

# PHILIPPINE JOURNAL OF PUBLIC ADMINISTRATION

Journal of the National College of Public Administration and Governance, University of the Philippines Diliman; the Association of Schools of Public Administration in the Philippines; and the Philippine Society for Public Administration

<i>Cariño</i>	Traditional Public Administration to Governance Tradition
<i>Bautista</i>	Governance Innovations and Gaps in Poverty Alleviation
<i>Sto. Tomas and Mangahas</i>	Public Administration and Governance
<i>Sajo</i>	Ethics in Managerial Decisionmaking
<i>Lucas and Tolentino</i>	Participatory Governance
<i>Co</i>	Civic Service in East Asia and the Pacific
<i>Alampay</i>	Universal Access to Information and Communication Technologies
<i>Vicente, Guzman, and Galgana</i>	Urban Poverty Morphology, Remote Sensing, and GIS
<i>Tiglao</i>	Spatial Microsimulation of Household Characteristics in Metro Manila
<i>Cuaresma</i>	Is There Water After Privatization?
<i>Mendoza</i>	Regulation (and Competition) in the Philippine Electricity Industry
<i>Reyes, Jr.</i>	Bureaucracies and Networks in Australia
<i>Briones</i>	Financing Development in the Time of Cholera
	<i>Book Review</i>
<i>Jose</i>	President ERAP

PHILIPPINE JOURNAL OF PUBLIC ADMINISTRATION    JANUARY-OCTOBER 2006    VOL. 1    NOS. 1-4

# PHILIPPINE JOURNAL OF PUBLIC ADMINISTRATION

## Editorial Board

LEDIVINA V. CARINO, *Chair*

JOSE V. ABUEVA, OSCAR M. ALFONSO, ALEX B. BRILLANTES JR.,  
JOSE N. ENDRIGA, ROMEO B. OCAMPO, VICENTE D. MARIANO, *Members*

*Issue Editors:* MA. CONCEPCION P. ALFILER  
ELEANOR E. NICOLAS  
VICENTE D. MARIANO

*House Editor:* OSCAR M. ALFONSO

*Managing Editor:* VINCENT Q. SILARDE

*Business Manager:* MERCEDITA M. MIRANDA

*Editorial Assistants:* DUNSTAN T. DECENA  
MARICEL T. FERNANDEZ

---

The *Philippine Journal of Public Administration* is published by the National College of Public Administration and Governance, University of the Philippines Diliman. It is published quarterly during the months of January, April, July, and October. The opinions expressed in the *Journal* are those of the authors and do not necessarily reflect the views of the National College of Public Administration and Governance nor of the University of the Philippines Diliman.

	<i>Local</i>	<i>Foreign</i>
Subscription: Per Year:	P 500.00	US\$ 50.00
Single Issue:	P 140.00	US\$ 14.00

Manuscripts and communications should be addressed to the Managing Editor; orders for subscription should be sent to the Business Manager, *Philippine Journal of Public Administration*, National College of Public Administration and Governance, University of the Philippines Diliman, 1101 Quezon City, PO Box 198, UP Campus.

Articles in the *Journal* are indexed in the *Index to Philippine Periodicals* (University of the Philippines), *Publication Affairs Information Service* (P.A.I.S., Inc., New York), *Selected Philippine Periodicals Index* (Silliman University), *Ulrich's International Periodicals Directory* (R.R. Bowker Co., New York, N.Y.), *International Bibliography of Periodical Literature Covering All Fields of Knowledge* (IBZ, Zeller Verlag GmbH & Co., Osnabrück) and *International Bibliography of Book Reviews* (IBR, Zeller Verlag GmbH & Co., Osnabrück).

Entered as second-class mail at the Manila Central Post Office on 15 February 1957.

ISSN 0031-7675

---

## Notice to Contributors

Manuscripts are solicited for this *Journal*. Articles submitted for consideration should be approximately 5,000 words, either typewritten double-spaced on 8.5" x 11" bond paper, or encoded using MS Word. As to style, contributors should take note of the reference format used starting with the January 1990 issue. The Editorial Board reserves the right to make the necessary editorial modifications including changes in the title of articles.

A brief biographical sketch of contributor/s and an abstract of approximately 100 words should accompany the article/s.

Author(s) of published materials will receive six complimentary copies of the issue where the article appears.

## ACKNOWLEDGMENT RECEIPT

This is to acknowledge receipt of one (1) copy of the *Philippine Journal of Public Administration*, Volume L Nos. 1-4 (January-October 2006).

Received by: \_\_\_\_\_  
(Signature over printed name.)

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Tear off and mail back to us.

**PHILIPPINE JOURNAL OF PUBLIC ADMINISTRATION**

National College of Public Administration and Governance

University of the Philippines Diliman

1101 Quezon City, P.O. Box 198, U.P. Campus, Philippines

Please send me the *Philippine Journal of Public Administration* for \_\_\_\_\_ year/s,  
beginning 20\_\_\_\_.

Subscriber's name \_\_\_\_\_  
(Please print)

Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Subscription rates:*	Philippines:	P500.00
(1 year)	Foreign countries:	US\$50.00

\*Note: Prices include postage for surface mail; additional US\$5.00 is charged per single issue for (international) air mail

Payment enclosed  
(payable to U.P. National College of Public Administration and Governance)

# PHILIPPINE JOURNAL OF PUBLIC ADMINISTRATION

Volume L

January-October 2006

Numbers 1-4

	<i>Page</i>
From Traditional Public Administration to the Governance Tradition: Research in NCPAG, 1952-2002 . . . . .	Ledivina V. Cariño 1
A Decade of Governance Innovations and Gaps in Poverty Alleviation . . . . .	Victoria A. Bautista 23
Public Administration and Governance: How Do They Affect Government Efficiency and Effectiveness? . . . . .	Patricia A. Sto. Tomas and Joel V. Mangahas 54
Assessing the Need for Integrating Ethics in Managerial Decisionmaking . . . . .	Tomas A. Sajo 90
Participatory Governance: A Future Charted With the People, For the People . . . . .	Francis B. Lucas and Maricel Almojuela Tolentino 126
Civic Service in East Asia and the Pacific . . . . .	Edna E.A. Co 149
Interim Findings on Universal Access to Information and Communication Technologies: The Cases of Carmona and Puerto Princesa . . . . .	Erwin A. Alampay 176
Urban Poverty Morphology, Remote Sensing, and Geographic Information System: Towards Sensitizing Public Management . . . . .	May Celine T.M. Vicente, Ma. Aileen Leah G. Guzman and Gerald A. Galgana 183
Spatial Microsimulation of Household Characteristics in Metro Manila: Identifying Informal Settlements and Its Implications to Urban and Housing Policy . . . . .	Noriel Christopher C. Tiglao 202
Is There Water After Privatization?: The Case of the Metropolitan Waterworks and Sewerage System . . . . .	Jocelyn C. Cuaresma 230

Regulation (and Competition) in the Philippine Electricity Industry . . . . .	Maria Fe Villamejor-Mendoza	275
Bureaucracies and Networks: Organizational Transformations in an Australian Setting . . . . .	Vicente C. Reyes Jr.	320
Financing Development in the Time of Cholera . . . . .	Leonor Magtolis Briones	336
<i>Book Review</i> President ERAP: A Sociopolitical and Cultural Biography of Joseph Ejercito Estrada . . . . .	Ricardo T. Jose	355
2006 Index . . . . .		359

## Editors' Notes

This volume puts together some of the papers presented in the international conference **Public Administration plus Governance: Assessing the Past, Addressing the Future** held in Manila on 21-23 October 2002. The Conference was one of the highlights of the year-long celebration of the 50<sup>th</sup> anniversary of the National College of Public Administration and Governance (NCPAG). The title of the Conference builds on the conjoined concept of "public administration and governance" that the College has fully embraced, as clearly manifested when it renamed itself National College of Public Administration and Governance in 1998. The major themes under which the articles in this volume stand are public administration and governance discourse, third sector participation, and technology and innovation.

Giving basis to the conference theme is Ledivina V. Cariño's "From Traditional Public Administration to Governance: Research in NCPAG, 1952-2002." Cariño argues that the concept of "governance" has always been party to the study of public administration but the term "governance" has been used intensively and positively in relation to public administration only quite recently. The author attributes this new configuration of the discipline to the efforts of the United Nations Development Programme (UNDP) which espoused and gave "governance" a definition in the mid-1990s. Through the survey of researches, she charts the development of the study of public administration and governance in what is now called the NCPAG.

"Innovative governance" is the focus of Victoria A. Bautista's "A Decade of Governance Innovations and Gaps in Poverty Alleviation." In this paper, Bautista traces the development of anti-poverty programs in a 10-year period under three different presidencies. Bautista argues that these programs, which she refers to as "innovations," are direct measures in governance since they entail the application of strategies in order to improve management and therefore benefit the poor. These initiatives are innovative in the respect that they shift to intersectoral process, encourage the participation of the target beneficiaries, involve the private sector, and make clear budgetary commitments, among others. She stresses, however, that these efforts are just the first steps and there are more efforts that need to be taken in order to make stronger and enduring impact. The author emphasizes the use of the Local Government Code as a framework for anti-poverty programs since the actual implementation happens at the local level. In addition, she espouses the need for community-based indicators and the strengthening of the organization of basic sectors at the local level.



Patricia A. Sto. Tomas and Joel V. Mangahas contend that promoting responsive and efficient governance has received strong policy support from the Philippine executive and legislature in the article "Public Administration and Governance: How Do they Affect Government Efficiency and Effectiveness?" To illustrate this point, the authors cite the passage of the *Local Government Code*, the revival or creation of special task bodies like the Presidential Commission on Good Government, and the formulation of other policy directives. They add that the same can be said of the civil service which saw the implementation of programs like the Filipino Report Card Survey and the establishment of complaint desks in government agencies. The authors maintain, however, that the civil service remains a key area of reform as it continues to suffer from the stigma of a negative image as it is commonly described as inefficient, ineffective and corrupt. Recommendations are, therefore, made especially for the civil service in light of the fact that it practically serves as the skeleton of the entire bureaucracy expected to carry out responsive and efficient governance.

Tomas A. Sajo also expresses concern on the civil service, particularly local government employees and officials, in his article "Assessing the Need for Integrating Ethics in the Managerial Decisionmaking." In this study, he confronts the issue of ethics, which is central to the study and practice of public administration. The author posits that integrating ethics in managerial decisionmaking appears in demand in view of the fact that unethical practices cost not only the government but the society at large. The author addresses the lack of systematic assessment of ethics in decisionmaking, particularly among local government officials with access to public funds. Among others, he points that local government officials and employees are exposed to various forms of ethical risks. To address this problem, he recommends ethical safeguards be strengthened, whistleblowers be protected, and the incidence of distortion of managerial roles be reduced.

The term "governance" is no longer exclusive to the bureaucracy as the important role in policymaking and service delivery of the third sector and grassroots organizations gains solid ground. As this development happens, new notions of public administration and governance start to emerge, such as participatory governance which is discussed in Francis B. Lucas and Maricel A. Tolentino's article "Participatory Governance: A Future Charted with the People, for the People." The authors describe how civil society groups have discarded the established belief that citizens are mere recipients of government programs and services. They advocate the concept of participatory governance which views governance as a dynamic interaction between the state, the market, the citizens and civil

society. Using the Asian experience in civil society participation, the authors illustrate how the third sector can be instrumental in key reform areas and directions, like decentralization, electoral reforms, among others.

Edna Estifania A. Co similarly presents a picture of active citizen involvement in governance in her article "Civic Service: An Emerging Policy on Governance in East Asia and the Pacific." She recognizes that as civic participation was given institutional attention fairly recently, theoretical understating of the phenomenon requires immediate attention. On this account, she surveys the notions of civic service in selected countries in the Asia Pacific Region. Not surprisingly, the survey did not yield a single definition of civic service as it is variably defined across different social contexts. Nevertheless, the author presents interesting points upon which research on this particular field could be pursued. For one, the author emphasizes the need for a theoretically-grounded study of civic participation to accurately assess its contributions. Another area of study proposed is how to integrate and harmonize civic participation with the norms of the bureaucracy and other social institutions.

Governance and technology are commonly discussed nowadays in tandem as the need to increase effectiveness and efficiency provides the nexus between them. This phenomenon is clearly illustrated in the articles of Erwin A. Alampay; May Celine T.M. Vicente, Ma. Aileen Leah G. Guzman and Gerald A. Galgana; and Noriel Christopher C. Tiglaos.

In Alampay's article "Interim Findings on Universal Access to Information and Communication Technologies: The Case of Carmona and Puerto Princesa," the provision of services related to access to information and communication takes center stage. In particular, the author surveys the telecommunication landscape and looks at how the liberation of information and communication technologies (ICTs) has actually democratized the service, especially for the poor. In an attempt to address the gaps that continue to beset ICTs use, the author assesses the strategies of the government, private sector and civil society and draw recommendations from it. He uses data gathered from his surveys on selected Philippine communities.

Satellite technology is increasingly becoming an indispensable tool in governance as it facilitates the retrieval and processing of data crucial to management decisions and policies. In the article "Urban Poverty Morphology, Remote Sensing and GIS: Towards Sensitizing Public Management," Vicente et al. examine the application of the Geographic Information System (GIS) in the implementation of a project dedicated to

understanding and addressing urban poverty. GIS was used to determine the suitability of relocation sites of informal settlers. The authors express confidence in the potential of the technology to aid in the management of urban spaces. To maximize this potential they recommend standardization and operationalization of procedures, and the use of higher resolution sensors.

Noriel Christopher C. Tiglao likewise tackles GIS and urban settlement in his article "Spatial Microsimulation of Household Characteristics in Metro Manila: Identifying Informal Settlements and Its Implications to Urban and Housing Policy." He recognizes the difficulty of urban planning in Metro Manila on two accounts: the structure itself is complex and data for sophisticated analysis are lacking. This problem is addressed by presenting a method to integrate traditional census data with GIS-generated ones. The development of methods to derive microdata sets using spatial microsimulation is then discussed. Finally, a research agenda to develop synthetic microdata for urban policy and planning is presented.

Technologies of concept and practice are discussed in the articles of Jocelyn Cuaresma, Maria Fe V. Mendoza, and Vicente C. Reyes, Jr. Cuaresma tackles privatization in her article "Is There Water after Privatization? The Case of the Metropolitan Waterworks and Sewerage System." As the title aptly suggests, the article studies the effect of privatization on water service delivery. Cuaresma provides the background that the efficient delivery of water has long eluded the Filipino people. She partly attributes this setback to the administration of the public sector. Under the auspices of the government's Metropolitan Waterworks and Sewerage System, the Philippine government registered one of the highest non-revenue water (NRW) rate in the Asian region. This article contextualizes the privatization of water in the Philippines within the broad framework that water is a public good that has vital economic, social and ecological roles to play. It highlights in particular the impact of privatization on the pricing and availability of water. The performance of the MWSS as the monitoring agency and the private concessionaires is also evaluated.

Still concerned with the public utilities sector is Mendoza's article "Regulation (and Competition) in the Philippine Electricity Industry." Mendoza explains that regulation of the public utilities sector has been practiced by the government to promote public interest in the context of non-competition. With the entry of new service providers, however, new forms of regulations are reconfigured to prepare the industry for a deregulated environment that will remain committed to promoting public welfare. The author observes that in the Philippine electric industry,

economic regulation is gradually evolving from a command-control type to one which is facilitative of competition. She presents a detailed picture of the circumstances surrounding this evolution and its prospective future. It is argued that the emerging nature of regulation is taking the right direction as it promotes competition, enhances the quality of service, and makes the regulatory agency more responsive and effective.

"Bureaucracies and Networks: Organizational Transformations in an Australian Setting" by Vicente C. Reyes, Jr. presents the case of an organizational innovation in Australia known as the "National Schools Network" (NSN). NSN is built around the professional community and intended to significantly contribute to the creation of space for dialogue, collaboration and networking among members of the network. Among the areas of improvements are the creation of opportunities to experiment with innovative ideas, and provision of leading-edge resources and innovative education programs worldwide. NSN furthered teaching training and guaranteed professional development. Moreover, being built within the industrial agreement, it broke down traditional hierarchical structures that characterized educational organizations due to collaboration and network practices. The author examines the NSN based on its practices, challenges faced, and impact on education policymaking.

Last, but not the least, "Financing Development in the Time of Cholera" by Leonor M. Briones tackles the continuing challenge of resource mobilization against the backdrop of a continuing social, political and economic epidemic. Briones makes reference to cholera in analyzing how the disease and the conditions that engender it like poverty continue to plague many developing countries like the Philippines. Combating this problem requires the formulation and implementation of a sound fiscal policy that is global in scope. The author thus examines global commitments to address underdevelopment. These commitments include the Financing for Development (FFD) and the Millennium Development Goals (MDGs). Briones takes a holistic look at these efforts in relation to critical issues in foreign debts, foreign direct investments, and global trade policies.

## **From Traditional Public Administration to the Governance Tradition: Research in NCPAG, 1952-2002**

LEDIVINA V. CARIÑO\*

*The concept of "governance" has always been party to the study of public administration. The term "governance," however, has been used intensively and positively in relation to public administration only quite recently. This newly found prominence was in large part due to the efforts of the United Nations Development Programme (UNDP) which espoused it and gave it a definition in the mid-1990s. Ever so keen on the developments in the practice and study of public administration, the College of Public Administration followed the direction espoused by the UNDP and even adopted the term "governance" when it renamed itself as the National College of Public Administration and Governance (NCPAG) in 1998. Through a survey of researches, the development of the study of public administration and governance in what is now called the NCPAG is documented.*

On 26 November 1998, the Board of Regents of the University of the Philippines elevated its College of Public Administration to a national college and added to its name the term "governance." The designation "national" derives from the fact that what was originally called the "Institute of Public Administration" has been the first institution of higher learning in the discipline in Asia; moreover, it has taken the responsibility, since its inception, to lead in the teaching and research in the field not only within UP but throughout the country as well, even extending to the EROPA<sup>1</sup> region.

"Governance" is almost as old as "government" itself, it has for many years been relegated to discussions of the management of the affairs of single institutions such as business firms, religious institutions and associations; thus, "corporate governance," "church governance" and "organizational governance" are more familiar terms than the "naked," unqualified

---

\*University Professor, National College of Public Administration and Governance, University of the Philippines Diliman. I am grateful to Agnes Villaseñor for her meticulous work and patience in producing the important tables under trying circumstances, and to Anne Marie Barlis, Mark Anthony Enriquez, Kristine Follosco, Dolores D. Gaffud, and Teresa Ripalda for additional research assistance for this paper on top of their already heavy load in the Philippine Nonprofit Sector Project.

"governance" used today. It seems to have burst into the scene when the United Nations Development Programme (UNDP) espoused it in the mid-1990s, giving it the following definition:

... the exercise of political, economic and administrative authority to manage a nation's affairs... Governance embraces all of the methods—good and bad—that societies use to distribute power and manage public resources and problems (UNDP 1997: 9).

After that, it seemed that everybody was using the term, giving it the connotation of being beyond public administration, beyond even government. "From government to governance" seemed a recurring theme,<sup>3</sup> as if the main point was that government was a major obstacle to reaching the principal societal goals of justice, sustainable human development and democracy even though such state-linked concepts like the rule of law, citizenship and legitimacy were always thrown into the bargain. Unexamined, it was enough to drive public administrationists up the wall, what with the concomitant invisibility of authority and bureaucracy which have been among their abiding concerns; thus, it may appear that when the College attached "and Governance" to its name, it was little more than self-defense to keep poachers off its remaining diminished territory and to reluctantly accept new fangled foreign ideas into its borders.

In contrast to the issues above that have been raised by well-meaning scholars both in and out of the College, the term "public administration and governance" is a legitimate acknowledgment of the growth of the field since its introduction to Philippine shores fifty years ago. This study will be a quick journey through that half-century with NCPAG research as the main points of interest in that tour. At its end, hopefully there will be a sharing of a better sense of the definition of the field of Philippine public administration at this important juncture of its history.

### **Methods and Limitations**

NCPAG has been treated like a first-born in many ways, not the least by the snapshots of its research in the family album in practically every public administration conference and on various other occasions (Reyes 1998, 1997, 1995, 1993; Pilar 1993; Ocampo 1982; Tancanco 1982; Cariño 1972; Abueva 1957). These analyses helped in identifying research areas and in getting a sense of dominant trends at different points in time. The data proper came from various sources. First was an attempt at a comprehensive listing of research from the IPA/GSPA/CPA/NCPAG Annual Reports made at the instance of Dean Ma. Concepcion P. Alfiler for the fiftieth anniversary. Although a great starting point, it had many omissions since our faculty and staff seem to write more research papers than they report (except perhaps if forms are to be submitted for promotion reasons). This bibliography,

therefore, needed augmentation. A further search was made in the *Philippine Journal of Public Administration*, in books published by the College, and in the curriculum vitae of faculty, either given personally or retrieved from the NCPAG Library. This search yielded almost 800 titles of publications, both articles and books, that were then classified by content area and year.<sup>3</sup>

There is no claim to comprehensiveness. There are articles missing from this author's bio-data even as searched—for titles of colleagues' papers are not in her 70-page database. The author, having been in NCPAG since the 1960s, knows of most of the research projects. Still, when confronted by them all at once, I am insecure about my categorizations. These are missed nuances in the papers themselves particularly when their main themes were not adequately conveyed by their titles. There were also problems of missed legitimate double-counting, e.g., a paper on local fiscal administration belongs to both local government and fiscal administration, but may have been placed in only one category.

These are the reasons why, although tables are at the back of the assertions, trends and ranks will be reported rather than whole numbers. Nevertheless, everyone is assured that findings are backed by facts rather than biases, and that the contours of Philippine public administration at the start of this millennium are close to the situation described.

This study has three main objectives: (a) to present a formulation of the different varieties of Philippine public administration, (b) to show how this formulation gives a sense of the scope of the field through an analysis of the papers written by faculty and staff of the College from 1952 to 2002, and (c), based on (a) and (b), to describe the contours of the field at the start of its second half-century. It is argued that when emphasizing a governance framework instead of Traditional Public Administration, it is simply recognizing what has animated the field since its inception. It is not going back full circle, but it is more. Gary Wamsley (1990) calls it a "refounding."

### **The Varieties of Philippine Public Administration**

In 1983, in connection with a study of the career of the concept "administrative accountability," the author made a bold assertion that forces that led to changes in the concept are similar to those affecting the discipline where it belongs. She then introduced four varieties of public administration, the values of which tend to coincide with those promoted by four kinds of administrative accountability. Occupying six pages of a 32-page paper, it was a side issue that I did not further pursue. But as the only local formulation of the varieties of the discipline, it appeared in answers to comprehensive examinations of students forewarned by their faculty not to cite developmental stages which describe the American rather than the Philippine discipline. It

came to a head early this year when a student was assigned to critique it. Back came her answer: "But I can't. She wrote only three (sic) pages of it."

