the Local Government Code of 1991 is considered as the national government's primary response to this global challenge. Largely motivated by their new-found powers, Philippine local government units have explored different innovative ways of boosting the local economies.

The integration of the Philippines into the international economic and political order as a consequence of globalization and increased transnational economic and political exchanges with the different countries of the world has had an impact not only upon national policies, structures and processes but also, directly or indirectly, upon local communities, including local governments and people's organizations.

Globalization has been described as "an unstoppable, unidirectional force that will inevitably transform economies and societies" (Kelley and Olds 1999: 1). Singapore's Deputy Prime Minister Lee Hsien Loong¹ expresses his views on the imperatives of globalization:

Globalization, fostered by free flow of information and rapid progress in technology, is a driving force that no country can turn back. It does impose market discipline on the participants, which can be harsh, but is the mechanism that drives prosperity (Kelley and Olds 1999: 1).

However, even as globalization has produced unprecedented wealth over the past decade, it has also been argued that globalization has brought with it some growing pains and human costs. The answer, for some, is to "deglobalize." Bello argues that:

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The way out of chronic and continuing crisis is the de-globalisation, albeit limited, of the domestic economy—that is, its reorientation toward greater reliance on the internal market; greater dependence on domestic capital resources; closer cooperation with neighboring economies to protect regional markets; a lower rate, and more benign pattern of growth that would generate less income inequality and inflict less harm on the environment; and income distribution and political reforms to underpin controlled development (Bello 1999: 61).

While it is not the intention of this article to participate in the ongoing debate on globalization as this continues to be addressed in other fora,² it simply wants to underscore the fact that the phenomenon of globalization cannot be avoided, and local communities, including local governments, should prepare themselves for the inevitable effects and consequences of globalization.

Over the recent years, Philippine political institutions and policies have had to make some adaptations and adjustments as a consequence of global imperatives that have gone beyond the artificial political boundaries of the nations of the world. More specifically, the imperative for nations to participate in the world order—either economic or political—has been mostly driven by the following factors: (1) rapid advances in telecommunications giving rise to the notion of a “global village” wherein events and developments halfway around the world are witnessed simultaneously in other parts of the globe; (2) rapid economic development (and growth) that have created the imperative to come together in regional groupings to foster trade and commerce among the concerned nations; and (3) common problems brought about by environmental degradation—such as the destruction of the ozone layer—have encouraged states to come together and devise common strategies and programs cutting across artificial political boundaries.

For instance, the past few decades have seen the active participation of the Philippine political economy in various international and regional groupings such as the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC).³ Another example is the country’s involvement in many UN bodies, international environmental treaties and conventions as a member of the family of nations. An illustration is the Philippine commitment during the Earth Summit in the formulation of Agenda 21. All the above international commitments have such far-reaching implications that go all the way down to the level of the local governments.

Within the above context, this article discusses how local governments in the Philippines have responded to some of the major challenges posed by globalization specifically in the world economic order using APEC as one point of reference. More specifically, the paper discusses how a major policy, the Local Government Code of 1991, equips local governments in the country to face the challenges of globalization. Finally, the paper also discusses some of the major issues and concerns that local governments face in the fast changing world

marked by advances in communications technology and computerization within the context of rapid globalization.

The various conferences of the APEC held in many major cities along the Asia-Pacific Rim, (e.g. Seattle, Bali, Subic, Osaka, Kuala Lumpur) have generated a lot of interest from practically all sectors of society. As a member of the APEC, the Philippines has committed itself in doing its share towards the attainment of the objectives of APEC.

Obviously, the national government plays a key role in the attainment of the objectives of the APEC and other international commitments as far as the Philippines is concerned within the context of the country's Medium Term Philippine Development Plan. The Plan identified global competitiveness and increased participation in the international economic order among its key features.

The various outward looking economic development strategies have been outlined in the country's Medium Term Philippine Development Plan. This has served as the anchor to bring the Philippines closer to the status of a newly industrializing country.

Hence, while the national government provides the overall policy direction and thrust for aggressive participation of the Philippines in the global trading order, the local government units (LGU) of the country play a fundamental role in operationalizing this strategy. Local governments are the bedrock of the Philippine democratic system, being closest to the communities, and being the frontline government for many people. It is within this context that local governments exercise a key and supportive role in implementing the government's outward looking, globally competitive economic development strategy. It will be noted that the Estrada Administration's Ten Point Action Program includes fulfillment of Philippine "commitment to various bilateral and multilateral agreements that comprise the framework for a global free market and an open world economy" (Managbanag 1997: 2-7).

Local governments assume a role in the fulfillment of the Philippine commitment to international agreements. The issue pertains to the perceived "readiness" and "absorptive capacities" of local governments to face the challenge posed by globalization.

It is our contention that local governments in the Philippines have been primed to face the challenges of globalization due to the enactment of a major national policy that guarantees their autonomy and drastically reduces their dependence upon the national government. Reference is being made primarily to the Local Government Code enacted in 1991 consistent with the values of local autonomy and empowerment.