This is why when the faculty suggested that a paper on the College research for the 50<sup>th</sup> anniversary be written, it seems like a good reason to go back to that formulation. But written in 1983, it has been somewhat overtaken by events; thus, it is more of revising rather than simply revisiting. For the first three varieties old labels will be kept: traditional public administration, development administration, and new public administration. These are rather standard names familiar to all scholars of the field. Note, nonetheless, that "new public administration" is no longer new and no longer used as a label even in the United States where it originated. In the Philippines, it may be viewed in hindsight simply as preparation for the next stage.

The last variety will now be called "governance." The author will quote as much as possible from original formulation to show she is not just jumping on a convenient bandwagon. She was unsure what term to give it, as it has been called "social conscience administration," "social development management," and "development administration for equity." In 1983, she chose to call it "development public administration." When Wamsley and Wolf published their *Refounding Democratic Public Administration* (1996), having just underscored the need for bureaucracy to be an instrument of democracy (1992), she thought she should give up her DPA for theirs. But rereading their Blacksburg Manifesto (Wamsley et al. 1990), it would be better to go for "governance," a shorter, more widely recognized name that they located at its heart.

The discussion is of varieties rather than stages. This is because it is hypothesized that Philippine public administration has never been without elements of each variety at any time. The formulation is a heuristic device to illuminate and emphasize significant concerns of the discipline. These in turn suggest some theoretical linkages—for instance, between resource inputs and bureaucratic performance, between administrative arrangements and economic development, between values, structures and the attainment of goals.<sup>4</sup> The identification of the varieties has been suggested as much by technical assistance and curricular preferences as by the literature of the universal discipline of public administration or research output. Unfortunately, it is only the contributions of the last variable that can be tackled in this study.

### **Traditional Public Administration and Development Administration**

Traditional PA had a long period of dominance in the West where it reigned from the time of Woodrow Wilson (1887), gathered strength in the



heyday of scientific management and administrative management, and was finally knocked off its pedestal by New Public Administration in the 1970s. But in the Philippines, as in many other new states following World War II, traditional PA was introduced along with and practically as the peace-and-order aspect of, Development Administration (DA). Combining traditional PA and DA was not difficult. Both adhered to the politics-administration dichotomy where the role of civil servants is simply to implement decisions made by policymakers outside the bureaucracy. For both, neutrality of the civil service is paramount. They both focused on the internal organization; economy and efficiency of operations are their most important goals. These varieties centered attention on the staff functions—personnel administration, fiscal administration, and organization and management. The implied hypothesis was that satisfactory performance of these functions would lead to better public administration. Little or no attention was given to the implementation of programs and how these programs really affect people's lives.

Under traditional PA, social and political forces were exogenous variables that had little effect on an organization that assumed an ongoing stable society. The main difference of Development Administration from traditional PA was its recognition that public administration takes place in a society that would undergo—indeed, that *must* undergo—rapid social change.<sup>5</sup> Thus the administration of maintenance and stability that traditional PA represented gave way to the management of economic growth. However, despite interest in the ecology of public administration and social change, DA was viewed largely as an independent variable in the society and relations with it were seen as unidirectional. DA continued to focus on the internal organization, and economy and efficiency remained as the main evaluatory concepts. What were added were tools from the West not only for the performance of staff functions but also for the improvement of the planning process. This included such management tools as the Planning, Programming and Budgeting System (PPBS) the first use of which was for military purposes in Vietnam. Like traditional PA, Development Administration viewed public administration as a value-neutral discipline (except for its embrace of economic development) and saw the tools it introduced as value-free techniques.

### **“New Public Administration”**

“New Public Administration” was formulated by restive scholars who found traditional PA largely irrelevant to a turbulent technological society crying for equity and social justice. It was a public administration meant to answer the peculiar questions besetting the United States, much like Wilson's plea in 1887:

It (the science of administration) is not of our making; it is a foreign science; it utters none but what are to our minds alien ideas... If we

would employ it, we must Americanize it, and that not formally, in language merely, but radically, in thought, principle and aim, as well (Wilson 1953: 68).

While traditional PA was nevertheless brought to the ex-colonies in the new guise of development administration, new PA was decidedly American PA's new focus on itself; however, its criticisms of traditional PA (the US never having had a development administration period), its search for alternatives to bureaucracy, its outrage at the continuing inequity, and its rejection of a value-neutral discipline struck responsive chords in the Philippines. It coincided with our own desire to put the discipline in the context of a society with an exploitative social structure, and using it, to develop programs that can meet human needs. New PA advocated project management and the modular organization in lieu of the bureaucracy. It either moved away from economics to philosophy, or sought a blending of both. Just prior to its birth, PA scholars discovered implementation and service delivery as just as worthy of attention as planning and the merit system. These items of attention blended in the "new, improved" field to make responsiveness and effectiveness of programs as foci of concern additional to economy and efficiency.

#### *"Development Public Administration"*

The answer to the shortcomings of Development Administration was not the American New PA, but the fashioning of a discipline better able to handle specifically Philippine problems. Still, what is called "Development Public Administration" (DPA) had many similarities with New PA: its emphasis on the goals of social justice, equity and the centrality of the human person; its location of agencies in the context of their own societies; and their complementation, if not outright need for, the empowerment of the people as participants in the process of administration. In contrast to DA and New PA, DPA also located public administration in the context of a global system which impinges on and constrains the policies of the nation, an often pernicious linkage that was glossed over by writers of the DA period and hardly pertinent to New PA scholars who were after all focusing only on the most controlling nation of all.

DPA has points of contact with traditional PA that is not in New PA. For instance, it is not against bureaucracy as an organization, seeking to reorient the civil service rather than to topple its structures. Another point of contact with traditional PA is the concern for maintenance and continuity. While not rejecting project management which New PA stressed, the concern of DPA is the infusion of new life into regular long-term programs by organizations which acknowledge and learn from their mistakes.

An important aspect of development administration which is not emphasized in new PA is decentralization, a value reemphasized by

development public administration as it seeks balance between central direction and responsiveness to particular needs.

As it was first formulated, development public administration was to be a public administration for the Philippines. As the phrase suggests, the primary change is the insertion of the term "public" into the largely technical considerations of development administration. That concept has also undergone much change in the discipline of public administration. In traditional PA, the public practically stood only for the governmental institution, as a means of contrasting the management of government with business administration. As New PA came in vogue, the discussions of "the public" were led by public choice theorists who focused on public goods, that set of services which had the qualities of non-rivalry, indivisibility and high externality. In Jones' terms, the public includes:

...those affected by indirect consequences of transactions to such an extent that it is deemed necessary to have those consequences systematically cared for (Jones 1984: 39).

In taking note of this meaning of "public," the discipline moved from an advocacy for the use of a specific mechanism—the bureaucracy—to greater concern for the "throughput," the provision of public services.

With development public administration, "public" was again redefined. The lens focused on the public as "the people" with development public administration as "governance for the public interest." As the public interest once more became paramount, public administration recovered its roots, not in engineering and business management as traditional PA seemed to suggest, but in democratic political theory, upon which it has rested all along. After all, the notion of civil service subordination to the political leadership and the politics-administration dichotomy rests on the democratic principle of popular sovereignty.<sup>6</sup>

#### *Why Shift to the Term "Governance"?*

Readers familiar with the governance literature, particularly UNDP's formulation, have already seen, I hope, the conjuncture of much of development public administration with it. Specifically, they are their common concerns for equity, responsiveness to the people, participation, justice (called "the rule of law" in UNDP documents), transparency and accountability, effectiveness and efficiency (UNDP 1997: 4). UNDP also mentions consensus orientation and strategic vision which, though not discussed above, are not notions contrary to it. Democracy and decentralization are muted in that literature but they are implied in all the discussions of the major values of governance. Governance, like New PA and DPA, has left the temple of value neutrality.

A major element of governance is that it transcends the State and includes activities of the private sector and civil society. In the Philippines, our venture into voluntary sector management has rested on the same idea: that public administration must study all mechanisms—not just government—that purport to serve the public interest. This idea has also led to a rethinking of the role of the State, a subject that for many years was simply treated as received wisdom in the discipline.

Governance, however, has not diminished the state as it has included all state institutions within its purview—including the legislative and judicial systems which had often been ignored by earlier varieties of public administration. However, where Philippine public administration differs from governance as popularly conceived is in the issue of the role of the civil service itself. Ironically, in opening the management of public affairs to other institutions, the governance idea has tended to ignore the bureaucracy itself. This is hardly more glaring than in the most recent UNDP *Human Development Report*, where the role of the civil service in deepening democracy was practically ignored.

For the role of the civil service in governance, one must turn to literature closer to disciplinary home—the Blacksburg Manifesto and works associated with and emanating from it. Wamsley describes its perspective as “institutionally grounded” in the sense that “we prefer to see public administration as governance rather than merely management or administration in the public sector” (Wamsley 1990: 25). Recognizing the connotation of governance as “the use of authority in providing systemic steering and direction,” (Wamsley 1990: 25), he finds:

The only possible source of governing impetuses that might keep our complex political system from either a dangerous concentration of power on the one hand, or impotence or self-destruction on the other, is a public administration with the necessary professionalism, dedication, self-esteem and legitimacy to act as the constitutional center of gravity (Wamsley 1990: 26, italics supplied).

This is a focus that NCPAG has formally adopted in its new name, as it recognizes the scope of public administration to include all institutions and processes recognized in governance.

### Research Interests over Time

How have these varieties of the discipline been manifested in the research outputs of the College? To answer this question, each research paper was assigned into a particular content category and quinquennium. Next, each content area was examined to determine how it has been represented over time. Then the body of work in that area was studied to determine, if

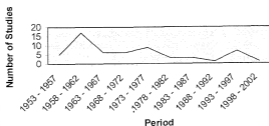
possible, qualitative changes in its scope and content. The reader must be warned that to a large extent, there is reliance on what the titles conveyed except when direct acquaintance with the work (through reading, usage or writing) or the area (through teaching in that field, and general knowledge as an insider) allowed the author to recognize substantial stability or change.

#### *Research in Traditional Public Administration*

Five content areas may be recognized as within the framework of traditional public administration: personnel administration, organization and management, fiscal administration, agency studies, and the Philippine administrative system.

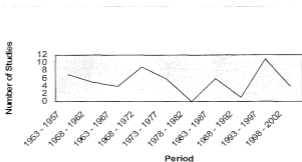
*Personnel Administration.* This field has the biggest number of entries in this set and is consistently represented in every quinquennium. The biggest harvest was in the 1958-62 period, coinciding with the time the Civil Service Law (RA 2260) was passed. Although the field is now often called "human resources administration/development," the content area has hardly changed since the 1950s. The bulk of the studies describes and analyzes training and executive development programs, with one or two studies each on training evaluation, personnel evaluation, career development, compensation, selection and promotion practices. The most recent studies are in local personnel administration, an emerging field as a result of the devolution of erstwhile national programs and personnel to local government units (see Figure 1).

**Figure 1. Number of Studies on Personnel/Human Resources Administration, by Quinquennium, 1953-2002**



*Organization and Management.* O&M is represented in every five-year period, although with less papers than personnel administration. Also unlike it, O&M studies have changed very much from the first entry (in 1953) on organization charts, to the most recent titles focusing on reengineering and TQM (total quality management). The contributions proclaim reform, reorganization, streamlining and modern management techniques (the last appearing as early as 1971), signifying a continuous search for improvement in this field (see Figure 2).

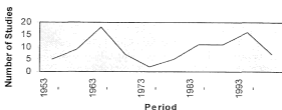
**Figure 2. Number of Studies on Organization and Management, by Quinquennium, 1953-2002**



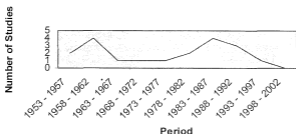
*Fiscal Administration.* Fiscal administration is the third staff function in traditional public administration. It has had two peak periods, 1963-67 and 1998-2002. Like personnel administration and O&M, it has had contributions in every five-year period. Also, like O&M, the field has become much more exciting than the first research in 1953, on "Philippine Government Receipts and Expenditures." Studies on official development assistance, the debt crisis, fiscal policy and auditing developments show a field breaking out of tradition. With their location in the context of globalization and the martial law state, some of its studies can be counted among the studies on governance. The field has also profited from the publication of several textbooks, two on national and two on local fiscal administration (see Figure 3).

*Agency Studies.* A special genre in this area is focused on individual agencies, including public enterprises. Many of these studies were contributed by students employed in these offices or by faculty members serving as consultants in them (see Figure 4).

**Figure 3. Number of Studies on Fiscal Administration, 1953-2002**



**Figure 4. Number of Studies on Public Institutions/ Government Corporations, 1953-2002**



*The Philippine Administrative System.* When the discipline was introduced into the country in 1952, the disciplines of public administration and bureaucracy studies were practically synonymous. The seminal early works published by the College encompass this topic—Edwin O. Stene and Associates' (1955) *Public Administration in the Philippines*, and O.D. Corpuz's (1957) *Bureaucracy in the Philippines*. Descriptions of the Philippine administrative system were attempted occasionally since, but none with the breadth of Corpuz; however, the later ones put the system in a comparative and global context, bridging this area's entry into the later governance framework.

*Research in Development Administration*

Only one content area was introduced by Development Administration, that of development itself. The first title to tackle it was published only in 1959, seven years after IPA was established. That may be a marker of the birth of Development Administration in our shores. Yet unlike the paradigm brought by Development Administration, most of the works were concerned with development beyond the economic. Published studies on social development first appeared in 1962, while those on nation building appeared in 1971. Most of the papers demonstrated frustration over the emphasis on growth without equity and human happiness. Their discussions of development were therefore almost always coupled with other values, notably democracy, equity and decentralization. As such, NCPAG research was in tune with the seemingly universal dissatisfaction of focusing on the change of macro-economic indicators without any improvements in the life of human beings.

*Research in New Public Administration*

The thrusts of New Public Administration include: an emphasis on the values that animate both the discipline and its practitioners; dissatisfaction with bureaucracy and thus a search for alternative delivery systems; and a discovery that policies and programs need direct attention, not just through the staff functions; thus, the content areas for this variety are studies on public service values and ethics and accountability, alternative delivery systems, and public policy and program administration.

*Ethics and Accountability.* The first essays under ethics and accountability manifest not so much these values but their opposite. The 1960s focused on the pork barrel system of allocation and administration. They were followed in the 1970s by a college-wide research on negative bureaucratic behavior which was part of an Asian comparative study on corruption, coordinated from the Philippines. It was not until 1983 that College research shifted to the positive, and made contributions to ethics and accountability studies directly. This was pursued with studies of role models in the bureaucracy, so that the ethical life can be seen as accessible to and livable by ordinary human beings.

At first glance, changes in this genre may seem only a change in focus; but it was more than that, as it evinced changes in theoretical perspectives and a definite move away from value neutrality and positivism towards a more activist but still social scientific stance.<sup>7</sup>

*Public Service Values.* Only a few studies have focused on other public service values; however, because they show the value commitments of the College, it will be more detailed here than in the other sections.



The first two papers on public service values were published in 1972. They predated American New PA by almost a decade, suggesting that the Philippine concern on this issue has not been triggered by colonial mentality. These were a paper on the rule of law and constitutionalism, and another on social justice as a Philippine social ideology. They were occasioned by the College's voluntary offer of assistance to the 1971 Constitutional Convention. The self-discipline of bureaucrats was the focus of the third paper published in 1973. In the same year, a set of values collectively called "development orientation" was conceptualized and various groups of public servants (notably career executives and school administrators) were then analyzed as to their degree of development-orientedness. This was a research theme consciously made to serve the goals of development administration with its concern for commitment to change and growth. Nevertheless it included values—such as social justice—not well-pursued under both an economic growth perspective and a martial law regime. As such, the development-orientedness papers were definitely signs of a New PA in our midst, and a signal that the College would not just bow quietly to the demands of the dictatorship; thus, although written in 1986 at the twilight of the Marcos period, the next essay, on civil service neutrality, connects directly to it. This paper was a response to a Marcos henchman's dictum that the bureaucracy must be neutral in favor of and in loyalty to the government of the day.

The next papers are public service values under redemocratization. The first focuses on the Maranao's sense of public responsibility, completed in 1991. The second paper was written in 1993 describing the Filipino vision of the Good Society and an authentic democracy. The last, contributed in the same year, looked at the recovery of moral values as a way of sustaining the Filipino unity manifested in the People Power Revolution of 1986.

*Alternative Delivery Systems.* Alternative delivery systems did not appear as a topic until 1980 when the College undertook a research project on rural health delivery mechanisms, making a compendium of about 100 such programs, and undertaking an in-depth analysis of five. A 1995 volume of the ADIPA brought the academe, cooperatives, other NGOs and voluntarism to public attention as substitutes to the civil service. The similarities of these systems with each other and with the bureaucracy were the subject of a 1999 study detailing the changing nature of service provision in the Philippines. These papers were among the bases for the NCPAG's incorporation of the sub-field of voluntary sector management into the graduate curriculum in 1998.

*Public Policy and Program Administration.* The first curricula of the College were of the mold of Traditional Public Administration, with the emphasis on staff functions. At the end of the 1970s that emphasis changed, as Public Policy and Program Administration (PPPA) became a field of specialization. This specialization involved the formulation and implementation of policy—even when involving supra-bureaucratic actors. It

carried its own methodology for decisionmaking and evaluation. PPPA was instantly a popular field, and many students chose it over the traditional offerings of Fiscal Administration, Organization Studies, and Local Government.

Research on PPPA predated its inclusion in the curriculum and began as early as 1954 with a study on foreign policy. The College and individual faculty members soon became known for specific policy areas. Among the early foci of concern were community development, rural development, elections and electoral reform, and agriculture and agrarian reform. The first PPPA papers were produced in the decade of the 1950s. Population policy would have an analysis in every decade since 1971 but as in the case of community development, NCPAG generally left the intensive analysis to the units of the university specializing on those issues. Housing was a major focus for almost 20 years, from 1963-1983; infrastructure, particularly the rural road program, had a ten-year spurt, from 1976 to 1986. Analyses of the nutrition program of the 1980s developed in the 2000s into child rights and welfare.

A particularly strong suit was health policies and programs, particularly primary health care, which began in 1980 and continues unabated to this day. Poverty alleviation, which in a sense grew from PHC studies, started to take center stage in the 1990s.

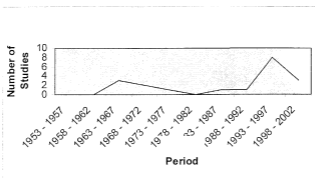
Other program areas studied were crisis management, disaster management, commercialization of technologies, employment, and regional development.

### **Research in the Governance Tradition**

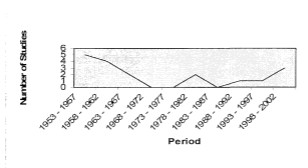
Governance opens public administration to the world beyond bureaucracy. As such, it would have been expected that most of the research papers would come only in recent years. However, globalization was an issue of concern as early as 1958, although it did not peak until the most recent quinquennium (see Figure 5). Gender studies—a focus on a vulnerable group—did not take off until 1983. Voluntary sector studies are also relatively new, starting as alternative delivery systems in 1980 and being a focus of its own in a bumper crop of 16 studies in 1993-97. The question of public access to services was emphasized only between 1978 and 1992.

Yet much of what governance encompasses has been part of the PA literature from the early years. A few studies of political institutions apart from the civil service and of political leaders and leadership were undertaken as early as 1952-57. It is interesting that studies of this genre stopped in the early years of Martial Law (1972-1977) and again, immediately after Marcos' downfall. Perhaps it is a graphic presentation that institutions break down during irregular regime transitions (see Figure 6).

**Figure 5. Number of Studies on Globalization, by Quinquennium, 1953-2002**

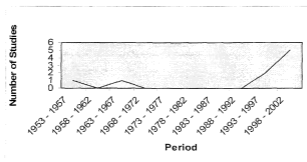


**Figure 6. Number of Studies on Political Institutions, 1953-2002**

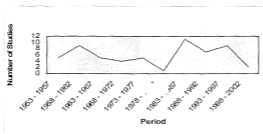


*Democracy and Bureaucracy.* Democracy as a proper subject for public administration has been a counterpoint to (economic) development administration since 1952. However, there were no works on the subject throughout the Martial Law period (1972-1986), after which studies on democracy steadily increased (see Figure 7). Still, the concern for democracy was not entirely muted, as it appears in studies which link it with bureaucracy and popular participation. Bureaucracy and democracy studies started with four in the 1952-1957 period and except for a dip in 1982-1986, has continued to attract attention throughout the five decades (see Figure 8).

**Figure 7. Number of Studies on Democracy as a Proper Subject for PA, 1953-2002**

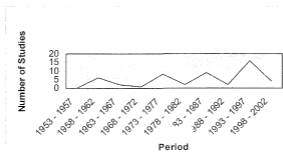


**Figure 8. Number of Studies on Bureaucracy-Democracy 1953-2002**



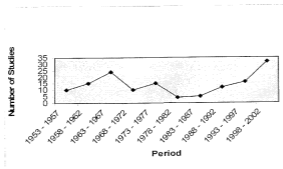
*Citizen Participation.* The most popular aspect, however, of democracy is popular participation itself (see Figure 9). Even when the “public” in “public administration” was roughly translated to government, research in NCPAG kept drumming into our heads that the reason for being of any PA school worth its salt was the people, not as subjects and citizens, but as sovereign and (to be) empowered objects of accountability.

**Figure 9. Number of Studies on Popular Participation/Citizenship, 1953-2002**



*Decentralization.* The most voluminous genre in this set is on decentralization (see Figure 10). Starting with a survey on local governments in the Philippines and an attempt to draw the country's centralization-decentralization pattern (in 1954), the College has never looked back in its study of, and advocacy for, decentralization and local autonomy. In fact, this issue was the first clear aberration in the first curriculum of the College. In an otherwise consistent concentration on the staff functions, the academic program included Local Government.<sup>8</sup> The scope was comprehensive, involving the usual staff functions applied to local areas, as well as local politics. Later governance concerns on popular participation and empowerment as well as government-society links were in both the teaching, research and extension programs of the College from the start.

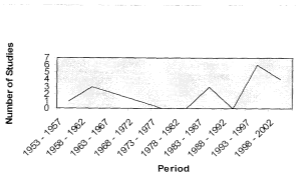
**Figure 10. Number of Studies on Decentralization, 1953-2002**



*Beyond Political Science.* The early inclusion of political concerns may be regarded as an offshoot of the fact that Public Administration started as a branch of political science. It would not explain it, however, because of the multidisciplinary nature of both the College and individual faculty that was consciously fostered by Dean Carlos P. Ramos, its first Filipino full-time head. The Ramos policy created a synergistic faculty coming from or later entering not only political science and public administration, but also sociology, history, economics, law and even the humanities. Today there are also faculty members from education, communications and engineering.

Besides, it would not explain why state-market relations were a subject of study as early as 1957. The first paper dealt with commercial policy, the second with public enterprise and the third with one of the first privatization projects in the country. In the decades since, this topic would be tackled as crony capitalism (but of Manuel L. Quezon rather than a more recent president), privatization, and local economic promotion (see Figure 11).

**Figure 11. Number of Studies on State-Market Relations, 1953-2002**



### Summary: PA Research as Governance

Governance studies, using the current definition, were clearly represented from the College's first quinquennium. The presence of early literature of Philippine Public Administration and especially their status as continuing objects of concern make me posit the claim that the governance tradition has been in Philippine Public Administration from the start. It was not recognized earlier because seemingly it was out of the mainstream of the discipline; thus, Philippine Public Administration relegated itself to the nuts

and bolts of governmental management, answering only to the name Traditional PA or the technocratic Development Administration. It was awakened only when prodded by the New PA revolt in the United States, never recognizing the treasure it had been developing since Day One by the complexity of the research it was contributing.

### *Philippine PA in the Governance Tradition*

The survey of NCPAG research in the last fifty years gives only limited support to the idea of stages. True, personnel administration peaked in 1958-62 but it was always represented in all the quinquenniums. Fiscal administration experienced a valley between 1972 and 1987. Meanwhile, O&M studies have proceeded from one five-year period to another, albeit with changes in techniques that deal with organization- or system-wide reform rather than piecemeal improvements. The "development" in Development Administration was conceptually altered almost as soon as it was introduced, signifying the Filipino's frustration over a socially empty mission.

When New PA is studied instead, a similar result can be seen. The concern for public service values, ethics and accountability animated Philippine PA from the beginning, and cannot be confined to a particular period. Similarly, policy and program analyses started before the 1980s, although works on particular programs began only at this time. Note also that alternative delivery mechanisms were a phenomenon of the 1980s.

The issues of governance were likewise not only studied at a particular period. Democracy, and the bureaucracy's role in it, decentralization, citizenship and popular participation, and even relations with the private sector were staple subjects from NCPAG's birth. It is only the inclusion of civil society and the concept of governance itself that may be claimed as new to the field.

What does it mean? Can it be said that scientific management never had any influence since there has never been a Traditional PA period, or that Development Administration was only a figment of USAID's imagination? This author does not think so, for clearly, those varieties have reigned in the teaching and in the books that have been read in the attempt to make sense of the field. But what is hoped that this survey has contributed is to give a sense of the immensity of the complex scope of the discipline, and its strong grounding not on techniques nor on problems that are not our own.

What looking at the researches done for the last fifty years has shown is that these have not been a limitation by the dictates of a foreign discipline. There has not been, to quote Wilson (1953), uttering only alien ideas. Rather, despite the known dissatisfactions with the sources of our research problems,<sup>9</sup>

there seems to have been built, as a collective output, a body of works that responds to interest as Filipinos and as scholars of Public Administration.

One can start with what it is not: it is not a discipline of technique and technology, but when dealing with technique, it has not stood still, but has sought improvement and reform at every turn. It is not narrowly focused, championing only the government bureaucracy when other institutions have shown that they can also be instruments for promoting the public interest. It is not hemmed in by mere questions of economy and efficiency, but seeks to underscore the values that make public service worth our dedication – justice, the rule of law, the innate significance of human beings.

What is it then? It is a public administration that recognizes democracy not only as a proper object of study, but also as a proper context for public service. Its recognition of its environment is not narrow, because it also identifies global economic, political and social forces that affect what it studies. It analyzes structures of authority and power but also seeks to find out how to bring the state closer to the people, so that the people themselves can take control over their own lives. It is beginning to open up to vulnerable sectors, and so far has taken note of women, children and the poor, but not so much the Muslims and the indigenous peoples who have also been historically excluded. It forthrightly identifies the problems of public servants and the people, and tries to discover effective means of upholding accountability, putting health in the hands of the people, getting them to control their own lives.

This author's research has unfortunately been more of an inventory than a review of content, so that it cannot be told how strongly or how poorly Philippine Public Administration has really advanced on its goals but the journey has shown not only where it has gone but also where it intends to go. And, fortunately, although the author focused narrowly on NCPAG research and Philippine problems in this essay, she is confident that Philippine Public Administration will not be isolated. This is because the concerns, though specific to the Philippines, are not unique to it. In uttering original ideas, there has been connection even more strongly to the universal discipline. For what has emerged is that the definition of the field of public administration, is "governance for the public interest" (as discussed in Wamsley 1990: 114-162).

### Endnotes

<sup>1</sup> EROPA stands for the "Eastern Regional Organization for Public Administration," the core membership of which includes individuals, groups and states in Asia and the Pacific.

<sup>2</sup> Indeed, it was the theme of the World Conference on Governance, sponsored by the Civil Service Commission of the Philippines and the EROPA in Manila in 1999.



<sup>2</sup> Some categories and titles were dropped from the analysis because they were not germane to the study. Among them were university governance, internal college issues like research management, and some papers belonging more to sociology, economics, demography and other disciplines rather than PA.

<sup>4</sup> The attempts at theory made at the College are in Figure 11. "Theory and Scope of the Discipline" The bulk of attempts comprises discussions on the definition and range of the field. Some are middle-range theories on an aspect of the discipline. There may be an underestimate of our theoretical papers because many so-called descriptive studies are strongly theoretically grounded. However, the analysis of how these works have contributed to theory is beyond the scope of this study.

<sup>5</sup> That was practically the only prescription allowed in a discipline that prized value neutrality.

<sup>6</sup> This is why I felt a twinge of recognition – and regret – when Wamsley et al. (1990) called their second book *Refounding Democratic Public Administration*. I was reacting to development administration when I inserted the word "public," but what I really sought was democratic public administration.

<sup>7</sup> This theoretical journey is described in Cariño 1995.

<sup>8</sup> To be accurate, the course that was introduced was "Federal and State Government," a direct copy from the University of Michigan course offerings. Since the Philippines was and is a unitary state without such governments, the mistake was quickly corrected to Local Government in the first round of curricular revisions.

<sup>9</sup> Our frequent debates about invitation versus initiative in the formulation of the research agenda are only one of the issues that come to mind.

## References

- Abueva, Jose V.  
1957 Some Notes on the Study of Public Administration and Politics in the Philippines. *Philippine Journal of Public Administration*. January.
- Cariño, Ledivina V.  
1995 *Ethics in Politics*. Transactions of the National Academy of Science and Technology.  
1972 To Advance Administrative Knowledge: Research in the College of Public Administration, 1952-1972. *Philippine Journal of Public Administration*, 16 (3): 289-297.
- Corpuz, Onofre D.  
1957 *Bureaucracy in the Philippines*. Manila: University of the Philippines Institute of Public Administration.
- Jones, Charles O.  
1984 *Introduction to the Study of Public Policy*. Belmont: Wadsworth Publishing Co. 3rd edition.
- Ocampo, Romeo B.  
1982 Toward a Review of Research and Knowledge in Philippine Public Administration. *Philippine Journal of Public Administration*, 26 (3-4): 219-227.

- Pilar, Nestor N.  
1993 Relevance of the New PA in Philippine Public Administration. In Victoria A. Bautista, et al., eds. *Introduction to Public Administration in the Philippines: A Reader*. 1<sup>st</sup> edition.
- Reyes, Danilo R.  
1998 *Public Administration in the Philippines: History, Heritage, and Hubris*. Paper presented at the Pre-Congress I of the 4<sup>th</sup> National Social Science Congress, PSSC, 30-31 January.  
1997 Controversies in Public Administration: Enduring Issues and Questions in Bureaucratic Reform. *Philippine Journal of Public Administration*, 41(1-4): 277-300.  
1995 *A Search for Heritage: An Analysis of Trends and Content of Public Administration Literature at the UP College of Public Administration, 1952- 1992*. Unpublished doctoral dissertation submitted to the UP College of Public Administration.  
1993 The Identity Crisis in Public Administration Revisited: Some Definitional Issues and the Philippine Setting. In Victoria A. Bautista, Ma. Concepcion P. Alfiler, Danilo R. Reyes and Proserpina D. Tapales, eds. *Introduction to Public Administration in the Philippines: A Reader*. 1<sup>st</sup> Edition. Quezon City: UP College of Public Administration.
- Stene, Edwin O. and Associates  
1955 *Public Administration in the Philippines*. Quezon City, Philippines: Institute of Public Administration, University of the Philippines.
- Tancancoo, Luzviminda G.  
1982 Theory and Practice of Public Administration: A Review of the State of the Art. December.
- United Nations Development Programme  
2002 *Deepening Democracy in a Fragmented World*. New York.
- Wamsley, Gary L., Robert N. Bacher, Charles T. Goodsell, Philip S. Kronenberg, John A. Rohr, Camilla M. Stivers, Orion F. White and James F. Wolf  
1990 *Refounding Public Administration*. Newbury Park London and New Delhi: Sage Publications.
- Wilson, Woodrow  
1953 The Study of Administration. Originally in *Political Science Quarterly* 2,3 (June 1887): 197-222. Abridged in Dwight Waldo, ed. *Ideas and Issues in Public Administration: A Book of Readings*. New York: McGraw Hill Book Company: 65-75.

## **A Decade of Governance Innovations and Gaps in Poverty Alleviation**

VICTORIA A. BAUTISTA\*

*The first attempt to formulate a national agenda in fighting poverty was started during the term of President Ramos in 1995 with the adoption of the Social Reform Agenda (SRA). SRA unified different national offices to craft key programs in addressing the plight of the poor. With the brief stint of President Estrada in 1998-2000, the National Anti-Poverty Action Plan (NAAA) was launched in mid-2000 which maintained many of the features of the SRA. NAAA was followed by Kapit Bisig Laban sa Kahirapan (KALAHI) program under the Macapagal Arroyo presidency. While retaining features of the SRA, KALAHI improved some of SRA features that were considered weak. Innovations have been made in combating poverty such as the shift from sectoral to intersectoral process in planning for poverty alleviation, sectoral to intersectoral structure in overseeing poverty alleviation programs, and harnessing the poor as targets for implementing anti-poverty projects. In spite of the gains, the downside has been witnessed which includes inconsistencies in policies, the changing name of programs of similar features, poor tracking of the use of resources, and poor monitoring of situation in communities.*

### **Background**

Poverty remains a persistent problem in the Philippines. Since the National Statistical Coordination Board (NSCB) has officially released the poverty incidence of families every three years since 1985, there has been a slow reduction of its incidence, from 44.2 percent in 1985, to 39.9 percent in 1991, and 31.8 percent in 1997. The 2000 report indicates an increase to 34.2 percent or an average increase of 2.5 percent since 1997.

In terms of population, there were 31.3 million Filipinos who were poor (or about 40 percent of a total of 75 million Filipinos) in 2000. The number increased by 705,000 families since 1997. The number of poor in 1997 was lower, constituting a total of 36.8 percent (National Statistical Coordination Board 2000).

Three reasons appear to explain the increase in poverty incidence (Cantos 2001). One was the Asian financial crisis in October 1997 that affected many

---

\* Professor, National College of Public Administration and Governance, University of the Philippines Diliman.

firms because of the sudden drop in the exchange rate of the Philippine peso to the US dollar. Another was the El Niño phenomenon that immediately followed the currency crisis. Finally, there was the political uncertainty that resulted from the impeachment trial of former President Joseph E. Estrada.

The United Nations Development Programme (UNDP) released a thought-provoking document which calls to mind the key role of governance in addressing the problem of poverty. In this document entitled, *Overcoming Poverty*, UNDP (2004) underscored the importance of dealing with the issue of governance and not merely zeroing in on formulating programs to address the plight of the poor. UNDP considers "governance" as the "missing link" in fighting poverty.

In the Philippines, the decade of the nineties can be considered a significant milestone in public management for innovations in poverty alleviation. In this study, these innovations will be examined and their significance highlighted. The study shall identify the gaps in management which have to be resolved to ensure effective, efficient, responsive and equitable processes in the delivery of services. It actually spans three presidential administrations—one which completed its term (Ramos Administration, 1992-1998), the second which was short-lived (Estrada Administration, 1998-2000), and the current one (Arroyo Administration, 2000-present).

### **Innovations**

#### *Convergent Planning: A Shift from Sectoral to Intersectoral Process*

One of the important developments in poverty alleviation was the first attempt to prepare a comprehensive plan to combat poverty started during the term of President Fidel V. Ramos. Previously, commitment to address the concerns of the poor was made by different departments and pursued in a sectoral way. For instance, the Department of Social Welfare and Development (DSWD) has historically been the first to assume the burden of catering to the needs of the poor. Shelter for the destitute is one of the programs it was able to pursue through time. Other programs zeroed in on the poor and marginalized such as the *Lalakas ang Katawan sa Sapat na Sustansiya* (LAKASS), a nutrition program for *barangays* with the most number of malnourished children.

The first indication of a convergent effort to address poverty was spelled out in the document, *A National Strategy to Fight Poverty*, which was released in 1995. This was formulated with the assistance of the Philippine Institute for Development Studies (PIDS), under the leadership of Dr. Emmanuel de Dios of the School of Economics of the University of the Philippines Diliman

and with the official acknowledgment of no less than former President Fidel V. Ramos. The influence of donor institutions is evidenced by the support extended by the United Nations Joint Consultative Group on Policy (UNJCGP) composed of the UNDP, United Nations Population Fund (UNFPA), United Nations Children's Fund (UNICEF) and the World Food Program (WFP).

The Strategy Paper of 1995 discussed why there is so much poverty in the Philippines. It dwelt on management issues in responding to poverty. The paper decried the fragmented efforts to address poverty as different line agencies pursue their respective programs, while taking care of the poor. This Strategy Paper inspired the consolidation of initiatives of different sectors of government to plan and formulate an agenda dealing with poverty—the Social Reform Agenda (SRA).

The SRA can be considered a milestone for poverty alleviation as it was able to make different national offices get together to craft key programs that can address the plight of the poor. It enabled different sectors to interface in social, economic and administrative aspects of development. It tackled a three-point agenda: access to basic services; asset reform, and sustainable development of productive resources and economic opportunities; and institution building and effective participation in governance.

The SRA can also be cited for its efforts in channeling resources to the 20 priority provinces, chosen on the basis of provincial indicators on poverty incidence: education (i.e., cohort survival rate and population illiteracy); health and sanitation (i.e., infant mortality rate and malnutrition); and housing (i.e., water service coverage and percentage of households with toilets). Targeted beneficiaries were farmers, fisherfolk, indigenous people, workers in the informal and formal sectors, women, persons with disabilities, children, youth, victims of calamities, urban poor, and the elderly.

The SRA embodied specific programs, called "flagship programs," to meet specific requirements and needs of target beneficiaries. Five programs focused on particular beneficiaries (i.e., Housing for the urban poor, Agricultural Development for farmers, Fisheries Management for fisherfolk, Workers Welfare and Protection for the labor sector, and Protection of Ancestral Domain for indigenous groups), while others cut across different sectors by targeting many types of beneficiaries such as the programs on Comprehensive and Integrated Delivery of Social Services (CIDSS), Credit, Livelihood, and Institution Building and Governance. Department heads served as flagship champions of each of the programs related to their concerns.

For instance, the department heads involved were: Housing and Urban Development Coordinating Council (HUDCC) for housing, Department of Agriculture (DA) for agriculture and fisheries, Department of Environment and Natural Resources (DENR) for ancestral domain, Department of Labor

and Employment (DOLE) for workers' welfare, Department of Finance (DOF) and Land Bank of the Philippines (LBP) for credit, DOF and DOLE for livelihood, Department of Social Welfare and Development (DSWD) for CIDSS, and Department of the Interior and Local Government (DILG) for institution building and governance.

The comprehensive plan stressed commitment to reduce poverty and was able to channel the efforts of the different departments to prioritize poverty alleviation. For instance, the health department conducted its own training program for both national and local health implementors to be able to see the consistency of sectoral health policies and health requirements tucked in under the SRA.

The SRA was institutionalized before the end of the Ramos Administration and was enshrined through Republic Act No. 8425 on 19 July 1997. It was also able to forge other innovative approaches to governance, which can be regarded as contributions to the governance of poverty.

Following the term of President Ramos was the brief stint of President Estrada. The tradition of comprehensive planning was sustained by the Estrada Administration, although the program was officially launched two years after he assumed office, and close to his impeachment trial and eventual ouster. The *Erap Para sa Mahihirap* Program which was dubbed as National Anti-Poverty Action Agenda (NAAA) was officially launched in mid-2000, demonstrating the Administration's commitment to poverty alleviation, the very platform that made President Estrada a very popular candidate. Essentially, the NAAA took many of the features of the SRA, although labeled and packaged differently. All the nine programs were sustained, with the addition of a 10<sup>th</sup> program—infrastructure development.

As the NAAA was being crafted, the different flagship programs in SRA continued to be implemented, although a parallel program was initiated by the Administration immediately after President Estrada took office, making it his centerpiece program for poverty. This was the *Lingap Para sa Mahihirap* Program.

The *Lingap Para sa Mahihirap* Program was implemented ahead of the NAAA. This aimed to deliver basic services to 100 poor families in clusters of 20-25 families identified from poorest barangays. *Lingap* offered a package of services to target beneficiaries such as health, livelihood development, socialized housing, water, protective service for children and youth, and price support for rice and corn. Some of the weaknesses in the way the Estrada Administration managed poverty alleviation will be cited in a later section.

When Gloria Macapagal Arroyo became President, a new program was packaged to signify her commitment to poverty alleviation. This program is

now dubbed as *Kapit Bisig Laban sa Kahirapan (KALAHI)*. It basically retains many of the features of the SRA, but aims to improve on some of them that were considered weak. It seeks to ensure that the different flagship programs can be delivered in a convergent way to the different target areas. Thus, it hopes to vigorously advocate asset reform and social services to meld effectively, which the SRA failed to do. Furthermore, KALAHI also aspires to provide immediate service to those affected by economic shocks and disasters, an agenda which was not expediently undertaken in the SRA.

Thus, under the last three presidential administrations, there has been a consistent pattern to view poverty as multisectoral in nature that necessitates the formulation of plans through a convergent process. Working on plans as a team can thresh out duplication and therefore avoid waste resulting from overlapping courses of actions. In other words, convergent planning maximizes utilization of resources. Working as a team can also determine mechanisms for partnership which could not be resolved if institutions work in a sectoral manner. Furthermore, exchange of views can facilitate the diffusion of new ideas to broaden the outlook of cooperating institutions.

*Structural Innovation: A Shift from Sectoral to Intersectoral Structure in Poverty Alleviation*

Making possible the convergent planning process was done with the formation of an interagency body, then called the "Social Reform Council," but now consolidated under the National Anti-Poverty Commission (NAPC). Subsumed under the NAPC were the Presidential Commission to Fight Poverty (PCFP) and the Presidential Council for Countryside Development (PCCD). SRC then was coordinated by the Flagship Champion for Agrarian Reform and its members comprised the different heads of departments engaged in social reform. The SRC met regularly to thresh out key policies and implementation problems.

Technically speaking, the establishment of the SRC was parallel to the logic behind the creation of various coordinative bodies. However, it was the first time that efforts for poverty alleviation had been consolidated under a council as other poverty coordinative bodies were already operating. Other bodies, which targeted particular sectors only such as the PCCD which catered to the rural poor, were later subsumed under the NAPC.

Presently, two other bodies, namely, the Presidential Council for Sustainable Development(PCSD) and the Presidential Commission for the Urban Poor (PCUP) are still operational. The first caters to the rural poor; the second focuses on the urban poor.

The PCFP existed then also to serve the poor and the marginalized, and to be able to integrate the social and economic requirements of the poor, although it was SRC that was tasked to oversee the overall implementation of the SRA. PCFP's key role was to formulate a strategy paper for poverty alleviation and it took the initiative to introduce innovative strategies as formulated by different institutions. PCFP paved the way for their inclusion in the crafting of the SRA.

A significant innovation in the creation of the NAPC is the recognition of two parallel structures as constituents of the NAPC, the government sector and civil society. The head of each sector is called a Vice Chair with both sectors being headed by a Chair or Lead Convenor, a Cabinet member.

The basic sector is composed of commissioners from 12 special concern groups often left out in development processes: (1) women, (2) children, (3) youth and students, (4) persons with disabilities, (5) victims of disasters and calamities, (6) urban poor, (7) senior citizens, (8) farmers, (9) fisherfolk, (10) indigenous peoples, (11) informal labor, and (12) formal labor.

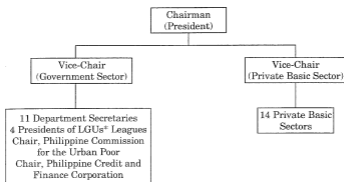
Two other groups represented in basic sector are the nongovernment organizations (NGOs) and cooperatives. However, these two groups should be considered as support groups, rather than as marginalized sectors.

On the part of the government sector, NAPC now includes the participation of the different leagues of local government units (LGUs) since the implementation of programs and projects takes place at the local level. While there was formal recognition of the role of LGUs in poverty alleviation by the SRC, with no less than President Ramos conducting advocacy meetings to harness their commitments, the role of LGUs is institutionalized through Republic Act No. 8425. Support departments, like the Department of Budget and Management (DBM) and National Economic and Development Authority (NEDA), are also included in the NAPC (see Figure 1).

At the local level, representations from the basic sectors and national government were to constitute social reform councils, and lately, were labeled as poverty councils. However, the active participation of the different basic sectors still has to be strengthened at the local level.

In specific flagship programs like the CIDSS, the active engagement of the different NGOs can be witnessed in technical working groups, signifying the realization of the convergence principle in the structure of particular programs and projects embodied in the SRA.



**Figure 1. The NAPC Organizational Structure**

\*Local Government Units

Source: <http://www.napc.gov.ph/napc-structure.htm>

*Mobilization of the Poor: From Serving as Venue for Implementing Sectoral Projects to Self-Determination of Projects*

Community mobilization has a long tradition in the field of social development, particularly in social welfare and health. For instance, community initiative for self-reliant development had been forged even as far back as the Marcos Administration. When the Alma Ata Conference in Russia declared primary health care as a strategy in the second decade of the 1970s, the Philippines was the first to embrace the approach on a nationwide basis. Thus, the principle of community participation has had a long gestation process. However, the previous efforts to undertake the participatory approach were quite limited in character because mobilization of the community mainly proceeded to harness the community's acceptance of packaged programs and projects. Thus, community mobilization was basically undertaken to ensure that its residents accepted sectoral projects advocated by national departments. In a sense, this was a limited form of mobilization as community groups were mainly organized as the object in a utilitarian way.