The Code drastically changed the nature of national-local relations by transferring significant powers and responsibilities to the local governments of the country. The Philippines has over 43,000 local governments (77 provinces, 65 cities, 1,542 municipalities and 41,925 barangays/villages). Each local government has its own elected executive and legislative officials, and has a specific geographic coverage. Operating according to the fundamental principle of subsidiarity, each local government has the power of taxation over specific matters, and is responsible for the delivery of certain basic services. All these are defined in the Local Government Code.

More specifically, the Code has the following fundamental features: Firstly, it transfers the responsibility for the delivery of certain basic services to the local governments. These are in the areas of health, social services, agriculture and natural resources. Secondly, the Code transfers the responsibility for the enforcement of certain regulatory and licensing functions to the local governments. Thirdly, it also encourages—and institutionalizes—active citizen participation in local governance by providing the institutional framework for the direct participation of the private sector, nongovernmental organizations (NGOs) and people's organizations in the process of governance. In this connection, the Code laid the foundation for the emergence of entrepreneurial local governments. It is now possible for local governments to enter into joint ventures with the private sector, contract out arrangements for more efficient delivery of services and even float bonds. They may also access the financial market through loans from banking institutions. They may bring in investments into the area in order, not only to spur economic growth but also create employment opportunities in the area. Finally, the Code increases the financial resources available to local governments by increasing their share in the internal revenue allotment, from a previous low of eleven percent to as much as 40 percent, over and above the new taxing powers devolved to them.

As suggested earlier, a feature of the Code, one that is germane to this international workshop on the role of local governments in the global order, is that it provides the context for the emergence of more dynamic, aggressive and entrepreneurial local governments, which are indispensable to any trade facilitation strategy. In other words, the Code provides local governments the climate and opportunities to be less political and more economic and entrepreneurial in orientation, thereby placing them in a strategic position to participate in the international economic order under a regime of global free trade. More specifically, the Code provides that:

- Local governments exercise powers as political subdivisions of the national government and as corporate entities (Sec 15). As corporate units, they have the proprietary powers (over and above governmental powers), which they may perform for the benefit of their constituencies.

- Section 22 of the Code further defines the corporate powers of the local governments. These include:
 - continuous succession in its corporate name;
 - to sue and be sued;
 - to have and use a corporate seal;
 - to acquire and convey real or personal property;
 - to enter into contracts; and
 - to exercise powers as granted to corporations.
- Additionally, local governments are guaranteed full autonomy in the exercise of their proprietary functions and in the management of their economic enterprises.
- Local governments have been vested the power to create their own sources of revenues, levy taxes, fees and charges (Section 18).
- Local governments have been given the authority to negotiate and secure financial grants or donations from local and foreign assistance agencies without securing approval from the national government (Section 23).
- Local governments may create indebtedness, and avail of credit facilities to finance local infrastructure and other socioeconomic development projects. They may avail of credit lines from government or private banks and lending institutions. The President may also authorize relending to local governments the proceeds of loans and grants from foreign institutions (Sections 296 and 301).
- Local governments may issue bonds, debentures, collaterals, notes and other obligations to finance self-liquidating income producing development or livelihood projects (Section 299).

It may be noted that the above provisions are supportive of—if not aligned with—the specific cooperative programs identified above. In other words, the policy framework for the nascent and sustained local government involvement in international trade has been set.

It is also within the framework of the above provisions that local governments under the Code have tried to exploit their entrepreneurial potentials over the past three years. We have seen local governments in the Philippines float bonds to finance public housing projects. Some local governments have entered into build-operate-transfer arrangements with the private sector to construct public markets. Many local governments have come together as integrated-area development project units with the purpose of sharing resources in the provision of basic services to their people. There is a group of coastal local governments in southern Philippines (Davao) that has formed what they called an Economic Union and Cooperation of Local Authorities to develop their area. Several municipalities from four provinces in the island of Panay (Aklan, Antique, Capiz and Iloilo) have come together into what they called Central Panay Economic Union to develop common development strategies.

As mandated by the Local Government Code, the Provinces of Cebu, Misamis Oriental and Zambales have aggressively pursued policies to attract foreign investments and penetrate the international market. Cebu's Mactan Export Processing Zone has been considered one of the country's most successful zones. Cebu accounts for ten percent of the country's total export turnout. Misamis Oriental's strategy is to likewise hasten industrialization through small-scale mining within the context of sustainable development.

Zambales has targeted three of its municipalities (Sta. Cruz, Candelaria and Masinloc) as the province's export processing zones. Its example illustrates how the provincial government can provide the framework for its component municipal governments to participate in the global order. According to the province's chief executive,

it is the duty of (local leaders) to provide a healthy atmosphere for investments to take root—not only within the framework of the Board of Investments, but more within the LGU framework which only the provincial boards have the power to bestow such as tax holidays, extended terms of land lease, and other business incentives which vary from province to province (*The Governor* 1996: 18).

Many local governments have explored the possibilities of negotiating loans with international lending institutions directly, which is allowed by the Local Government Code. The obstacle, though, is another law, the Foreign Borrowings Act which provides that national government guarantees, should they be required by the lending institution, could only be issued to loans granted to government owned or controlled corporations. The intent of the framers of the Code, though, was to enable local governments to negotiate foreign loans directly with foreign lenders. Local governments in the Philippines have also been aggressively pursuing investments in their areas. They have identified all kinds of tax incentives to attract investments, both local and foreign to stimulate growth and development of their areas.