*MBN Approach.* The introduction of the Minimum Basic Needs (MBN) Approach propagated by SRA and officially disseminated by the CIDSS, applies the principle of self-determination as the people's organizations (POs) are made to assist in making key decisions, such as the selection of projects from a menu of projects that are responsive to their needs. Apart from their major role in planning, POs are motivated to take active part in the other cycles of management such as situation analysis, implementation, and

monitoring and evaluation at the local level, where there are poverty alleviation programs. Citizen groups are expected to interface in:

- gathering data on their situation
- validating the data gathered concerning their situation
- determining common problems and needs shared in the neighborhood
- identifying projects to address the neighborhood's specific needs, and
- determining who should be prioritized in the provision of services.

Thus, community organizing under the MBN approach revolutionized the concept of community participation. At the national level, the CIDSS serves as the official delivery mechanism of the approach. Through the program, CIDSS workers are deployed to mobilize the communities in forming groups for active interface in the different phases of management.

Under the Ramos Administration, advocacy of the approach was also made to LGUs to ensure that even if localities are not included in prioritization in CIDSS, they would be able to invest their time in preparing the communities to interface in local development process. Presidential advocacy of the methodology was lacking under the Estrada Administration. It was the CIDSS management that proceeded to implement the methodology single handedly. The Estrada leadership took time in deciding whether the methodology should be forged with local LGUs, a task the Ramos Administration had taken on with more passion.

*KALAHI-CIDSS.* Under the Arroyo Administration, there is a move to expand the areas of coverage of CIDSS by merging it with the *KALAHI* Program. It claims to strengthen the principle of participatory governance by adopting some of the elements of a successful program in Indonesia, the *Kecamatan* Development Program funded by the World Bank.

The mode of participation in the *KALAHI-CIDSS* starts with the formation of a "*barangay* representation team" that will represent the *barangay* in a municipal meeting. In this meeting, the participants will develop criteria, sanctions and ground rules for the determination of the project that will be selected, implemented and monitored (DSWD 2002). A separate team from the *barangay* will be constituted and be responsible for drawing up the list of priority projects to respond to local problems. These could range from socioeconomic to infrastructure projects. Two proposals will be submitted by the "barangay proposal team" and drawn from the concerns of marginalized groups.

An *interbarangay* competition will be conducted in a municipal meeting where the *barangay* representatives will decide on the ranking of priority projects for the entire municipality. This meeting will be presided by the local

chief executive. Thus, the choice of projects is based on an open menu, unlike in CIDSS where a menu of projects is provided from which community groups can select projects to be funded by the CIDSS management. The projects which are identified with the help of the MBN information system are meant to respond to community problems. Thus, in KALAH-CIDSS areas, it cannot be assured that cross-comparisons could be made of the different LGUs, as the indicators for assessing quality of life have not been indicated. In KALAH-CIDSS areas, gathering of data is undertaken through paid workers rather than volunteers. Thus, sustainability of data gathering cannot be assured once the program phases out.

To ensure that community members are adequately prepared for their role, community preparation is undertaken with the assistance of a facilitator who will motivate the community, similar to CIDSS.

#### *Incorporating Social Dimension in the Macro-Level Assessment of Poverty*

One of the important developments in the last decade is the inclusion of social indicators in the assessment of poverty. This has supplemented the assessment of poverty by the National Statistics Office (NSO), officially released every three years by the NSCB after conducting a Family Income and Expenditures Survey (FIES). The FIES utilizes monetary requirement to fulfill the minimum nutritional needs of 2000 calories and other basic needs of every Filipino. Poverty is indicated by the percentage of the population who fall below an income threshold to satisfy these needs (Monsod and Monsod 1999: 53).

Through the inspiration of the UNDP and after having released the *Human Development Report* annually since 1990, a maiden issue of the *Philippine Human Development Report* was launched in 1994 by a Filipino-run nongovernment organization, the Human Development Network (HDN). The HDN is composed of academicians, researchers and practitioners committed to the improvement of quality of life. The HDN adopted the indicators propagated by the UNDP for the Human Development Index (HDI).

The HDI uses three criteria for assessment: income, education and health. Simple indicators are used to provide a profile of the quality of life, using a scale of 0-1 with 1 indicating high quality of life. Health is indicated by life expectancy, knowledge by functional literacy, and standard of living by real per capita income.

HDI of the Philippines places the country in the middle range position (scores of .502-.798) with a rating of .749 and ranking number 70 out of 162 countries (UNDP 2001). In 1992, the Philippines' rank was 99 with a score of .621 (UNDP 1994).

The data derived from HDI depict the performance of the different provinces and became the basis for giving recognition to top performers. In the 2002 *Philippine Human Development Report*, the top ranking provinces which were honored were: Rizal, Ilocos Norte, Bataan, Cavite, Laguna, Benguet, Bulacan, Misamis Oriental, Iloilo, and Pampanga.

The contribution of the HDI is to show the social situation of the poor which income-based statistics cannot demonstrate. This has also made local officials more conscious of the need to focus on development, balancing both economic and social development requirements.

Other measures were developed by UNDP such as the Gender Development Index (GDI) and the Gender Empowerment Measure (GEM) (Monsod and Monsod 1999). GDI is the HDI adjusted for gender inequality. A country without any gender disparity in basic human development would have its GDI equal to its HDI. On the other hand, GEM indicates whether or not women are able to actively participate in economic and political life. This shows gender inequality in key areas of economic and political participation in decisionmaking. These measures had been reflected consistently in previous *Philippine Human Development Reports*.

There is also the Annual Poverty Indicator System (APIS) conducted by the NSO. This was conducted twice—under the Ramos Administration (1998) and under the Estrada Administration (1999). This covered a total of 41,000 sample households in 1999. This was in keeping with the UNDP argument of formulating an integrated indicator system. It was able to present government performance on poverty alleviation which could be used for policy formulation and planning (NSO 2000). The APIS utilized two data sets. The first drew from the MBN Indicator Monitoring System, a set of data officially adopted by the PCFP and propagated in the SRA. Some selected indicators numbering 14 in all from a total of 33 MBN indicators were adopted in the national survey. Other poverty correlates were also included like a question on the extent of use of government programs for housing, scholarships for education and credit.

An indicator launched in August 2002 was the Quality of Life Index (QLI), developed by an NGO, the Action for Economic Reform. The QLI was patterned after the UNDP's capability-based measure as it focused more on outcome indicators, not merely as means to achieve development goals (Raya 2002: 103-104). Three indicators were adopted to assess QLI: capability for health and safe reproduction (measured by births attended by trained personnel); capability to be well-nourished (measured by under-five nutrition status); and capability to be educated and knowledgeable (as measured by elementary cohort survival rate). Profiles of regions and provinces on QLI were presented during the launching of Social Watch Philippines.

Another type of assessment which has gained national prominence in the last decade are the perceptual studies conducted by the Social Weather Station (SWS) under the leadership of Dr. Mahar Mangahas. Quick surveys are done to trace changes in the personal assessment by sampled respondents on whether or not they are poor and the cut-off mark of poverty from their point of view. The subjective assessment to demonstrate poverty provides an alternative to the objective indicators used in HDI and NSO. Oftentimes, the extent of poverty is higher in the self-ratings reported by SWS and could constitute a big pressure group that could demand response from the government, over and above what is reflected in the Family Income and Expenditures Survey.

As of April 1997, self-rating on poverty yielded 58 percent, which was definitely higher than the 31.8 percent of population who were poor according to the NSO survey. This self-rating even rose to 65 percent when the Estrada Administration was encountering a crisis (Social Weather Station 1998). By 2001, this declined to 60 percent but is still higher than the poverty situation as shown by the NSO (Javellana 2001).

#### *Measurement of Poverty for and by the Community*

An innovation in the last decade was the formulation of indicators in order to ascertain quality of life. This initially started with a sectoral bias on the part of government and NGOs. Many of these indicators, which were documented by Reyes and Alba (1994), were observed to have been used for planning at the *barangay* level. Furthermore, community volunteers were often harnessed in order to collect data. However, there were varying degrees by which POs were tapped in the local planning process. The initial intention was not to ascertain poverty but nevertheless, it had an impact on the poor since the most vulnerable were the ones targeted in service delivery. From the sectoral bias, these indicators blossomed into an intersectoral focus in the latter part of the 1990s.

*Sectoral Approach.* One of the sectoral approaches in community-based monitoring is exemplified by the Community-based Child Monitoring System spearheaded by the NSCB in 1991 and pilot-tested in four of the seven provinces under the UNICEF-supported program, the Area-based Child Survival Development Program. There were indicators collected on an annual basis pertinent to health, income, and water and toilet facilities. Others were collected on a quarterly basis pertinent to births and deaths of women and children, and immunization (Reyes and Alba 1994). This system was a clear example where community volunteers were harnessed to serve as monitors. Villagers were motivated to act on their respective problems. However, mobilization of POs for active interface in local planning was not apparent.

As a sectoral endeavor, one of the examples that could be cited for applying community mobilization is the setting up of community health databoards. This is the Community Health through Integrated Local Health Development (CHILD). Started in Davao City, CHILD monitored the health situation in the localities until this became a commitment for the entire region. The implementing body was composed of the Development People's Foundation (an NGO), the Department of Health, the National Economic and Development Authority, the Davao Medical School Foundation, and the LGUs of Region XI. The community-based information system was under the supervision of the Institute of Primary Health Care of the Davao Medical School Foundation (DOH 1994: 5).

In a manual to propagate the health databoard, it is noticeable that setting up the system is a task that draws the assistance of community volunteers, especially the *Barangay* Health Workers. Indicators adopted were on immunization, pre-natal care, family planning, nutrition, water, garbage disposal, and disposal of excreta. This was done on a quarterly basis. A community could add to the above listed public health concerns, such as the inclusion of vegetable gardening and smoking in Central Mindanao.

There were household datacards which were normally set up and pinned on each household. This could readily indicate the presence of endemic diseases in a *purok* or *barangay*. Some barangays, like New Corella in Davao Province and Magsaysay in Davao del Sur, even used colored symbols like stars, half moon, triangles and circles to indicate the presence of malaria, schistosomiasis, goiter and leprosy in a certain household (DOH 1994). A community spot map was normally set up, with databoards per family located on the map. Other features were depicted in the community spot map such as waterways, rice/corn fields, public service infrastructure and boundaries of each *purok*.

Thus, it was essential for social preparation to take place with the initiator inspiring community members to take part in gathering information and utilizing them for personal action and for local leaders to use the information for local planning process.

*Convergent/Intersectoral Approach.* One of the first attempts to formulate an intersectoral set of indicators was the Integrated Rural Accessibility Planning (IRAP) Project of the DILG together with the International Labor Organization in 1992. The IRAP Project primarily aimed at addressing the problems of poverty because of the isolation of the rural population from the mainstream of economic activity and their lack of access to economic and social services (Reyes and Alba 1994). The IRAP Project is operational until now and coordinates its efforts with NAPC.

IRAP collects data on facilities and resources among a broad range of indicators, such as, economic, social and psychological. The indicators pertain to the availability of resources and services in the *barangay*, namely: water, fuel, education, agricultural inputs/outputs, roads, transportation, markets and health. The data are mainly sourced from key informant interviews and are criticized for possibility of inaccurate results (Reyes 2002). Key respondents are the *barangay* chairman, teacher and *barangay* health workers. These data are usually processed by the Bureau of Local Government of the DILG with the assistance of technical people in a province (Reyes 2002). IRAP is also being advocated to LGUs, NGOs and the donor community for them to determine the services and facilities that are needed in their planning process. Some new features of the IRAP that were implemented in 2000 consisted of gender disaggregation of population and people's perceptions of *barangay* accessibility problems. However, these are better answered in household information system such as MBN together with other information requirements like number of school-age children at the elementary and secondary levels, and water supply.

Another example is the UNICEF-sponsored Urban Basic Services Program (UBSP) undertaken in 1994-1998 in the Philippines. This program was actually anchored on the government's overall approach to reducing poverty by promoting convergence efforts in addressing the plight of children, women, families and communities (Reyes and Alba 1994: 29). This covered 14 cities and 13 municipalities. Indicators collected were community-specific and covered such programs as health and nutrition, water and environmental sanitation, education, livelihood, family planning, housing and land tenure, and services for street children. UBSP invested efforts in community organizing. However, in an assessment of the UBSP's operationalization, it was noted that the community depended on the help of NGOs to secure resources from the government and international donors, indicating the weak role of POs in making decisions and in local planning process (Reyes and Alba 1994).

Another intersectoral effort in determining the status of poverty in the community is the MBN Information System, which was crafted as the core approach in the SRA, with the CIDSS being the banner program which propagates it. However, under the Ramos Administration, there was an effort to advocate it outside of the SRA target areas. Thus, the coverage of MBN was even broader than what was covered in UBSP, although the latter was one of those that inspired the formulation of the community-based information system, together with the seminal ideas on community health databoards in Region XI. This is still being implemented at present and enforced through legislation passed in 1997, the Social Reform and Poverty Alleviation Act.

The MBN is a community-based information system whose key advocates cross various departments in the social development sector. Unlike the health

databoard, the MBN information system captures intersectoral needs of the community—economic, social and development administration. Three basic needs are assessed, namely, survival, security and enabling needs.

Survival needs include food, health, clothing, water and sanitation. Security needs pertain to shelter, peace and order/public safety, income and livelihood. Enabling needs equip the community with basic tools to access survival and security needs. These are basic education and literacy, people's participation in community development, family care and psychosocial care.

A total of 33 indicators had been formulated to measure these different needs. These indicators were identified through multisectoral fora in regional consultations involving local officials, NGOs, and technical experts from the national and local governments.

The indicators were advocated for adoption in SRA and non-SRA areas during the Ramos Administration to serve as baseline data on the status of the different *barangays'* quality of life and as springboard for planning process. MBN data were used in these areas by barangay development councils to guide them in defining appropriate projects. Specific projects were designed on the basis of the effort of different sectors of government at the national and local levels, cutting across health, social welfare, education and even agriculture. The application of MBN was sustained under the Estrada and Arroyo Administrations, but mainly in CIDSS areas with the exception of some LGUs which took the initiative to apply the technology on their own.

An important feature of the MBN approach is the inclusion of NGOs and POs in gathering information and in the other cycles of management. As MBN advocates the participatory approach in gathering information and in planning, the projects selected technically originate from the active involvement of the community.

A variant of the MBN indicators is the Community-based Poverty Indicator Monitoring System (CBPIMS) which actually attempted to improve on the process for gathering information since MBN adopts the household as the unit of analysis—simply determining whether or not a household has achieved an indicator. CBPIMS improves on the system by taking an actual count of the number of persons affected by a particular need. It also separates indicators which are sensitive and may not obtain truthful answers from households' members, such as in cases of family members victimized by crime against person and property. Started in 1997, the CBMIS was jointly implemented in six pilot provinces by NEDA and NSO, with assistance from UNDP.



*Targeting the Poor: From Sectoral to Convergent Mode  
and From Area to Family/Individual Focus*

*Sectoral Approach.* Targeting the poor started with a bias for the sectoral concerns of agencies—by formulating indicators as the basis for the identification of areas that will be prioritized by the agency. For instance, in the area of health, one of the programs that could be considered pro-poor is the Partnership for Community Health Development which started in 1990. This program was piloted in Camarines Sur, Negros Occidental, Eastern Samar and Surigao del Norte (Bautista 1991: 22). The selection of *barangays* targeted in these provinces hinged on criteria such as magnitude of poverty, peripheral areas that often had poor access to services, high incidence of illnesses, and inaccessibility to other resources like transportation and electricity.

In 1997, the Department of Education, Culture and Sports (DECS) considered poverty incidence as the chief basis for resource allocation in its capital outlay through Republic Act 7880 (An Act Providing for the Fair and Equitable Allocation of the DECS Budget for Capital Outlay) (Balisacan et al. 2000: 46). Other criteria were also included as bases for the allocation such as student-population ratio and classroom shortage. Area selection is the basis for the identification of beneficiaries of the resources. Beneficiaries apply to a universal group of persons who have personally chosen to utilize the facility in the locality. No explicit statement is made with regard to the specific qualifications of target beneficiaries although this could imply access of less deprived children.

In the early nineties, DECS started to offer free secondary education in private schools through the Educational Service Contracting (Bautista 1991: 26). This system allowed students who could not afford to be absorbed in public schools to enroll in private schools as long as the monthly income of their parents did not exceed P3000. In this particular instance, targeting of individuals was applied.

In the nutrition program, special effort was exerted to target the poor both as areas and individuals through the LAKASS Program which started in 1989 (Bautista 1997: 29-30). This was undertaken in 266 *barangays* in 125 nutritionally depressed municipalities in 36 provinces. Areas were selected on the basis of income and severity of malnutrition among preschoolers. At the barangay level, 20 malnourished preschoolers from poorest families were prioritized.

In social welfare, DSWD implemented for the first time in 1994 the strategy of focused targeting (Bautista 1997: 30). Three *barangays* were selected in each municipality using the criteria of poverty incidence, percentage of malnourished children, prevalence of social problems, poor access to safe water supply, inaccessibility of the area and occurrence of

calamity. With the assistance of community volunteers, two hundred families were identified from a community survey using socioeconomic indicators.

*Integrated Approach.* An integrated approach to poverty determination was started by the DSWD in its Social Welfare and Community Development Indicator System (SWCDIS) (PCFP 1998). This was undertaken in collaboration with the NSCB in 1991. Included in the system were indicators of income and livelihood, health, food and nutrition, clothing, water and sanitation, housing and shelter, peace and order/public safety, basic education and literacy, psychosocial/family care, and participation and community life (Reyes and Alba 1994). SWCDIS had a total of 30 indicators. The SWCDIS was a product of interagency effort. It had different agencies that were actually involved in the delivery of social services and monitoring of the poor.

The operational framework of the SWCDIS consisted of a network of agencies and institutions at the national and local government levels and generated annual situation reports and databases at the various administrative levels. A deficiency of the SWCDIS was the selection of economically and socially disadvantaged population using income (Reyes and Alba 1994: 32). The indicators were mainly applied in order to ascertain quality of life indicators at the national and local levels. The SWCDIS inspired the indicators and the format embodied in the formulation of the MBN Monitoring Form.

Another example is the Integrated Approach to Local Development Management (IALDM). It served as the forerunner of the MBN approach applied in CIDSS and in other LGUs through separate advocacy of the DILG and PCFP. IALDM started to consider a set of socioeconomic indicators applied to the lowest level of the *barangay* and served as a tool for identification of women and children, the key beneficiaries of the program who fail to manifest the indicators depicting quality of life. The program was implemented by social development departments and tapped the participation of local government implementors, civil society and POs. This was the basic principle applied in the implementation of the MBN approach.

The target provinces of the SRA were identified using indicators to reflect deprivation (PCFP 1994: 21). A total of eight indicators was adopted to measure this: (1) number of families below the official poverty line, (2) poverty incidence of the province, (3) infant mortality rates, (4) malnutrition rates, (5) cohort survival rates, (6) adult illiteracy rates, (7) proportion of households without access to safe water, and (8) proportion of households without access to sanitary toilets.

Areas selected for CIDSS were the three poorest *barangays* in 5<sup>th</sup> and 6<sup>th</sup> class municipalities in each of the 20 provinces, and these have been expanded to date to all 5<sup>th</sup> and 6<sup>th</sup> class municipalities. Focused targeting of *barangays*

applied these indicators: (1) high poverty incidence, (2) presence of low-income groups, (3) willingness of local groups to undertake CIDSS, (4) stable peace and order situation, (5) presence of development agencies and other support institutions providing assistance in the area, and (6) accessibility (DSWD undated: 23). Technically speaking, prioritizing areas which are accessible, have stable peace and order situation, and with more development agencies, tends to marginalize localities which do not have these amenities and where poor people could be located. Thus, the issue of equity could not be fully addressed. On the other hand, CIDSS entails mobilization of various groups before poverty projects could be undertaken, and therefore necessitates presence of agencies which could be tapped for participation in the context of a stable environment.

Families and individuals, in turn, are identified based on the MBN indicators. The presence of community data on the 33 indicators enables prioritization using objective data.

In the case of the KALAHI-CIDSS Project being finalized under the Arroyo Administration, the Project Document defines the process for selection of the beneficiaries to hinge on the criteria to be adopted by an interbarangay team in a municipal meeting to be presided by the mayor (DSWD 2002). The team is to be drawn from the *barangay* representation team of about three officers, selected through an electoral process in a *barangay* assembly. Hence, the indicators to be adopted to determine who will be targeted could vary from one LGU to another as this will depend on the agreements of the municipal team. A modified type of MBN will be adopted for households, drawn from profiling of households and assessment of facilities like roads and infrastructures. This could be used for program planning.

The municipality, in turn, is chosen on the basis of level of deprivation, willingness and capacity to contribute to the project (counterpart/cost-sharing), and presence and willingness of other stakeholders (i.e., civil society and media) to participate in the project. The municipalities will be chosen from the top ranking 40 provinces in terms of poverty incidence through a committee composed of the DSWD, local chief executives, congressional district offices, NGOs, local churches, local learning institutions, and representatives of regional development councils and national government agencies (DSWD 2002: vi).

The Project will cover 5,378 *barangays* in 193 municipalities in 40 priority provinces. All *barangays* in the participating municipalities will be covered unlike CIDSS whose area of coverage included only three *barangays* in all fifth and sixth class municipalities.

*Setting up Community Information System  
with Assistance of Community Volunteers*

One of the important innovations in the last decade is the mobilization of volunteers who will take part in setting up a community information system. This was seen in the case of the health databoards in Region XI and in the MBN information system under the SRA sustained through CIDSS. Health databoards reflect information concerning the status of the community residents and are made available to the public. Some localities also resort to spot maps which plot the location of families, indicating the status on selected indicators, normally the top ranking problems.

Gathering of data by volunteers about the status of the community has been helpful not only to the program or project implementors, but also to the people themselves. The people are made aware of their situation and thereafter are motivated to do something about their problem. It is also an opportunity to foster team effort after being made aware of the overall situation in the community. On the other hand, the implementors are able to readily spot the key problems requiring immediate attention and facilitate service delivery. Having objective data prevents personal bias in the selection of projects and target beneficiaries.

Harnessing volunteers is not only helpful in generating resource support but also in fostering a sense of empowerment among the data collectors. Knowing the information about the community motivates those who gather information to take an active role in resolving their own problems.

*Implementation of National Poverty Programs  
in Partnership with LGUs*

In many programs undertaken by national government agencies, the role of the LGUs has been considered in managing programs. For instance, sectoral projects in health like the Partnership for Community Development had in mind developing alliances with LGUs for the formulation of plans and implementation of projects in health, after undergoing the capability building activities.

An integrated program like CIDSS took pains to build up the capacities of local implementors and chief executives on the principle and essence of participatory approach, focused targeting, convergence and the importance of applying the MBN information system. While national resources have been set aside to assist in the implementation of projects, local investments are motivated to implement programs and projects, with the ultimate aim of localizing the processes.

This is also the plan for KALAHI-CIDSS as the investment in localities will be made in areas where there is willingness of LGUs to take an active role in pooling their own resources for poverty alleviation.

In keeping with devolution, LGUs willing to participate in the program are the ones included, after some criteria for targeting are met. This could further push other LGUs that are not willing to participate from further marginalization.

### **Advocating Poverty Bias Through the Local Poverty Reduction Alleviation Plan**

While the Local Government Code of 1991 has not been explicit in targeting the poor for basic services delivery, directives issued by the DILG to undertake programs for poverty reduction signify the commitment of the national office to broaden the responsibility for alleviation to include LGUs. Two memorandum circulars were issued in 2001 (No. 2001-105 on 13 August and No. 2001-109 on 21 August) for this purpose. The first enjoined all local government executives to designate a Local Poverty Reduction Action Officer (LPRAO), who shall take charge of the formulation and implementation of a local poverty reduction agenda, among others. The second directive called on all local chief executives to undertake local programs on poverty reduction (DILG 2002). It mandated the conduct of an inventory of the poorest families; the identification of local needs in such areas as food, shelter, employment and education; and the mobilization of external and internal sources of assistance to implement the local poverty reduction. It reiterated the need to appoint LPRAOs at the provincial, city and municipal levels.

A guidebook has been prepared for the formulation of a Local Poverty Alleviation Plan through the initiative of the DILG. This hopes to assist LGUs in the formulation of their respective poverty plans (DILG, NAPC, NEDA and UNDP 2002). In mid-2003, President Arroyo launched this Guidebook, which embodies the Local Poverty Indicator Monitoring System (LPIMS) that will be advocated for adoption by the LGUs. LPIMS combines some features of the MBN and CBPIMS. While the indicators drew from MBN, the LPIMS has a compressed version as only 13 indicators are embodied in it. It also took some features of CBPIMS such as the unit of analysis which is not the family, but every member of the family. However, it removed the indicator on people participation in governance monitored in MBN and CBPIMS.

#### *Resource Disaggregation*

One of the innovations in financial management under the Ramos Administration was the disaggregating of funds in SRA investments at the

*barangay* level. This mechanism enabled the determination of the contribution of the national government, LGUs, NGOs and POs. The contribution of each level of local government was even sorted out in this program. Through the so-called Resource Tracking Mechanism, the level of contribution of each stakeholder to the poverty alleviation program in the *barangay* was traced and monitored. Administrative Order No. 291 mandated all national agencies, government-owned and -controlled corporations, and LGUs to adopt the general guidelines to track down resources committed to the program. This entailed a process of monitoring the allocation and utilization of all resources committed to the program (PCFP 1998: 24).

### *Interface of Private Sector*

One of the important developments in the last five years is the contribution of the private sector to poverty alleviation. On the occasion of Corporate Social Responsibility Week celebrated on 1-8 July 2002, it was reported that the business sector contributed ₱7.6 billion for poverty reduction which was mainly channeled to basic human development services, livelihood or income generation, and asset reform (Reyes 2002: G-1). This averaged ₱1.52 billion per year (Reyes and del Valle 1998: 22).

In the recently concluded forum on Corporate Social Responsibility, the League of Corporate Foundations composed of 55 business foundations, pledged to commit ₱1.3 billion to projects and activities on livelihood and employment generation for the next two years. It is noticeable that this pledge is half the amount committed in the previous years.

Some of the foundations with concrete agenda for poverty reduction featured in *Philippine Star* on 8 July 2002 were the following:

- The Petron Foundation, which assists in education program for out-of-school youth, building schools and skills training for children.
- The Ayala Foundation, which targets the youth by bringing together potential leaders from the youth who excel in science and information and communications technology. It also gives financial support for promoting clean and potable water for the poor.
- The Aboitiz Group Foundation, which invests in education by offering scholarships to students who graduated with honors to enable them to proceed to higher education.

## Gaps

In spite of the gains in governance through the different programs in poverty alleviation, a downside can be witnessed in some instances.

### *Inconsistencies in Policies*

One weakness is the inconsistency in some policies that nullifies the gains of those which have contributed positively. A glaring example is the contradictory approach of the CIDSS vis-à-vis the flagship program in poverty alleviation of the Estrada Administration, *Lingap sa Mahirap* Program. *Lingap* was essentially a top-down mode in service delivery as the services were delivered to target beneficiaries as designed by those who conceptualized the program, rather than giving the communities the options to select from a list of services those services that are applicable to them. CIDSS is able to capitalize on the communities' role in defining what they consider as priority.

Governors had a critical role to play in identifying the depressed municipalities, while municipal and city mayors identified the *barangays* to be targeted. Apart from being considered as most depressed, the localities through their local chief executives should be able to demonstrate their willingness to provide infrastructure support to their poorest *barangay* and to guarantee loans for micro-finance operations of the poorest families (NAPC 1998).

Targeting the poor families did not include a provision for community mobilization to empower the beneficiaries as they were left with no choice in terms of the services delivered to them. Besides, there were no data gathered to ascertain the peculiar requirements of the family. Also, it was difficult to empower a community with only 20-25 families in each of the targeted *barangays* as they could not constitute a critical mass to mobilize other families in the locality to be actively involved in the poverty program. The families who were not included could have felt they had been left out or neglected arbitrarily as the process of selection was not visible to them, like in CIDSS.

### *Changing Name of Program with the Same Feature as a Previous One*

Another weakness is the tendency of each presidential administration to package or rename a program in poverty alleviation even if the content is similar to that of a previous one. Hence, so much time is invested in packaging a new program and so much relearning has to be done on the part of the implementors to determine the sentiment or preference of the new dispensation. Meanwhile, local implementors and the community are left in

limbo in terms of what to do with earlier gains and initiatives while a new platform is being designed. For instance, under the Ramos Administration, the SRA was designed to address poverty in consultation with different stakeholders from government and civil society. Consultations under the Estrada Administration also took place in order to form its own agenda, which was relabeled as "National Anti-Poverty Action Agenda." This Agenda was released two years after Estrada assumed office and was implemented at the time when President Estrada was on the way to being deposed. The Agenda actually just reiterated many of the gains of the SRA and was merely relabeled differently. The implication is that some of the approaches started in the SRA were put on hold, such as the advocacy for the MBN Approach which was started in other LGUs not covered by the CIDSS program. The Arroyo Administration also prepared its own platform and labeled it as KALAH I Program. This actually also mainly drew substantially from the SRA with some minor modifications.

#### *Poverty Focus in the Local Government Code as Sectoral in Character*

The commitment to poverty alleviation is not an integrated effort in the Local Government Code of 1991. Poverty is mainly a concern of those engaged in social welfare as the sector is expected to implement pro-poor projects including the uplift of such sectors as women, children, youth, elderly, disabled, vagrants, beggars, street children, scavengers, juvenile delinquents and victims of abuse. Other services which were devolved do not have clear mandates regarding the priority attention that should be given to the poor.

Many of the initiatives to combat poverty were undertaken by the national government, although those directly affected by the problem are based in the *barangay*. Thus, national programs to combat poverty had to take into consideration the mobilization of the LGUs to make sure that they assume a role in addressing the problem in a convergent manner. While localization of convergence is the intention of some poverty programs like CIDSS, sustaining the implementation of the management approach cannot be presumed to be continued by a subsequent local chief executive. Hence, capability building activities have to be considered by the national implementors to ensure that the CIDSS perspective is imbibed by incoming local chief executives. However, this perspective is not always considered in the social mobilization effort of incoming local chief executives.

Thus, it is important for the DILG to make a systematic effort to conduct capability building activities for local chief executives so that they are apprised about the nature of the problem of poverty and are able to develop commitment to address it at the local level. The capability building activities serve as a means to impart new management technology to address the problem. The move to appoint Local Poverty Reduction Action Officers in



municipalities, cities and provinces through a department order reinforces the significance of poverty alleviation. Furthermore, having a guidebook on formulation of a Local Poverty Alleviation Plan is another welcome development. However, there should be more teeth in the Local Government Code to ensure that the poor are given priority attention in the delivery of basic services, considering that resources are limited, rather than assume that the delivery of basic services should implement universal targeting in each LGU.

Differentiating prospective beneficiaries from those who can afford and pay for public services should be made to enable those with the capacity to pay shoulder fees of public services.

#### *Tracking Down Use of Resources*

In a multisectoral effort, it is important to track down how much each agency is investing for poverty alleviation. This can make the Administration aware if the commitment to poverty is being fulfilled. This can also provide information to the top national leadership to know if the goal to address the problem is translated to reality by ensuring that adequate resources match the demands.

Commitments to poverty alleviation can be monitored both for sectoral and multisectoral commitments. NAPC can track down how much each department or office of the national government is appropriating for poverty alleviation. While tracking the commitment of LGUs is a necessity, this would depend on the development of a perspective for targeting the poor and marginalized in local development planning process.

#### *Need to Monitor the Situation of Communities Nationwide, Not only in Program Areas*

Determining the situation of many *barangays* in terms of basic needs is still spotty. The lack of mandate to continue monitoring the situation in other LGUs fails to capture the extent of fulfillment of basic needs. The commitment to determine the *barangay's* overall situation came to a halt after the Ramos Administration. Thus, the comparative situation and impact on those subjected to MBN intervention could not be plotted, unless external evaluation comparing those with exposure to the MBN approach and those without is done.

Having each household, especially those with literate members, to fill up the monitoring form, is a step to ensure a big coverage in completing the information tool. This was the situation in Thailand in early nineties, after which the MBN information system was instituted.

### *Need to Advocate Community-based Indicators*

The emergence of several indicators to assess community status on level of deprivation is a healthy sign. It signifies the concern of many sectors to rationalize the process of assessing poverty. However, it is also important to reconcile these different indicators to avoid confusion among the LGUs, as well as to assist national policymakers in deciding the program areas that need to be prioritized.

The most urgent is advocacy of a community-based indicator in order to guide LGUs in their local planning and targeting processes. The LPIMS could be pushed more aggressively, although the indicator on participatory governance should be reinstated.

The LPIMS can also be reviewed together with the IRAP as the latter includes indicators pertaining to services. IRAP can primarily focus its attention on facilities which are necessary to meet basic needs, assessed by the LPIMS and MBN instruments.

### *Need to Strengthen the Organization of the Different Basic Sectors at the Local Level*

Another gap is the weak organization of the basic sectors in the different LGUs in ensuring that their concerns are represented and protected at the national and local levels. Having organized sectors in the local levels can ensure that their concerns can be voiced out in local planning bodies and other decisionmaking venues. Organized groups of basic sectors at the local level can serve as building blocks for participation at higher levels and widen the choice for engagement in the NAPC. Establishing a federation for each basic sector could facilitate the conduct of assemblies where representatives to the NAPC could be elected.

There is also a need to distinguish the group of marginalized, numbering 12 in the list of 14 basic sectors, from two others that can provide support function to poverty alleviation. These two are cooperatives and NGOs. They are actually lumped under basic sectors which are considered deprived and marginalized in the definition of Republic Act 8425. Technically speaking, they can be considered as separate entities under civil society.

### *Need to Thresh out Issues Concerning Engagement of Basic Sectors with Government and Other Sectors of Civil Society*

In an earlier paper (Bautista 2002: 155), issues were raised concerning the interface of basic sectors with government. One delves into the extent in

which the government through the NAPC can extend financial support to basic sector representatives. This could lead them to compromise their independence in decisionmaking. However, performing one's functions in the national and local coordinative bodies implies some costs in coordination and necessitates that basic sector representatives depend on their organizational affiliation for support if independence from government is to be assured.

Another issue that plagues the process of engagement is the parity in decisionmaking between government and basic sector representatives. To what extent are the views of the basic sectors heeded in their interface with government in the different coordinative bodies?

Furthermore, are basic sector representatives selected from their group or do NGOs concerned for their uplift represent them? There were instances when appointed commissioners who came from NGOs were concerned only with the uplift of particular sectors (Bautista 2002: 155). There is a need to ascertain that basic sectors represent their own sectoral concerns in the different coordinative bodies to ensure that their perspectives are the ones projected and not merely ventilated through an intermediary.

#### *Need to Widen Options for Civil Society Representation in the NAPC*

The group of NGOs, as a recognized basic sector, does not encompass the list of civil society organizations which can provide support in poverty alleviation. Other civil society organizations can also extend assistance to poverty alleviation, such as professional groups whose field of expertise could be tapped in addressing special concerns. There are also organizations of volunteers, some of which draw from community-based groups, like the Federation of Volunteer Health Workers.

The academic-research institutions can play a role in providing technical support and expertise. While representatives from these institutions have been tapped to provide inputs in research and technical assistance, they are not asked to serve as partners in decisionmaking process by according them the privilege of sitting as representatives in the coordinative bodies, such as the NAPC.

Some sectors of civil society could also be tapped to assist in the policy formulation process at the NAPC and in corresponding councils at the local level.

### *Need for Representation of Private Business Sector as Source of Support*

One of the unrepresented sectors in the NAPC is the private sector. Considering the magnitude of resources that can be raised by the sector to support poverty alleviation, organized groups of business enterprises such as the League of Corporate Foundations may be represented in government coordinative bodies in order for them to have a venue where they can help in addressing the problem of poverty in the country. It is important to synchronize the efforts of the private business sector with that of government to ensure that the priorities and targets converge on the same set of beneficiaries and program components and, thus, maximize the delivery of services.

There could also be areas where the private sector could assume the responsibility, where government or other sectors of civil society may be unable to do so. With decisionmaking being done in a convergent way, the gaps can be addressed by the private sector more meaningfully with the knowledge of the government and civil society groups. For instance, innovations in technology can be shared by the private business sector to facilitate aggregation of information from the different LGUs.

### *How to Steer LGUs Without Resources and Capabilities to Invest in Poverty Alleviation and Commit to this Undertaking*

While there is much care on the part of the national government to deal with LGUs which are willing to engage in and/or co-share in programs on poverty alleviation initiated by government, this could mean tapping LGUs which already have the capability in terms of resources and commitment to address poverty. This could therefore leave more marginalized LGUs which do not have the perspective for poverty alleviation and may not have the resources to invest in it. While it is the choice of LGUs to engage in basic services as a devolved responsibility, it is still a mandate of the national office to be more vigilant in conducting social mobilization activities to steer them in adopting a pro-poor commitment and in developing their capabilities for innovative mechanisms to deal with poverty. This mandate constitutes a big challenge for the national government.

### **Conclusion**

On the whole, remarkable achievements in confronting poverty have been demonstrated through the application of innovations to facilitate poverty alleviation in the country in the last ten years. The aforementioned innovations can be basically categorized as direct measures in governance as

they entail the application of strategies in order to improve the performance of management redounding to the benefit of the poor. The direct measures include the shift from sectoral to intersectoral process in planning for poverty alleviation; sectoral to intersectoral structure in overseeing poverty alleviation programs; harnessing the poor as targets for implementing projects towards making them assume a role in the determination of programs/projects; economic to socioeconomic dimensions in the measurement of poverty; government responsibility in measuring poverty to partnership with community in this activity; sectoral to convergent mode and area to family/individual mode in targeting the poor; macro-level information system to community-based information system; national responsibility in undertaking poverty programs to partnership with LGUs; and national to local role in poverty alleviation. Other innovations include clarity in budgetary commitments to poverty alleviation through budgetary disaggregation and interface with the private sector in poverty reduction.

In spite of these innovations, the challenge to improve management is still daunting. The need to scale up innovative strategies to ensure a wider impact of the different approaches remains a challenge. Governance of poverty alleviation can be enhanced through ensuring consistency in policies, sustaining programs that have been successful, ensuring focus on the poor in the Local Government Code as the actual implementation of programs takes place in LGUs, tracking down the utilization of resources for the poor to ensure that they are the ones who benefit from the resources, tracking down the use of resources for poverty, widening the coverage of community-based information system for rational decisionmaking, consolidating community-based indicators, strengthening the organization of the different basic sectors at the local level, threshing out issues concerning the engagement of basic sectors with government and other sectors of civil society, widening the options for civil society participation in the NAPC, providing mechanisms for representation of the private business sector as a source of support, and steering LGUs without resources and capabilities.

The biggest challenge is to harness the local chief executives in committing their efforts and resources to poverty alleviation and to steer them away from exploiting the poor for their own personal advantage through patronage politics. Since many of the basic services are devolved to them, the perspective of the local chief executives on whether or not they give priority attention to address the problems of the poor could affect the fate of poverty alleviation in the country. More importantly, imbibing the essence of participatory governance in poverty still has to be done on a wide scale basis so that mere provision of services to the poor is replaced with active participation of the poor in the different phases of governance, instead of waiting for dole outs. This could ensure sustainability of programs and projects and bring a greater sense of fulfillment and satisfaction among the people.

In broader parlance, the challenge to improve indirect measures in governance of poverty alleviation continues. Indirect measures refer to approaches that aim to improve general management that will redound to more resources for poverty alleviation. These indirect measures include:

1. *Reorganization*—This is the mechanism to deal with structures which entail consolidating, expanding, and/or dividing units to improve operation. This could also entail reducing the size of or shifting human resources to various units to match capabilities with jobs (Brillantes 2001).

2. *National and local relations*—In the Philippines, the shift from deconcentration to devolution has been made on the premise that development processes will be undertaken in a more responsive way, considering that local governments are closer to the communities that they directly supervise, unlike having the burden of responsibility being lodged in a national office or its field staff. Devolution also develops greater self-worth of local officials and the community because they are given greater responsibility to chart the courses of action in their geographic sphere. Furthermore, devolution enables the LGUs to tap indigenous resources and harness their potentials to the fullest, being in control of the situation they are in.

Thus, the potential of devolution in poverty alleviation needs to be closely examined to determine whether the quality of life of the poor has been improved. If this has not been achieved, more specific measures should be undertaken to harness more commitment on the part of LGUs to enhance their role in poverty alleviation.

3. *Improving operational processes*—This entails measures that simplify processes in the bureaucracy to facilitate the releases of papers, or measures to increase transparency, and to enable the public to readily access the services provided by the bureaucracy.

This is exemplified, for instance, by the resolve of President Arroyo to cut the number of steps in processing papers in institutions interfacing with the public. This reduction does not impact mainly on the poor but could redound to improved service delivery and more savings on resources.

Improving operational processes can also be undertaken with the end in view of reducing opportunities for corruption. The World Bank (WB) bewails the lackluster performance of the Philippines as indicated in its poor ranking in international corruption ratings in areas, such as, judicial system, public financial accountability and management, administration and the civil service (World Bank 2002: 16-17). The WB cautions that these weaknesses could affect the general climate for private sector investment, the fiscal position of the state, and the government's ability to deliver public services. In the

Transparency International Corruption Perception Index for 2001, the Philippines ranks 65<sup>th</sup> out of 91 countries.

While these are not complete listings of broad measures that could impact on governance, they could affect poverty alleviation efforts and should be closely examined for their success or failure in problem resolution.

### References

- Ballsacan, Arsenio M., Rosemarie G. Edillan, Alex B. Brillantes, Jr. and Dante B. Canlas  
2000 *Approaches to Targeting the Poor*. Quezon City: U.P. School of Economics.
- Bautista, Victoria A.  
2002 *Public-Private Partnership in Poverty Alleviation: The Case of CIDSS. Readings in Governance of Poverty Alleviation*. Quezon City: U.P. Office of the Vice Chancellor for Research and Development.  
1999 *Combating Poverty through the Comprehensive and Integrated Delivery of Social Services*. Quezon City: U.P. National College of Public Administration and Governance.  
1997 Trends and Patterns in Social Development Efforts of the Philippine Government. *A Reader in Philippine Social Development Administration*. In Victoria A. Bautista, ed. Quezon City: College of Public Administration, University of the Philippines.  
1991 *Tungo sa Kaunlarang Sosyal na Nakatutok sa Tao sa Rehimging Aquino. Occasional Paper No. 91-1. Tanggapan ng Palimbagan, Dalubhasaan ng Pangasiwaang Pangmadla, Pamantasan ng Pilipinas*.
- Bautista, Victoria A. and Lilibeth J. Juan  
2000 *Targeting and Assessing Performance: The Case of Davao del Norte*. A paper presented in Hongkong at the Eastern Regional Organization for Public Administration Conference, 4 October 2000 (together with Lilibeth J. Juan). Published in the *Asian Review of Public Administration*, XII (2). July-December.
- Brillantes, Alex Jr. B.  
2001 *Public Sector Reform and Poverty Reduction*. A paper read at the Conference on Poverty, Growth and the Role of Institutions. Asian Development Bank, 10-12 October.
- Department of Health  
1994 *The Health Databoards for Communities*. Manila: Department of Health, Health and Management Information System.
- Department of the Interior and Local Government, National Economic and Development Authority, National Anti-Poverty Commission, and United Nations Development Programme  
2002 *A Guidebook on Local Poverty Diagnosis and Planning*. Quezon City: Department of the Interior and Local Government.
- Department of Social Welfare and Development  
n. d. *Field Manual for CIDSS Program Implementors*. Quezon City: DSWD-CIDSS.

- 2002 KALAHI-CIDSS Project Documents. DSWD: Quezon City.
- Human Development Network  
2002 *Philippine Human Development Report*. Quezon City: Human Development Network.
- Javellana, Juliet L.  
2001 Fewer Poor but Life Worse, Says SWS Poll. *Philippine Daily Inquirer*, 19 December.
- Monsod, Solita C. and Toby C. Monsod  
1999 International and Intranational Comparisons of Philippine Poverty. In Arsenio Balisacan and Shigeaki Fujisaka, eds. *Causes of Poverty: Myths, Facts and Reality*. Quezon City: University of the Philippines Press.
- National Anti-Poverty Commission  
1999 Memorandum Circular No. 99-51: Identification of 100 Poorest Families, Guidelines for Implementation of *Lingap Para sa Mahihirap*.
- National Statistical Coordination Board  
2000 *Philippine Poverty Statistics*. Manila: National Statistical Coordination Board.
- National Statistics Office  
2001 Annual Poverty Indicators Survey October 1999. *Journal of Philippine Statistics*, 51 (2). Second Quarter.
- Presidential Commission to Fight Poverty  
1998 *Improving Our People's Lives Through Development and Democracy: The Ramos Administration's War Against Poverty*. Manila: Presidential Commission to Fight Poverty.  
1994 *A Strategy to Fight Poverty*. Manila: Presidential Commission to Fight Poverty.
- Raya, Rene  
2002 Alternative Measures of Poverty and Human Capability. *Social Watch Philippines*. Quezon City: Action for Economic Reform.
- Republic of the Philippines  
1991 *The Local Government Code of 1991*. Manila: Congress of the Republic of the Philippines.
- Reyes, Celia and Edwin del Valle  
2003 *Poverty Alleviation and Equity Promotion*. Discussion Paper Series No. 98-06. Makati: Philippine Institute for Development Studies.  
2002 *Diagnosing Poverty at the Local Level*. Quezon City: National Anti-Poverty Commission.
- Reyes, Celia and Isabelita Alba  
1994 *Assessment of Community-based Systems Monitoring Household Welfare*. Manila: Philippine Institute for Development Studies.
- Reyes, Mary Ann L.  
2004 League of Corporate Foundations: Moving Ahead in Poverty Reduction. *Philippine Star*, 8 July.