The environment for trade facilitation and liberalization at the local level in the Philippines is therefore a friendly one. The Local Government Code of 1991 is supportive of the general objectives of efforts towards globalization. The policies have been set in place. It is now up to the local governments and the national government to fine-tune the various arrangements and permutations operationalizing the objectives of globalization at the local level.

Among the emerging issues and concerns that must be addressed by both local and national governments in the Philippines are the following:

- Organizationally, local governments must prepare themselves to deal with local and international partners. This means, setting up the right organizational setup (e.g. from simple activities such

as appointing an officer-in-charge of exploring and developing linkages with international partners, to the more complex task of, say getting hooked up to the internet and setting up a web page for the local government) in order to enable the local government to respond adequately to the demands of globalization.

- Local governments must develop strategic action plans and programs that would include networking with international partners, including similarly situated local governments, and develop linkages and exchanges with them.
- Among the bases of linking with international partners (e.g. through networks such as CITYNET, the International Union of Local Authorities [IULA], Commonwealth Association for Public Administration and Management [CAPAM], International City/Country Management Association [ICMA], Asia-Pacific Cities Forum, etc.) would be sharing of information, including good and best practices that illustrate how local governments have been able to cope with the challenges of globalization, how they have used linkages with the global market to develop themselves. This could also include aggressive exchanges among local governments—especially among urbanizing ones—within the context of benchmarking especially in the delivery of basic services and in responding to common problems such as those brought about by rapid urbanization, pollution, traffic congestion and urban transport, population management, housing and housing finance and land management.⁴
- Local governments must likewise strategically partner with their own national governments in crafting action plans that would lay the groundwork for synergy between and among the national and local governments within the context of subsidiarity.
- Among the major policy thrusts that should be sustained at the local level include those pertaining to decentralization and devolution, community participation and private sector involvement in local and urban governance vis-a-vis globalization.
- Local finance continues to be at the center among the challenges confronting local governments today. Thus, there is a need to strengthen policies that would mobilize local financial resources. These include fiscal autonomy, computerization and automation, economic pricing of services, direct cost recovery through user

charges and fees, identification and utilization of new funding sources, and development of capital markets and accessing credit finance both at the local and international levels.⁵

• However, even as local governments actively and aggressively develop strategies to participate in the international order (“think global”), they must consciously develop local strategies that would not compromise the values of sustainable development (“act local”). For instance, the Code provides the context wherein local governments could formulate their respective local Agenda 21 and thereby promote sustainable development.

Towards this end, local governments can perform the following roles: as leaders by setting the example and creating the climate that supports the adoption and implementation of sustainable development objectives and guiding principles; as legislators by enacting and amending local ordinances and regulations to incorporate sustainable development values; as managers in planning, guiding and making decisions in accordance to sustainable development policies; and as advocates in the creation of business climates that support environmentally sound and sustainable economic growth.

It is indeed imperative for local governments throughout the country to take cognizance of the developments brought about by globalization. These include developments in many areas, including those in computer and telecommunication technologies that impact upon economic and international trade, political and administrative reform, and the social and cultural lives of the people at the local and international levels.

To a certain extent, local governments in the Philippines have been equipped—and are primed—to face the challenges brought about by globalization. This is mostly due to the fact that the Local Government Code enacted in 1991 set the stage for autonomous local governments in the country enabling them to continue acting locally (be it economic, social or political) but within a global framework. Energies have to be exerted to strengthen and sustain the efforts of local governments in that direction.

Endnotes

¹The collection of essays in this volume explore various dimensions of globalization and their relationship to development processes in the Asia Pacific region. The book provides various accounts of how globalization is being experienced, understood, managed and resisted at various scales in relation to economic, social, cultural and political changes in the region.

²For instance, the Centre for the Study of Globalisation and Regionalisation (CSGR) at the University of Warwick is rapidly becoming an international site for the study of key issues in the theory and practice of globalization and regionalization.

³The ASEAN is a political association of nations in Southeast Asia founded in the mid sixties primarily for political cooperation. The APEC is a loose association of nations in the Asia Pacific region that includes the US, initiated in November 1989 in Canberra, Australia but had its first meeting of APEC heads of state in November 1993. APEC was founded primarily to facilitate economic cooperation and exchange among member nations.

⁴In one article, *Asiaweek* (11 December 1998) discussed one aspect of the benefits of globalization and information technology vis-à-vis local governments. The *Asiaweek* article demonstrates how cities can bring about good governance focusing on rule of law, transparency, responsiveness to stakeholders, consensus mediating, gender equity opportunity, accountability and strategic vision as anchors and benchmarks for sharing among themselves local governance within the context of globalization.

⁵These were discussed by Dr. Assad A. Shah of the Asian Development Bank during an International Workshop on Enhancing Municipal Service Delivery Capability, Cebu City, Philippines, 3 December 1998.

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