## Social Weather Stations

1999 Self-Rated Poverty of Poor Respondents: 1983-1998. Quezon City: Social Weather Stations.

## United Nations Development Programme

2001 *Human Development Report*. New York: Oxford University Press.

2000 *Overcoming Poverty*. New York: United Nations Development Programme.

1994 *Human Development Report*. Bombay: Oxford University Press.

## World Bank

2002 *Philippines Development Policy Review: An Opportunity for Renewed Poverty Reduction*. Report No: 23629-PH. Poverty Reduction and Economic Management Sector Unit, East Asia and Pacific Regional Office. 22 February.

# **Public Administration and Governance: How Do They Affect Government Efficiency and Effectiveness?**

PATRICIA A. STO. TOMAS AND JOEL V. MANGAHAS\*

*The pledge of a better and a more responsive government is not new in Philippine public administration. Improving government performance has always been in the agenda of every administration. Ironically, the results of their efforts fell short of expectations. The civil service continues to suffer from the stigma of a negative image as it is commonly described as inefficient, ineffective and corrupt. It is in this context that the initiatives of the public sector in promoting good governance such as the inclusion of good governance in the government agenda, providing organizational mechanisms for reforms, combating corruption, increased participation of the private sector and civil society and improving efficiency, effectiveness and economy are discussed. How the government adheres to the Asian Development Bank's key principles of sound development management—accountability, participation, predictability, and transparency and World Bank's six dimensions of governance—voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption is also looked into. Good governance requires honest-to-goodness transformation of the Philippine bureaucracy in a manner that it will be able to efficiently and effectively carry out its functions, while fostering an enabling environment for private sector building and meaningful partnership with the civil society.*

## **Introduction**

"Governance" is broadly defined as the "sound exercise of political, economic, and administrative authority to manage a country's resources for development" (UNDP 1997: ix). It involves the institutionalization of a system through which citizens, institutions, organizations, and groups in the society articulate their interests, exercise their rights, and mediate their

---

\*Chairman, Development Bank of the Philippines; and Professor and Director, Center for Policy and Executive Development, National College of Public Administration and Governance, University of the Philippines Diliman, respectively. This study was done as part of a bigger study supported by the Asian Development Bank with the research assistance of Armi Manuguid and Agnes Maria Nonog.

differences in pursuit of the collective good (ADB 1995). Governance encompasses not only the affairs of the government, but also emphasizes the proactive role of the private sector and the civil society in national development. Governance is not the sole province of government. Instead, its functions are delegated to or assumed by other institutions and organizations in the business sector and civil society (UNDP 1997). It is concerned with an ethical dimension in its focus on the exercise of power in an appropriate way. This concern means adhering to the key principles of sound development management—accountability, participation, predictability, and transparency (ADB 1995).

Accountability ensures that governments and public servants are responsible to the citizenry for the performance of the responsibilities given them. Promoting accountability involves establishing criteria to measure performance of public institutions and officials as well as institutionalizing mechanisms to meet work standards in all facets of public administration. Participation emphasizes the effective partnership between the government and the groups in public policymaking, program development, project management, and service delivery with the end in view of serving the public most effectively. Undertaking development for and by the people presents numerous benefits such as better policies and programs and more focused service delivery.

Predictability requires the fair and consistent application of laws, regulations, and policies to regulate society. It involves establishing and sustaining appropriate legal and institutional arrangements for observing and upholding the rule of law. Predictability also endeavors to maintain consistency of public policies to promote development. Transparency ensures the availability of information to the public and clarity about government rules, regulations, and decisions. It, therefore, ensures access to accurate and timely information about the economy and government policies. Table 1 shows the basic elements of governance, its key dimensions, and specific areas of action.

Good governance or sound development management is the missing link in the poverty reduction efforts of many developing countries. Poor public administration is the reason why many countries continue to remain underdeveloped; bad governance is the reason why broad economic intervention strategies are unable to “trickle down” and they remain unfelt by the masses of the people. The absence or lack of good governance is manifested by the persistence of chronic problems such as graft and corruption and related administrative problems of overregulation and red tape. Sound development management ensures the judicious and transparent use of public funds, encourages growth of the private sector, promotes effective delivery of public services, and helps uphold the rule of law (ADB 1995).

**Table 1. Basic Elements of Good Governance**

<i>Basic Elements of Good Governance</i>	<i>Key Dimensions</i>	<i>Specific Areas of Action</i>
<b>Accountability</b> means making public officials answerable for government behavior and responsive to the entity from which they derive authority	<ul style="list-style-type: none"> <li>• Establishing criteria to measure performance of public officials</li> <li>• Institutionalizing mechanisms to ensure that standards are met</li> </ul>	<ul style="list-style-type: none"> <li>• Public sector management</li> <li>• Public enterprise management</li> <li>• Public financial management</li> <li>• Civil service reform</li> </ul>
<b>Participation</b> refers to enhancing peoples' access to and influence on public policy processes	<ul style="list-style-type: none"> <li>• Undertaking development for and by the people</li> </ul>	<ul style="list-style-type: none"> <li>• Participation of beneficiaries and affected groups</li> <li>• Government-Private sector interface</li> <li>• Decentralization of public and service delivery functions (empowerment of local government)</li> <li>• Cooperation with NGOs</li> </ul>
<b>Predictability</b> refers to the existence of laws, regulations, and policies to regulate society and their fair and consistent application	<ul style="list-style-type: none"> <li>• Establishing and sustaining appropriate legal and institutional arrangements</li> <li>• Observing and upholding the rule of law</li> <li>• Maintaining consistency of public policies</li> </ul>	<ul style="list-style-type: none"> <li>• Law and development</li> <li>• Legal frameworks for private sector development</li> </ul>
<b>Transparency</b> refers to the availability of information to the general public and clarity about government rules, regulations and decisions	<ul style="list-style-type: none"> <li>• Ensuring access to accurate and timely information about the economy and government policies</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure of information</li> </ul>

Source: ADB 1995.

In more concrete terms, sound development management identifies the roles of the State as: (a) creating a conducive economic environment; (b) protecting the vulnerable; (c) improving government efficiency and responsiveness; (d) empowering people and democratizing the political system; (e) decentralizing the administrative system; (f) reducing gaps between rich and poor; (g) encouraging cultural diversity and social integration; and (h) protecting the environment (ADB 2005: 1). Table 2 presents the key milestones in promoting effective governance for each of the aforementioned roles.

### **Recent and Current Initiatives on Governance**

#### *Existing Policy Support*

The 1987 Constitution provides strong and explicit support to good governance. It guarantees a democratic form of government and supremacy of

**Table 2. Roles of the State and Key Milestones in Governance**

<i>Sound Development Management Roles of the State</i>	<i>Key Milestones</i>
Creating a conducive economic environment	<ul style="list-style-type: none"> <li>• Enact and enforce laws that promote economic competition</li> <li>• Decentralize economic decisionmaking, stabilize inflation</li> <li>• Reduce public deficit and allow free market to set prices for privately produced goods and services</li> </ul>
Protecting the vulnerable	<ul style="list-style-type: none"> <li>• Ensure the survival of pension systems</li> <li>• Create or maintain reasonable unemployment benefits</li> <li>• Establish and maintain a system of private health and social insurance</li> <li>• Maintain social assistance programs for the disabled and disadvantaged</li> </ul>
Improving government efficiency and responsiveness	<ul style="list-style-type: none"> <li>• Attract qualified, competent, honest, and realistically paid individuals into public service</li> <li>• Establish a civil service system that relies on merit-based recruitment and promotion, incentive-based compensation, and clearly defined reward-oriented career paths</li> <li>• Attract and retain a corps of professionals which is responsible for formulating and implementing economic policies and support them with good training, an appropriate degree of independence and professional reward structures</li> <li>• Protect professional civil servants from political interference in carrying out their responsibilities</li> <li>• Establish a civil service system that is flexible enough to facilitate communications between the public and private sectors</li> </ul>
Empowering people and democratizing the political system	<ul style="list-style-type: none"> <li>• Establish a conducive institutional environment consisting of properly functioning parliaments, legal and judicial systems and electoral processes</li> </ul>
Decentralizing the administrative system	<ul style="list-style-type: none"> <li>• Respond quickly to local needs and conditions</li> <li>• Redistribute authority, responsibility, and financial resources for public services among different levels of government</li> <li>• Strengthen subnational units of government</li> <li>• Respect traditional structures of authority as well as traditional mechanisms for resolving conflicts and managing common property in society</li> </ul>
Reducing gap between rich and poor	<ul style="list-style-type: none"> <li>• Reduce social disparities</li> </ul>
Encouraging cultural diversity and social integration	<ul style="list-style-type: none"> <li>• Ensure that political systems are accessible to all and that legal systems afford equal opportunities</li> </ul>
Protecting the environment	<ul style="list-style-type: none"> <li>• Integrate economic and environmental accounting</li> <li>• Promote intergenerational equity</li> </ul>

Source: ADB 2003 as cited in ADB 2005.

civilian authority over the military. It expressly states that the prime duty of the government is to serve and protect the citizenry. The Constitution holds public officers and employees accountable to the people. Civil servants and elected officials are also mandated to make full disclosure of their financial and business interests and standing. The Constitution likewise mandates the

government to promote a just, free, and prosperous society. In addition, the government is duty bound to value the dignity of every citizen and guarantee full respect for human rights. The Constitution values the preservation of life, cultural diversity and social cohesion, popular participation, and people empowerment. It also allows access to information by any citizen on government documents and operations. Moreover, the Constitution prohibits political dynasties and nepotism in the public sector.

In keeping with the principle of checks and balances, the Constitution also stipulates the separation of powers in the three branches of government—executive, legislative, and judiciary. The three branches have equally significant and separate roles in public administration. The legislature formulates the law while the executive is the prime initiator and implementor of policies and programs. The decisions of both the legislative and executive branches are subject to judicial review by the Supreme Court and inferior courts on questions of constitutionality and statutory construction.

The Local Government Code (LGC) of 1991 is a landmark legislation that provides the legal foundation to institutionalize popular participation in local development administration within the broad framework of people empowerment. The Code establishes clear commitment to decentralization and local autonomy. Citizens' groups are encouraged to directly undertake community development programs and participate in decisionmaking processes. These are concretized by giving them substantial representation in local policymaking and planning bodies such as the local development council, the local pre-bid and awards committee, the local health board, the local school board, and the local peace and order council.

#### *Inclusion of Good Governance in the Government Agenda*

The Arroyo Administration's initiative to advocate good governance and curb the graft and corruption in the country is clearly mirrored in the Medium Term Philippine Development Plan (MTPDP). With the primary objective of winning the battle against poverty, MTPDP argues that good and effective governance rests on three interrelated principles: (a) sound moral foundation; (b) philosophy of transparency; and (c) an ethic of effective implementation. Moreover, good governance is "the collective responsibility of the government, civil society, and private sector" towards the improvement of the lives of all Filipinos (NEDA 2001). The MTPDP calls for institutional reforms which will heighten accountability and serve the public interest. It also asserts that governance is not the exclusive domain of the public sector and that the business sector and the civil society play a significant part in national development. The MTPDP identifies the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) as showcases in subverting corruption.

Anchored on the MTPDP policy guidelines, the working panel on good governance of the Socioeconomic Summit of 2001 identified more detailed measures to promote sound development management. Annex 1 summarizes the major thrusts, strategies, and measures of the Arroyo Administration as spelled out in the MTPDP and Socioeconomic Summit.

#### *Providing Organizational Mechanisms for Reforms*

The pledge to improve government performance has always been in the agenda of every administration. The Ramos Administration drew up a plan to reengineer the bureaucracy, which set the guiding principles for reorganizing and improving government operations. Under the Estrada government, the Philippine Committee on Effective Governance (PCEG) was created by virtue of Executive Order (EO) No. 165, dated 19 October 1999. PCEG was primarily tasked to formulate the institutional strengthening and streamlining program of the executive branch, including the government-owned/and or controlled corporations (GOCCs) and state universities and colleges (SUCs). Specifically, PCEG was responsible for coming up with the Integrated Administrative Reform Plan (IARP) that would identify specific administrative reforms involving the missions, functions, structures, systems and operations of agencies, staffing, training and development, and compensation and benefits package. The political developments that unfolded not long after its creation eventually led to the suspension of PCEG's operations until it was reconvened by President Arroyo when she assumed office.

PCEG is an interagency body mandated to oversee and coordinate the overall implementation of public sector reform. It is co-chaired by the Executive Secretary and the Budget and Management Secretary with the National Economic and Development Authority (NEDA) Director-General, Chairperson of the Civil Service Commission (CSC), and the Head of the Presidential Management Staff (PMS) as members.

On 10 March 2000, President Arroyo issued Memorandum Order (MO) No. 93 directing the creation of six subcommittees to assist PCEG: (a) service delivery; (b) organizational structuring and staffing; (c) financial management; (d) personnel management; (e) change management; and (f) information technology. Serving as the technical working groups of PCEG, these subcommittees have been tasked to review the existing government policies, structures, operations and programs with the end in view of recommending solutions to the identified counterproductive, unresponsive, and irrelevant government systems and practices.

Administrative Order (AO) No. 114 was also signed on 23 March 2000 amending AO Nos. 109 and 111, s. of 2000, which further provides for the rationalization of systems and accountabilities in the Office of the President.

After her State of the Nation Address (SONA) in July 2001, President Arroyo also reactivated the Presidential Commission on Good Government (PCGG) which was formed under the Aquino Administration with the primary function of recovering the ill-gotten wealth of the Marcos family. Now, it is also tasked with similar recovery of any ill-gotten wealth from former President Estrada. PCGG performs a significant role in the overall efforts to emphasize public accountability and to promote ethical standards in the bureaucracy.

PCEG took the lead role in the implementation of Executive Order (EO) No. 72 in February 2002, which seeks to rationalize the organization and supervision of agencies under or attached to the Office of the President (OP). PCEG is currently overseeing the reorganization of OP which involves the transfer of 13 agencies from the OP to other government offices, abolition of 61 agencies, and conditional abolition of 16 agencies. PCEG also commissioned the Development Academy of the Philippines (DAP) to review systems and procedures undertaken by key agencies in the issuance of business permits, passports, retirement benefits, veterans' claims, land registration certificates, and professional licenses. One of the major recommendations of the study is the reduction into half of the signatures required for the delivery of the aforesaid services.

Also regarded as the highest anti-corruption government body, PCEG has advocated the passage of the Reengineering the Bureaucracy Bill. It has likewise approved the Public Sector Institutional Strengthening and Streamlining Agenda. It is currently reviewing the Code of Conduct and Ethical Standards for Civil Servants (Republic Act No. 6713). PCEG has also drafted EO No. 20, which directs heads of GOCCs, Government Finance Institutes (GFIs), and subsidiaries exempted from or not following the Salary Standardization Law (SSL) to implement pay rationalization in all senior positions. The draft order suspends the grant of any salary increase and new or added benefits not covered by SSL. It also reduces the actual compensation package of concerned senior officials and members of the Board of Directors/ Trustees.

### *Combating Corruption*

The Constitution and laws of the country distribute the responsibilities for preventing and punishing corruption cases among the three branches of government. As of September 2001, there was a total of 17 anti-corruption bodies in the Philippine government. Within the Executive Branch, the Constitution provides for the autonomy and independence of the Office of the Ombudsman (OMB), Commission on Audit (COA), CSC, and the Central Bank. The roles and functions of these anti-corruption agencies are briefly discussed in this section.



Upon her assumption of office on 20 January 2001, President Arroyo declared combating corruption as one of her top priorities. Although there is still a lot of ground to cover in the fight against corruption, significant progress has been made on several fronts (World Bank 2001). President Arroyo strengthened anti-corruption initiatives that have been in place since 1999.

In October 2001, the issuance of EO No. 40 standardized government procurement procedures, shortened the time frame for bidding, provided the Bids and Awards Committee (BAAC) with a legal entity and permanent secretariat, and institutionalized the representation of civil society organizations (CSOs) in the BAAC.<sup>1</sup> EO No. 40 also facilitated the effective functioning of the Procurement Watch, Inc. (PWI).

Some of the notable developments in fighting corruption are the public procurement reforms that have been spearheaded by the DBM, which included the issuance of executive orders to facilitate increased competition and reduce delays in bidding, implementation of the electronic procurement system, and the creation of a civil society-based monitoring body on procurement (i.e., PWI). The DBM has been assigned to oversee reforms in the procurement system, tax and expenditure management, streamlining the bureaucracy, and civil service reform.

Reforms undertaken included the simplification and computerization of the government accounting system, shift from residency auditing to audit team approach, and introduction of participatory audit with civil society organizations. Judicial and corporate governance reforms have also been pursued in attempting to fight corruption.

The Philippine governance environment presents a more active involvement of the civil society, the private sector, and the media as they noticeably become more active in demanding public accountability and transparency in the government. In this regard, the fight against corruption is increasingly a collaborated and concerted effort of the government, civil society, private sector, media, and academe. Critical alliances have been formed to support anti-corruption programs, e.g., Transparent and Accountable Governance Project (between the private sector and civil society), Government and Budget Watch Projects (between government and civil society), and Transparency and Accountability Network (among civil society, private sector, and academe).

In response to the WB proposals to fight corruption, the DAP has also formulated a Comprehensive Framework and Program Strategy, which features a long-term sequencing of anti-corruption activities and a centerpiece 10-point jumpstart program for immediate implementation.

Donors have also increased support for anti-corruption programs. They either used their ongoing development assistance programs to intensify support in subverting corruption or scaled up their assistance for anti-corruption programs in the public sector as well as nongovernmental sectors.

The Presidential Anti-Graft Commission (PAGC) was created on 16 April 2001 through EO No. 12. It is mandated to investigate complaints or hear administrative cases filed against presidential appointees. It succeeds the Anti-Graft Commission under the Estrada Administration and the Presidential Commission Against Corruption (PCAC) of the Ramos Administration. As of April 2002, the PAGC had resolved 791 out of the 932 filed cases.

The Governance Advisory Committee (GAC) was also created by President Arroyo through EO No. 25, dated 18 July 2001, to complement the public sector in promoting good governance through a more active involvement of the business sector in subverting graft and corruption. GAC is a privately funded body comprised of representatives from the business sector. The members are appointed for a fixed term without any remuneration from the government. GAC advises the President in formulating governance reform agenda.

The Inter-Agency Anti-Graft Coordinating Council (IAAGCC) was formed in January 2002 to strengthen the check and balance mechanisms in oversight agencies. IAAGCC consists of representatives from CSC, OMB, COA, the National Bureau of Investigation (NBI), the Department of Justice (DOJ), and PAGC.

The OMB is mandated to investigate, prosecute, and adjudicate administrative cases and submit criminal cases against public officials and employees to court (or Sandiganbayan<sup>2</sup> depending on the government official's rank). The OMB has sought to enhance its performance by fast-tracking the adjudication of cases and intensification of its anti-corruption programs. One of the notable initiatives of OMB is the assignment of resident ombudsman in key government agencies. The OMB also accredited 384 NGOs as Corruption Prevention Units and 1,204 Junior Graftwatch Units to educate and monitor activities in the government and society. From 1993 to 2000, the annual number of criminal cases received by the OMB ranged from 4,502 (1995) to 6,755 (1994). During the same period, the total number of administrative cases per year brought to the OMB ranged from 1,620 (1995) to 3,836 (2000). Tables 3 and 4 show the figures on criminal and administrative cases, respectively, that have been forwarded to the OMB for appropriate action.

The COA conducts independent audits of government agencies and refers financial irregularities discovered in audits to the OMB. The COA reports that it has resolved 13 administrative cases involving 32 respondents—6 were found

**Table 3. Criminal Cases Submitted to the Office of the Ombudsman (CY 1993-2000)**

<i>Types of Cases</i>	1993	1994	1995	1996	1997	1998	1999	2000
OMB Cases Received during the Year	6,159	6,755	4,502	5,761	5,454	5,444	6,261	5,903
Cases reverted back to Pending			11	80	25	9	41	606
Old Tanodbayan Cases	105	154	47	552				
Carryover from the Previous Year	8,505	10,235	11,233	10,010	9,788	6,209	4,288	4,436
Total workload of Criminal Cases/Complaints	14,769	17,144	15,793	16,403	15,267	11,662	10,590	10,945
Disposed	4,534	5,911	5,783	6,615	9,058	7,374	6,154	7,971
Dismissed/Closed and Terminated	3,605	4,851	4,262	5,109	6,848	5,208	4,137	5,762
Prosecution	929	1,060	1,521	1,506	2,210	2,166	2,017	2,209
With Regular Courts	569	430	968	1,265	1,772	1,800	1,638	1,938
With Sandiganbayan	360	630	553	241	438	366	379	271
Pending	10,235	11,233	10,010	9,788	6,209	4,288	4,436	2,974

Source: Office of the Ombudsman.

**Table 4. Administrative Cases Submitted to the Office of the Ombudsman (CY 1993-2000)**

<i>Types of Cases</i>	1993	1994	1995	1996	1997	1998	1999	2000
OMB Cases Received during the Year	2,013	2,726	1,620	2,356	2,696	3,107	3,563	3,836
Cases reverted back to Pending			8	12	3	9	25	17
Carryover from the Previous Year	1,423	2,554	3,419	2,965	2,685	2,950	2,624	3,131
Total workload of Administrative Cases/Complaints	3,436	5,280	5,047	5,333	5,384	6,066	6,212	6,984
Disposed	882	1,861	2,082	2,648	2,434	3,442	3,081	4,125
Dismissed/Closed and Terminated	809	1,768	1,987	2,469	1,549	3,189	2,758	3,611
Penalty Imposed	73	93	95	179	885	253	323	514
Pending	2,554	3,419	2,965	2,685	2,950	2,624	3,131	2,859

Source: Office of the Ombudsman.

guilty, 24 were exonerated, and 2 were archived. Its Legal Office reports that it has submitted to COA management for approval of the 13 decisions/resolutions involving cases of dishonesty and grave misconduct. It also mentions that it has completed the investigation of 32 administrative cases while it is currently investigating 46 administrative cases.

The CSC plays a preventive role in the fight against corruption by setting standards and norms for government appointments. It performs a punitive role in the anti-corruption program by meting out penalties and punishments for violations. From 1997 to end of March 2002, the CSC received a total of 163 administrative cases. Of which, 104 cases effected the dismissal of concerned employees from the service. Five were suspended and 14 formally charged. Table 5 presents the number of cases filed at the CSC.

**Table 5. Administrative Cases at the Civil Service Commission, 1997-2002**

<i>Action on Cases</i>	1997	1998	1999	2000	2001	2002	<i>Total</i>
Case dismissed	8	10	1			1	20
Dismissal from service	44	26	13	14	6	1	104
Exonerated	5	3	1	2	1		12
Fined		2					2
Formally charged	8	3	2	1			14
Reinstated	1	1			3		5
Reprimanded	1						1
Suspended		3		1	1		5
<b>Total</b>	<b>67</b>	<b>48</b>	<b>17</b>	<b>18</b>	<b>11</b>	<b>2</b>	<b>163</b>

Source: Office of Legal Affairs, Civil Service Commission 2002.

Government efforts to promote corporate governance and prevent private sector corruption are further strengthened by the joint initiatives of the Securities and Exchange Commission (SEC), the *Bangko Sentral ng Pilipinas* (BSP), and the Anti-Money Laundering Council (AMLC).

Table 6 presents the different government agencies involved in the fight against corruption.

#### *Increased Participation of the Private Sector and Civil Society*

The Philippine experience in governance presents encouraging results in forging collaborative linkages between and among the government, civil

**Table 6. Philippine Government Anti-Corruption Agencies**

<i>Agency</i>	<i>Mandate</i>
Office of the Ombudsman Legal Status: Constitutional Established: 1987	Investigates and prosecutes. Adjudicates administrative cases and takes criminal cases to court (Sandiganbayan depending on government official's rank).
Commission on Audit Legal Status: Constitutional Established: 1987	Conducts independent audits of government agencies and refers financial irregularities discovered in audits to Ombudsman's office
Civil Service Commission Legal Status: Constitutional Established: 1987	Plays preventive role in setting standards and norms for civil service appointments and punitive role for meting out penalties and punishments for violations.
Sandiganbayan Legal Status: Constitutional Established: 1987	As main anti-graft court, adjudicates criminal cases brought to it by Ombudsman's office. Deals only with cases brought against high ranking government officials.
Judiciary (headed by Supreme Court) Legal Status: Constitutional Established: 1901	Adjudicates law in all areas.
Department of Justice Legal Status: Executive Branch Established: 1987	Acts as government's primary criminal prosecution arm.
Department of Budget and Management Legal Status: Executive Branch Established: 1987	Oversees reforms in the procurement system, tax and expenditure management, streamlining the bureaucracy and the civil service.
Commission on Elections Legal Status: Constitutional Established: 1940	Promotes free, orderly, honest, peaceful, and credible elections and handles expeditiously every action brought before it.
Presidential Commission on Good Governance Legal Status: Executive Order No. 1 Established: February 1986	Assigned at its inception with recovering ill-gotten wealth from Marcos family. Now also tasked with similar recovery from Estrada.
Bangko Sentral ng Pilipinas Legal Status: Constitutional (New Central Banking Act) Established: 1993	Performs central banking functions. Replaced old central bank created in 1946.
Securities and Exchange Commission Legal Status: Executive Order No. 1 Established: February 1996	Oversees registration of securities, evaluates financial condition and operations of applicants for security issues, and supervises stock and bond brokers, as well as stock exchanges. Tasked with strengthening corporate governance.

**Table 6 (concluded)**

<i>Agency</i>	<i>Mandate</i>
Interagency Anti-Graft Coordinating Council Legal Status: Executive Order No. 79 Established: August 1999	Shares information and resources to enhance coordination among the members' activities (Commission on Audit, Office of the Ombudsman, Civil Service Commission, Presidential Commission Against Graft and Corruption, Department of Justice, and National Bureau of Investigation).
National Bureau of Investigation Legal Status: Established: 1936	Gathers evidence for probable cause hearings and files appropriate charges.
Presidential Committee on Effective Governance Legal Status: Executive Order No. 165 Established: October 1999	Formulates public sector institutional strengthening and streamlining agenda. Chaired by Executive Secretary, vice-chaired by DBM; members include: Heads of Civil Service Commission, Commission on Audit, Department of Finance, National Economic and Development Authority, Presidential Management Staff
Presidential Anti-Graft Commission Legal Status: Executive Order No. 12 Established: April 2001	Investigates violation of anti-graft laws by presidential sub-appointees and can recommend suspension of individuals to the President. (Same mandate as the Ramos Administration's Presidential Commission against Graft and Corruption, which it superseded.) Also superseded Estrada Administration's National Anticorruption Commission.
Governance Advisory Council Legal Status: Executive Order No. 25 Established: July 2001	Advises the President in the formulation of governance reform agenda. Consists of private sector appointees.
Anti-Money Laundering Council Legal Status: created by Anti-Money Laundering Law (Republic Act 9160) Established: September 2001	Consists of governor of Central Bank, commissioner of insurance Commission, and chairman of Security and Exchange Commission.  Receives reports on covered transactions and can freeze suspicious accounts without recourse to courts for 15 days.

Source: WB 2001.

society, and private sector in undertaking various programs and projects. In addition to what has already been mentioned, numerous activities particularly in protecting the environment are jointly initiated and implemented by the concerned civil society and/or private sector in collaboration with the government agencies.

One such remarkable program is *Bantay Kalikasan* led by the ABS-CBN Foundation, Inc. Under this environmental program are four projects: (a) *Bantay Usok*; (b) *Bantay Baterya*; (c) *Bantay Basura*, and (d) Adopt-A-Tree

Program ("Save the La Mesa Watershed" Program). The ABS-CBN Foundation coordinates with different government agencies and secures the assistance of private organizations and nongovernmental organizations in order to realize the objectives of these projects.

*Bantay Usok* is a joint project of the Land Transportation Office (LTO) and concerned citizens with assistance from the Asian Development Bank. As an awareness project and a drive against smoke belching, this effort encourages the public to report smoke-belching vehicles either by text or e-mail or telephone. The *Bantay Usok* gathers complaints from the public and records the plate numbers of smoke-belching vehicles. The concerned owner is then summoned by the LTO for appropriate action if his/her vehicle has been reported five times or more.

*Bantay Baterya* is a project of the Philippine Recyclers, Inc. (PRI) in partnership with the Environment Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR). *Bantay Baterya* is one of the first projects under the Philippine Environmental Partnership Project (PEPP) of the government. It aims to create sustained public awareness on the health and environmental hazards posed by the indiscriminate disposal and handling of junk batteries. It also seeks to provide a long-term mechanism to significantly reduce the number of improperly disposed junk batteries and to ensure a steady supply of raw materials for the production of new batteries as well. Through the PRI, which is the first and largest lead-recycler in the Philippines, junk batteries are reprocessed in an environmentally safe manner. *Bantay Baterya* is also supported by *Bantay Kalikasan*.

Adopt-A-Tree (e.g., Save the La Mesa Dam Watershed) Program is a community-based watershed rehabilitation, development and protection project of the 2,700-hectare MWSS La Mesa Dam Watershed covering the cities of Quezon, Marikina and Caloocan and the province of Rizal. The La Mesa Dam Watershed, one of the three watersheds where Metro Manila gets its water, is seriously threatened. Unabated watershed destruction will worsen water crisis and flooding in Metro Manila. The immediate objective of the program is to reforest 200 hectares of denuded areas of the watershed each year or a total of 1,200 hectares open areas over a period of five years. The long-term goal is to convert the La Mesa watershed into a nature park and biodiversity reserve for educational purposes and appreciation particularly of school children and of the general public. One reason for the very low environmental consciousness of people in Metro Manila is their dissociation from nature. The establishment of a nature center within Metro Manila may be a good start to regain this lost Filipino value. Individual and corporate partners are being tapped to raise funds for the project.

Another notable organization is the Partnership for Clean Air. It is a multisectoral alliance of individuals, public and private sector organizations and

government agencies that aims to increase public involvement in the implementation of clean air programs in Metro Manila. Its creation is an offshoot of a multisectoral public information campaign planning undertaken by the Metro Manila Air Quality Improvement Sector Development Program. The Air Quality Awareness Program is a component of the said Development Program funded by the ADB. The implementation of the Program is led by the Public Affairs Office of DENR in cooperation with the Partnership for Clean Air. The Program implements a three-year air quality awareness campaign in Metro Manila which will hopefully serve as a model for other regions in the country.

### *Improving Efficiency, Effectiveness, and Economy*

*Promoting Results-Based Management through PEMIP, MTEF, SEER, and OPIF.* To strengthen fiscal discipline and enhance transparency and accountability in the budget process, DBM in coordination with NEDA formulated and began implementation of the Public Expenditure Management Investment Program (PEMIP), which features three key innovations: (a) the Medium-Term Expenditure Framework (MTEF); (b) the Sector Effectiveness and Efficiency Review (SEER); and (c) the Organizational Performance Indicator Framework (OPIF).

MTEF introduces a three-year rolling budget, which departs from the short-term view of budgeting that weakens the linkage between budgeting and planning. Introduced in the 2001 budget process, the MTEF is expected not only to enhance the sustainability of the government's economic plan and expenditure program over the medium term, but also to rationalize the government planning process as well as improve allocative efficiency.

The introduction of SEER is aimed to sharpen the setting of government priorities. It also strengthens monitoring and evaluation within government agencies by providing tools and techniques for assessing effectiveness of agency programs.

OPIF<sup>3</sup> is another DBM initiative that emphasizes the shift of focus in the budget process from inputs to outputs and outcomes. OPIF also provides a framework for focusing on the delivery of high-priority, high-quality, and cost-effective government programs. To further strengthen its implementation, DBM also introduced the Filipino Report Card Survey in 2001, which will be regularly undertaken from thereon to provide useful feedback and information inputs on public service delivery.

*CSC Strategic Plan: Recreating the Civil Service System.* CSC also formulated a comprehensive and strategic plan to address gaps and weaknesses in the bureaucracy. The CSC Plan calls for a shift in the government mindset and attitude in terms of its role, functions, structure, and



processes. Table 7 summarizes the required paradigm shift in the civil service system.

**Table 7. Required Paradigm Shifts by Area of Concern**

<i>Area of Concern</i>	<i>Paradigm Shift</i>	
	<i>From</i>	<i>To</i>
Role of civil servants	Followers/Implementor	Source of expertise and institutional memory
Recruitment of civil servants	Aptitudes/Skills	Service value orientation and integrity of character
Appointment and promotions to 3 <sup>rd</sup> level	Bias for managerial skills	Competitive process/insulated from politics; major considerations are character, competence, and potentials; competence encompasses managerial and technical skills
Management style	Subservience to hierarchy/authoritarian	Participatory/consultative
Operating perspective of the government	Regulation	Assistance and service
Civil service relationships with other branches of government	Being an adjunct of other branches	Autonomy from the will of political regimes

Source: CSC Strategic Plan, 2002-2004.

CSC identifies six key result areas of public sector reform: (1) effective and efficient administrative justice; (2) professionalized civil service; (3) improved public service delivery; (4) enhanced participation of public sector unions; (5) strengthened external relations; and (6) appropriate and adequate management and support services (see Annex 2).

In promoting public accountability, CSC seeks to streamline its procedures in resolving cases. In this regard, it intensifies its involvement in the anti-corruption programs of the government and implements new initiatives such as the Women Against Graft. CSC shall also take a more proactive role in preventing politics from interfering with public administration and, towards this end, institutionalizing a new work culture that is knowledge-based and customer-oriented.

CSC also intends to emphasize customer service as the norm of service delivery philosophy. It aims to institutionalize a working environment of less

paper work, least waiting time, and simplest procedures for the transacting public. CSC further envisions that the government shall not only involve the public in getting feedback on its performance, but it will also actively harness public sector unionism in effecting good governance.

Moreover, CSC aims to be more active in rendering technical advice to the President, in legislative deliberations, and in supporting decentralization on matters pertaining to human resource development. Furthermore, CSC seeks to establish itself as an example to other government agencies and as such it will undertake an internal realignment of its organizational structure for better management of its programs and utilization of resources, and for the institutionalization of performance-based operations. CSC shall also formulate a staff development program to support its new priorities and thrusts. Annex 2 summarizes the CSC strategies in each of the six identified key result areas.

*Establishing Feedback Mechanisms.* CSC has also taken the lead role in establishing complaints desks. Launched in 1994, the *Mamamayan Muna, Hindi Mamaya Na* (MMHMN) [Citizens First, Not Later] Program emphasizes customer-focus and establishes a mechanism wherein the public could provide commendations, request assistance, file complaints, and give suggestions. A tally of feedback and comments sent to CSC from 1997 to end of March 2002 shows that complaints are on a downtrend while commendations are on an upswing (see Table 8).

**Table 8. Feedback and Comments Sent Through MMHMN Program, 1997-2002, March**

Year	Type of Feedback / Comment				Total
	Commendation	Assistance	Complaint	Suggestion	
1997	426	221	2,848		3,495
1998	315	364	2,262		2,941
1999	307	460	1,559		2,326
2000	447	3,452	1,577	29	5,505
2001	1,003	2,419	1,498	38	4,958
2002	70	919	88	3	1,080
Total	2,568	7,835	9,832	70	20,305

Source: Civil Service Commission.

Note: Figures for 2002 are until end of March 2002.

**Table 9. Number of Texts Received through Text CSC Program, April-December 2002**

<i>Type of Message</i>	<i>Total</i>	<i>Percentage</i>
Queries	299	41.24
Complaints	321	44.27
Assistance	63	8.69
Suggestions and recommendations	1	0.14
Commendation	41	5.66
Total	725	100.00

Source: Civil Service Commission.

Another innovation of the CSC is the Text CSC, which commenced in April 2002 and was formally inaugurated on 3 June 2002. Anchored on the principles and objectives of MMHMN, it utilizes the mobile phone to forward messages and queries related to government operations and public service delivery.

*Expanding Use of Information Technology.* Many government agencies, LGUs, civil society groups, and organizations promoting good governance have developed their websites to facilitate exchange and utilization of information. COA, for instance, has web publication of its guidelines and circulars. It has likewise introduced another program, *Fraud Alert*, where the public can report or file complaints against erring and corrupt government employees through the web. The BIR has also improved its database systems and recently launched the electronic tax filing and payment system.

*Sustaining Legislative Support.* Legislative support to public sector reform has also been demonstrated. House Bill (HB) No. 978, filed by Rep. Rodolfo Albano, seeks to authorize the reorganization of the executive branch. Meanwhile, another legislative proposal, HB No. 191 sponsored by Rep. Jose de Venecia, Jr., aims to reengineer the government bureaucracy through a joint-legislative-executive commission on government reengineering whose function, among others, is to ensure the protection of the affected civil servants by providing adequate safety nets.

Sponsored by Senators Aquilino Pimentel, Jr. and Teresa Aquino-Oreta, Senate Bill (SB) No. 2132, otherwise known as the proposed "Civil Service Code of the Philippines," primarily aims to upgrade, modernize, and strengthen all facets of the public personnel administration system. The proposed Code calls for the continuous streamlining and application of performance-based operations and tenure in the government. When passed

into law, the Code will address concerns related to the status of permanent and contractual government employees, management and allocation of scholarship opportunities in government, recognition and exercise of the right of government employees to organize and to strike, and humanizing the civil service system.

The proposed Code stresses careerism in the government. It expects to eliminate, or at least minimize, patronage especially at the level of the Career Executive Service (CES) by making appointments or conferment based on rank instead of position and by creating a dynamic pool of Career Executive Service Officers (CESOs). The Code hopes to eliminate the problem of lobbying for positions of power since the security of tenure is no longer ascribed to position but to rank. Compensation within the CES is also based on rank. Another welcome feature of the Code is that it promotes government-wide mobility of CESOs since they may either be assigned from one position to another within the same agency regardless of rank or cross-posted to different agencies for special assignments or missions depending on the civil service needs. The Code also emphasizes merit and insulates the civil service system from political influences by requiring that 50 percent of the undersecretaries and assistant secretaries must be from the CES, with each level represented accordingly.

The Code also seeks to reinforce the implementation of national policies of decentralization and local autonomy as embodied in the 1991 Local Government Code. It mandates the creation of a personnel office in all LGUs. In addition to its thrust to "depoliticize" LGUs, the proposed Code intends to promote professionalism and skills training in the public service system independent of changes in political leadership. Equal employment opportunity in the government is likewise guaranteed by the proposed Code. It further seeks to instill discipline, strengthen performance management, rationalize compensation and benefits package, and improve the administrative justice system in the government.

### **World Bank's Dimensions of Governance**

The World Bank conducted a governance study of 175 countries in 1997-98 and 2000-01 using six indicators of governance: (a) voice and accountability; (b) political stability and absence of violence; (c) government effectiveness; (d) regulatory quality; (e) rule of law; and (f) control of corruption. Numerical values are assigned to these indicators so that higher values correspond to better outcomes, on a scale from -2.5 to 2.5. The ratings are based on subjective assessments from a variety of sources (World Bank 2002). The study shows that while the country's ratings were already relatively low in 1997-98 in all of the indicators, they even worsened in 2000-2001, except in the control of corruption.

*Voice and Accountability (VA)*

This cluster is intended to capture the process by which governments or those in authority are selected, monitored, and replaced. It includes a number of indicators measuring various aspects of the political process, civil liberties, and political rights, as well as the extent to which citizens of a country are able to participate in the selection of governments. Likewise included in this category are indicators measuring the independence of the media, which constantly keep a watchful eye and are considered to be significant in monitoring those in authority and holding them accountable for their actions. The Philippines scored 0.63 and 0.53 in this set of indicators for 1997-98 and 2000-01, respectively (see Table 10).

**Table 10. Governance Estimates of Selected Countries, 1997-98 and 2000-01**

Country	VA		PS		GE		RQ		RL		CC	
	1997 /98	2000 /01	1997 /98	2000 /01	1997 /98	2000 /01	1997 /98	2000 /01	1997 /98	2000 /01	1997 /98	2000 /01
Philippines	0.63	0.53	0.27	-0.21	0.13	0.03	0.57	0.21	-0.08	-0.49	-0.23	0.49
Australia	1.63	1.70	1.18	1.26	-0.65	-1.03	0.96	1.18	1.60	1.69	1.60	1.75
Indonesia	-1.13	-0.40	-1.29	-1.56	-0.53	-0.50	0.12	-0.43	-0.92	-0.87	-0.80	-1.01
S. Korea	0.91	0.98	0.16	0.50	0.41	0.44	0.22	0.30	0.94	0.55	0.16	0.37
Malaysia	-0.09	-0.13	0.55	0.31	0.71	0.53	0.48	0.22	0.83	0.34	0.63	0.13
Thailand	0.22	0.37	0.25	0.21	0.01	0.10	0.19	0.56	0.41	0.44	-0.16	-0.46
Japan	1.14	1.03	1.15	1.20	0.84	0.93	0.39	0.64	1.42	1.59	0.72	1.20
USA	1.52	1.24	1.10	1.18	1.37	1.58	1.14	1.19	1.25	1.58	1.41	1.45

Source: WB 2002.

*Political Stability (PS)*

This second governance cluster combines several indicators which measure perceptions of the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional and/or violent means, including terrorism. This index captures the idea that the quality of governance in a country is compromised by the likelihood of wrenching changes in government, which not only has a direct effect on the continuity of policies, but also at a deeper level undermines the ability of all citizens to peacefully select and replace those in power. The country's ratings are 0.27 and -0.21 for 1997-98 and 2000-01, respectively.

*Government Effectiveness (GE)*

This cluster summarizes various indicators of the ability of the government to formulate and implement sound policies. Here, perceptions of the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government's commitment to policies are combined into a single grouping. The main concentration of this cluster is on "inputs" required for the government to be able to produce and implement good policies and deliver public goods. The country scored 0.13 in 1997-1998 and 0.03 in 2000-2001.

*Regulatory Quality (RQ)*

This cluster is more focused on the policies themselves. It is concerned with the incidence of market-unfriendly policies, such as price controls or inadequate bank supervision, as well as perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development.

*Rule of Law (RL)*

The indicators included are those which measure the extent to which agents have confidence in and abide by the rules of society. Under this category are the perceptions of the incidence of both violent and non-violent crimes, the effectiveness and predictability of the judiciary, and the enforceability of contracts. Together, these indicators measure whether a society will have an environment in which fair and predictable rules form the basis for economic and social interactions. This is an area where the country needs a lot improvement. From a score of -0.08 in 1997-1998, the score further dropped to -0.49 in 2000-2001.

*Control of Corruption (CC)*

This cluster is focused on measuring perceptions of corruption, which ranges from the frequency of "additional payments to get things done," to effects of corruption on the business environment, to measuring "grand corruption" in the political arena or in the tendency of elite firms to engage in "state capture." This is the only area where the country showed significant positive change—from -0.23 in 1997-1998 to 0.49 in 2000-2001.

### Gaps and Weaknesses

Various studies and fora have examined the Philippine bureaucracy for the purpose of unraveling and solving its problems. The perceived gaps and weaknesses are rooted in policies, performance standards, structure, procedures, processes, behavior, and values that govern and surround public administration.

First, the government is yet to institutionalize effective mechanisms for planning, agenda-setting, and policymaking, not to mention the will to pursue agreed objectives. In many instances, plans are haphazardly prepared under very unrealistic schedules without the benefit of relevant and accurate information. The government has been also weak in establishing databases and information systems to support policy decisions and public administration. Deficient planning leads to unclear goals and objectives as well as poor implementation.

Second, the lack of clear priorities and the poor planning mechanisms are compounded by the failure to implement and maintain an appropriate and workable performance management and measurement system. Attempts to put in place such a system tended to be rushed and too complex and difficult to understand. It has also been beset with limited consultation, weak top leadership and political support, unaligned management systems, and resistance from those who will implement and use it.

Third, it is difficult to demarcate the scope of responsibility and pinpoint accountability among the many substructures of the governmental organization. The administrative machinery is weighed down by unclear delineation of functions among agencies, which leads to duplication and overlapping of governments programs and activities, uncoordinated policy and program implementation, poor sector management, and wasteful use of resources where it has become commonplace that budgets are allocated to several agencies for the same purpose.

Fourth, the bureaucratic behavior tends to be very hierarchical and rule-bound instead of emphasizing productivity improvement and attainment of intended results. The strong predisposition toward rigid implementation of rules has not only perpetuated red tape, but also enhanced opportunities for graft and corruption. In so doing, the government has failed again to truly serve the people and make life easier for them.

Fifth, the civil service system is subservient to the influences and dictates of prevailing political leadership, thus it could not uphold its role as a self-propelled institution that sets its own direction and functions. Appointments and promotions to senior and other key career positions are similarly swayed by patronage politics. Another WB (2002) study cites the Philippines as the

only country where political appointees in the public bureaucracy extend down to the director level.

Sixth, the bureaucracy lacks the required managerial and technical competencies to successfully carry out its basic functions. Existing qualification standards also barely ensure competence and desired behavioral qualities of civil servants. These issues, combined with the political interference and level of discretion allowed in career service appointments, make for a situation where practically anyone can be employed by the government. Getting good people to join the civil service and making them stay have also been constrained by the unattractive compensation system.

Finally, civil servants do not only seem to have the wrong mindset and attitudes towards their jobs, they also operate under a dispirited organizational culture. In a work environment where civil servants perceive that they are powerless to formulate and implement decisions, that good performance is rewarded in the same manner as poor performance, that people can get away with misconduct and dishonesty, that arbitrariness and self-interests are either encouraged or tolerated, and that performance standards and appraisal systems are not working, then it is not difficult to understand why the government has been viewed as an institution bogged down by endemic inadequacies and shortcomings.

### **Conclusions and Recommendations**

The pledge of a better and more responsive government is not new in Philippine public administration. Since the establishment of the Philippine Republic in 1946, civil service reform has been undertaken at least five times,<sup>4</sup> which all brought the promise of improved government performance and responsive public service. Ironically, results of these efforts fell short of expectations. The public sector continues to suffer from the stigma of a negative image wherein it is scarcely praised and respected, to the extent that it is commonly described as inefficient, wasteful, ineffective, dishonest, and corrupt.

Promoting good governance requires honest-to-goodness transformation of the Philippine bureaucracy in a manner that it will be able to efficiently and effectively carry out the functions of policy formulation, fiscal management, and provision of goods and services, while fostering an enabling environment for private sector growth and meaningful partnerships with the civil society. More specifically, reforms should strengthen capacities of government agencies in planning, coordination, monitoring, revenue administration, programming and budgeting, and delivery of frontline services that meet the basic needs of Filipinos.



Civil service reforms must strategically pursue the fulfillment of the following conditions for sound development management: (a) sound regulatory framework; (b) coherent planning; (c) effective organizational structure; (d) effective management information systems; (e) effective processes; (f) effective intergovernmental relations; (g) adequate financial and other resources; (h) appropriate policy framework; (i) quality management/leadership; (j) quality and sufficient infrastructure; (k) adequate and competent staff; and (l) improved access to and reliability of services (ADB n.d.) (See Annex 3.).

There are about 206 completed/ongoing/proposed projects on governance in the country, which are supported by 12 international funding institutions (See Table 11). These projects are grouped into 16 areas of concern. Of these areas, Maintaining Peace and Order has the most number of projects with a count of 34 mostly in the Mindanao area. This area is followed by Reforms in Budgetary and Accounting/Auditing Systems with 32 projects, most of which are funded by UNDP and USAID. The third area with the most number of projects is Strengthening Anti-Corruption at LGUs with 26 and these again are largely funded by UNDP and USAID. This area is followed by Strengthening Anti-Corruption Content of the Legislative Agenda with 25 projects, seven of which are funded by AusAid. The areas of Public Participation Oversight and Private Sector Management have 18 projects each the former mostly funded by UNDP and USAID and the latter by ADB. Corporate Governance and Judicial Reform have 14 projects each—both are mostly by USAID. USAID and UNDP have the most number of projects—41 and 25, respectively. (See Annex 4 showing the governance map of initiatives and interventions in the Philippines.)

Enduring reforms will nonetheless take root if only the nation's key players will have the audacity to challenge the deeply entrenched spoils system of the bureaucracy and commit to implement changes while recognizing that sound governance cannot be attained overnight. Reforms must be strategic and emphasize sustained initiatives that yield small but progressive increments of net value added to overall performance of the public sector over the long term.

Taking off from the content and directions of civil service reform as identified by the CSC<sup>5</sup> coupled with the observations and findings on the recent and current initiatives in promoting good governance, the following areas need to be improved and strengthened: (a) developing a new work culture; (b) better planning and management of governance initiatives; (c) streamlining the bureaucracy; (d) improvement of public personnel administration; (e) design and implementation of performance-based management system; (f) strengthening administrative justice; and (g) providing the needed policy environment for reforms.

Table 11. Summary Statistics of Foreign and Development Partner-Assisted Governance Projects

Governance Area	UNDP	CIDA	AusAID	ADB	WB	USAID	WB/ IMF	USAID/ WB	UNICEF	EC	GTZ- GDC	JBIC	Others
Public Participation Oversight	5	1	-	2	3	7	-	-	-	-	-	-	-
Sustained Procurement Reform	-	1	-	2	2	-	-	-	-	-	-	-	-
Reforms in Budgetary and Accounting/Auditing Systems	7	-	3	3	4	7	-	-	1	1	1	-	5
Corporate Governance	-	2	1	1	2	7	-	-	-	-	-	-	1
Design and Implementation of Anticorruption Plans	1	2	-	-	-	-	-	-	-	-	-	-	1
Judicial Reform	1	1	2	1	1	4	-	1	-	-	-	-	3
Strengthening Corruption Content of the Legislative Agenda	-	-	1	1	1	1	-	-	-	-	-	-	-
Strengthening Anticorruption at LGUs	7	4	5	1	2	5	1	1	-	-	-	-	-
Recognizing and Rewarding Good Governance Performance	-	-	-	-	-	-	-	-	-	-	-	-	5
Public Administration	-	4	7	-	-	1	-	-	-	-	1	1	11
Public Resource Management	-	1	1	-	-	-	-	-	-	-	-	-	-
Public Sector Management	-	1	1	-	-	-	-	-	-	-	-	-	-
Private Sector Management	2	1	3	6	1	3	-	-	-	-	-	-	2
Maintaining Peace and Order	1	3	-	1	1	4	-	-	-	-	-	-	24
Economic Management	1	-	-	-	-	2	-	-	-	-	-	-	1
Land Administration	-	-	-	-	1	-	-	-	-	-	-	-	-
Total	25	21	24	18	18	41	1	2	1	1	2	1	53

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, CIDA = Canadian International Development Agency, EC = European Commission, GTZ = German Agency for Technical Cooperation, IMF = International Monetary Fund, JBIC = Japan Bank for International Cooperation, LGU = local government unit, UNDP = United Nations Development Programme, UNICEF = United Nations Children's Fund, USAID = United States Agency for International Development, WB = World Bank.

Source: ADB 2006: 34.

### *Promoting a New Work Culture*

There has been a long-overdue need to revisit the concept and principles of effective governance and reflect these in the vision, mission, policies, programs, projects, and operations of the entire bureaucracy, as well as in the individual government agency and instrumentality. The objectives of this revisiting are to imbue the values of patriotism and nationalism, instill the essence and discipline of public service and good work ethic, and commit to quality work. The civil service system should become the source of technical expertise and institutional memory in the government. It should also be able to assert its critical role and value in policymaking and management of state affairs.

The civil service system has to operate under a new work culture that emphasizes strong client orientation, excellence, integrity, and knowledge-based management. The bureaucracy must evolve into an institutionalized behavior of less paper work, minimum waiting time, and simplest procedures for the transacting public. Public participation in providing feedback to the government to improve public policies and frontline services needs to be further strengthened.

Some of the notable initiatives in this area include AusAID's project with CSC to humanize government frontline services, which essentially seeks to improve customer focus in the civil service. UNDP also has an ongoing project with CSC to promote ethics and accountability. It develops and disseminates training modules on transparency and accountability. ADB has a proposed project with CSC to strengthen the civil service by building a professional and motivated workforce. Started in 1999, CIDA assists the GOP in the development of internal mechanisms and structure for increased efficiency in policy formulation, planning, implementation, and evaluation. This project involves technical assistance, training, missions to Canada, conferences, workshops, and information exchanges.

### *Strengthening Governance Plans and Programs*

There has been a lack of a coherent plan and strategy to guide actions and initiatives for securing popular and political support to promote good governance. Rhetorics tend to obscure and supplant the imperatives for realizing the needed outcomes from the government. Interventions in the field of governance are largely donor-driven. There is a strong need to promote sector-wide effectiveness and overall government productivity. The government, however, is yet to initiate a process and set up the necessary mechanisms for identifying governance priorities and managing them accordingly. Benchmarking and monitoring progress of work is another related area that needs to be strengthened.

There is a wide breadth of donor support to governance initiatives. Great attention has been focused on the design and implementation of anti-corruption programs directed at the national and local government agencies. There have also been substantial investments on expenditure and revenue reforms, as well as pursuing procurement reforms. Maintaining peace and order, judicial reforms, enhancing participation, public enterprise management, and building of capacities are other areas of interests that received substantial support from international funding agencies.

There has been minimal or no donor support for undertaking important activities in areas, such as, performance-based management and measurement system, government compensation and benefits package, political and electoral reforms, legislative processes, information systems and knowledge management, and law enforcement. The PCEG or any of its member-agencies could be the appropriate government entity where ownership and control of the process of planning and programming governance initiatives may be located.

### *Restructuring the Bureaucracy*

Organizational streamlining in every government agency as well as across the entire civil service system also requires commitment and intensification. Against the backdrop of persistent policy pronouncements to reengineer the bureaucracy, it is still too common that two or more government offices perform the same functions which results not only in poor coordination and wasted resources but actually inefficient delivery of services. Redundant structures in the government should either be abolished or subsumed or consolidated with other entities. The desired administrative structure should also fully support decentralization, which entails dispersing the greater mass of public servants away from central and regional offices to provincial and local postings where they are most needed. Contrary to the desired results, reorganization efforts in the past have always resulted in a bloated bureaucracy weighed down by unclear roles and responsibilities among many different agencies.

There has also been a proliferation of special task bodies or interagency committees, which only have added another bureaucratic layer while at the same time obscuring the issue of who has responsibility and accountability. The government has the tendency to emphasize the tasks of coordination and monitoring over the job of implementation. In the end, very little is accomplished. These special bodies and committees, which are created on an ad hoc basis, also have a way of perpetuating themselves—even when they have served or outlived their purpose—to the extent that they eventually become part of the government machinery.

The public sector is yet to benefit from a carefully prepared integrated blueprint for implementing civil service reforms. Efforts in the past tended to be influenced and tainted by politics. Planning and execution were usually rushed. There has been minimal consultation and participation. Reforms usually lack ownership by those who implement and are affected by reforms. Knowledge on how to improve overall government performance remains to be fragmented, disorganized, and even contradictory.

### *Rationalization of Public Personnel Management*

Recreating a better civil service system necessitates a comprehensive, pragmatic, and workable program of action with the corresponding policy support that will upgrade all facets of personnel administration such as recruitment and selection, training and development, labor relations, compensation, and employee security and safety. Although the proposed Civil Service Code promises a significant improvement in the quality of public service, it is uncertain as to when it will be passed. Meanwhile, the bureaucracy needs to put in place mechanisms to: (a) get qualified, competent, and honest individuals into public service and make them stay; (b) ensure and maintain high work performance among government employees; (c) develop and implement strong staff development program, (d) strengthen careerism and protect the civil service system from political patronage; (e) allow government-wide mobility among CESOs; and (f) institutionalize performance-based security of tenure.

### *Managing for Results*

The institutionalization of a performance management system in the government presents an integrated and practical approach for effecting good governance. In order to enhance its overall efficiency, effectiveness, and responsiveness, public administration needs a shift of emphasis beyond the traditional concern with inputs and immediate outputs towards a more vigorous commitment to achieving longer term development benefits (i.e., outcomes and impacts), where important changes in the lives of the Filipino people and communities can be expected. Implementing results-based management<sup>6</sup> is a significant public sector reform that requires clear articulation of and strong commitment to the core mission and priorities of the government, which inextricably presents the imperatives of defining and realizing the principles of accountability, participation, transparency, and predictability.

Results-based management necessitates a results-and-service-oriented public sector that allows civil servants to realize that they are accountable for results—not to their supervisors, but to the organization and, more

importantly, the clientele. The desired public sector management environment also calls for an empowered civil service that has the responsibility and capacity to influence results.

Successful introduction and maintenance of a performance management system require a holistic and comprehensive package of civil service reforms that involve three key dimensions: (a) promoting favorable implementation conditions; (b) developing performance measurement systems; and (c) utilizing performance information.

Promoting results-based management in the Philippine bureaucracy is gaining attention. The most recent and welcome development is the introduction of the PEMIP as mentioned earlier since it stresses public accountability by orienting government operations towards realizing the desired outcomes and impacts. Certain elements of the PEMIP nonetheless need to be reviewed and improved. First, the PEMIP needs to align management systems and culture of government agencies to support the systematic collection, recording, analysis, and reporting of performance information—as the saying goes, garbage in, garbage out. Second, PEMIP needs support of top political leadership which is sincere and committed to make it work. Third, training and education of key stakeholders and users are needed.

The fourth aspect refers to the technical design of the PEMIP, which is actually very critical to its successful implementation and sustainability. The design tends to be complex and difficult to understand that may inevitably lead to implementation problems, frustrate stakeholders, and, in effect, make the entire process an exercise in futility. Preliminary interviews on how the process of design took place reveal that agencies and stakeholders were not adequately consulted. Feedback from concerned agencies that used it in the 2001 budget process mentions difficulties in following the framework.

#### *Strengthening Administrative Justice*

The bureaucracy finds it difficult to weed out incompetent and erring public employees. This is partly due to the weaknesses in effecting speedy disposition of administrative cases. Areas that need strengthening include developing mechanisms to track cases, intensifying conciliation and mediation, and strengthening competencies of legal counselors.

#### *Providing the Required Policy and Institutional Support*

Last, but not the least, public sector reforms efforts may require amendments to existing laws and policies, as well as formulation of new ones in order to pave the way for the successful implementation of the proposed interventions.

### Endnotes

<sup>1</sup> The Implementing Rules and Regulations of EO No. 40 were signed in February 2002.

<sup>2</sup> The main anti-graft court that adjudicates criminal cases brought to it by the OMB. It deals only with cases filed against high-ranking government officials.

<sup>3</sup> OPIF espouses the basic principles of results-based management or performance-based management.

<sup>4</sup> These were undertaken during the administration of Presidents Manuel Roxas, Elpidio Quirino, Ramon Magsaysay, Ferdinand Marcos and Corazon Aquino.

<sup>5</sup> As mentioned earlier, these are (a) effective and efficient administrative justice; (b) professionalized civil service; (c) improved public service delivery; (d) enhanced participation of public sector unions; (e) strengthened external relations; and (f) appropriate and adequate management and support services.

<sup>6</sup> "Results-based management" and "performance management" are used interchangeably in this study.

### References

#### Asian Development Bank (ADB)

2005 *Country Governance Assessment*. Mandaluyong City, Philippines: ADB.

1995 *Governance: Sound Development Management*. Mandaluyong City, Philippines: ADB. 17 August.

n.d. *Explanatory Overview and Toolkit for Governance and Capacity Assessment*. Mandaluyong City, Philippines: ADB. Available at <http://www.adb.org/governance/doc/govframework.pdf>.

#### Civil Service Commission (CSC)

n.d. The Civil Service Commission: Building Its own Integrity. The Civil Service Commission in Strategic Plan for 2002-2004.

#### House of Representatives

House Bill Nos. 191, 978

#### National Economic Development Authority (NEDA)

2001 *Medium Term Philippine Development Plan 2001-2004*. Mandaluyong City, Philippines: NEDA.

#### Republic of the Philippines (RP)

1991 Republic Act No. 7160. *The Local Government Code of the Philippines (Local Government Code of 1991)*. 10 October.

#### Senate of the Philippines

Senate Bill No. 2132

#### United Nations Development Programme (UNDP)

1997 *Reconceptualizing Governance*. New York: UNDP.

## World Bank (WB)

- 2002 *Governance Matters: Updated Indicators for 2000-2001*. Washington, DC: WB.
- 2001 *Combating Corruption in the Philippines: An Update*. Washington, DC: WB, 30 September.



### Annex 1. Policy Framework, Strategies, and Measures for Good Governance

<i>Goal</i>	<i>MTPDP Strategies</i>	<i>Specific Measures</i>
Improve service delivery	Reengineering of the bureaucracy	<ul style="list-style-type: none"> <li>Review performance of all existing projects prior to approval of new ones</li> <li>Facilitate access to frontline services through the issuance of a common card</li> <li>Establish complaints desks</li> <li>Simplify procedures and reduce processing period to at least half</li> </ul>
	Rationalize compensation and benefit package in the government	<ul style="list-style-type: none"> <li>Conduct job rationalization program</li> <li>Study the possibility of providing government agencies an equitable share of their income</li> </ul>
	Ensure prudent expenditure management	
	Implement government accounting and auditing reforms	<ul style="list-style-type: none"> <li>Pass the Revised Government Accounting and Auditing Code</li> <li>Strengthen the check and balance mechanism in oversight agencies (e.g., COA, DBM, DOJ, etc.)</li> <li>Establish common database for CSC, DBM, GSIS, and BIR re information on government employees</li> </ul>
	Institutionalize government procurement reforms	<ul style="list-style-type: none"> <li>Issue an EO to rotate work assignments of procurement officers to avoid collusion with suppliers</li> </ul>
	Expand information, communication, and technology (ICT) in government	<ul style="list-style-type: none"> <li>Develop websites of different government agencies</li> <li>Establish e-courts on a pilot basis to speed up getting and documenting the testimonies of witnesses</li> <li>Make COA guidelines and circulars in the interpretation of audit rules and regulations available online</li> </ul>
	Finance development	<ul style="list-style-type: none"> <li>Study possibility of providing complementation fund for local projects in the 2003 budget.</li> </ul>
	Sustain devolution	<ul style="list-style-type: none"> <li>Pass a law that would rationalize the scope and functions of government agencies and further devolve functions of LGUs</li> <li>Further decentralize the responsibilities to field units</li> <li>Revisit the Salary Standardization Law with priority to hard-to-fill-up positions</li> </ul>
	Rationalize use of corporate form	
	Define regulatory role of government	<ul style="list-style-type: none"> <li>Strengthen the regulatory powers of different professions.</li> </ul>
	Create a favorable business environment	<ul style="list-style-type: none"> <li>Clear up major roads of ambulant vendors and other obstructions</li> <li>Prepare template in coordination with the local leagues for tracking the adoption of local government best practices consistent with international standards</li> </ul>
		<ul style="list-style-type: none"> <li>On Solid Waste Management               <ul style="list-style-type: none"> <li>Review and amend the Clean Air Act to allow the entry of other methods in addressing the garbage problem</li> <li>Local executives to develop, design, and implement their respective waste management schemes</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>On Human Resource Development – strengthen the third level through the development of technical/administrative skills; review/enhance recruitment and examination standards; and promotion through rank than position</li> </ul>	

## Annex 1 (continued)

Goal	MTPDP Strategies	Specific Measures
Improve ethical standards in society	Promote leadership by example	<ul style="list-style-type: none"> <li>Depoliticize appointments to managerial positions in government (50% of positions in the Undersecretary and Assistant Secretary levels should be career)</li> <li>Provide assistance to the OP in installing a performance evaluation system of the corporate governance practices of the Boards of Directors of GOCCs and GFIs</li> </ul>
	Pursue electoral reforms	
	Provide information, education, and advocacy campaign against corruption	<ul style="list-style-type: none"> <li>Conduct training on ethics and accountability</li> </ul>
	Reform systems, structures, and mechanisms	<ul style="list-style-type: none"> <li>Pilot the implementation of an integrated accountability system from the employee to the agency level</li> <li>Shift the direct control and supervision over the prosecution of criminal cases filed before the regular courts against lower level government officials and employees from the DOJ to the OMB</li> <li>Pass the amendments to the Local Government Code</li> <li>Direct Land Management Bureau (LMB) to submit land area estimates to be used in IRA allocation decisions by the Executive and the Congress</li> <li>Establish a unit responsible for setting ethical/competency standards/guidelines for appointees to public office, including lifestyle</li> <li>Pass the Civil Service Code</li> <li>Pass a law on the Prisoner Swap System</li> </ul>
	Engage the private sector and civil society in the fight against corruption	<ul style="list-style-type: none"> <li>Require CSOs to declare transparency and accountability systems when dealing with government and donor agencies</li> <li>Require CSOs to declare their own system of transparency and accountability (Code of Conduct)</li> <li>Coordinate civil society spot or selected audit of government programs and projects</li> <li>Harness public sector unions as anti-graft watchdogs</li> <li>Conduct business only with accredited civil society organizations</li> </ul>
Strengthen institutions	Reform corporate governance and promote social responsibility in the private sector	
	Nurture the collective conscience through civil society	<ul style="list-style-type: none"> <li>Strengthen the monitoring and evaluation of government operations</li> <li>Require CSOs to go through accreditation process conducted by the Philippine Council for NGO Certification</li> <li>Require CSOs to develop and declare their own Code of Conduct</li> <li>Provide assistance to the Professional Regulation Commission in the review of professional codes of ethics and operationalization in such profession of an effective enforcement mechanism</li> <li>Institutionalize CSOs to monitor procurement process</li> </ul>
	Improve institutional capacity of government	
	Encourage partnership-building in national development	

Source: NEDA, MTPDP 2001-2004, Socioeconomic Outlook 2001.

## Annex 2. Summary of Key Result Areas and Strategies for Civil Service Reform

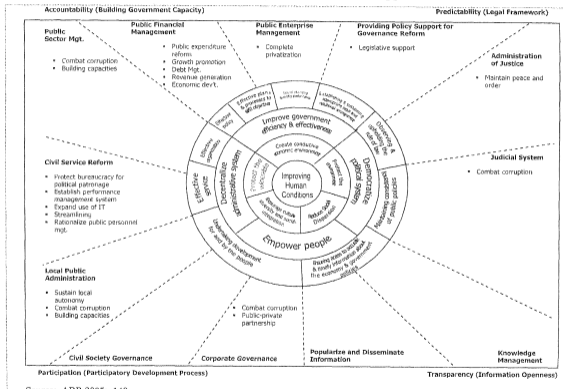
<i>Key Result Areas</i>					
<i>Effective and Efficient Administrative Justice</i>	<i>Professionalized Civil Service</i>	<i>Improved Public Service Delivery</i>	<i>Enhanced Participation of Public Sector Unions</i>	<i>Strengthened External Relations</i>	<i>Appropriate Management and Support Services</i>
<i>Strategies</i>					
<ul style="list-style-type: none"> <li>•Speedy disposition of administrative cases</li> <li>•Develop monitoring mechanism to track cases</li> <li>•Institute mechanisms to docket case dockets</li> <li>•Intensify conciliating and mediation</li> <li>•Strengthen capacity of legal counselors</li> <li>•Strengthen CSC's contempt power</li> <li>•Take lead role in IAAGCC</li> <li>•Enhance CSC quasi-judicial functions</li> <li>•Implement special project on "Women Against Graft"</li> <li>•Ensure consistency of decisions across Regional Offices</li> </ul>	<ul style="list-style-type: none"> <li>•Strengthen 3<sup>rd</sup> level</li> <li>•Develop policies granting CSC authority to appoint and discipline those below Assistant Secretary level</li> <li>•Rethink and intensify HRD intervention</li> <li>•Enhance merit system</li> <li>•Design incentive packages to attract the best and the brightest to the government and make them stay</li> <li>•Integrate gender and development concepts in CSC policies and programs</li> <li>•Rationalize policies on engaging contractuals, job orders, and consultancy services</li> </ul>	<ul style="list-style-type: none"> <li>•Enhance rewards and sanctions</li> <li>•Implement Service Delivery Excellence Program (SDEP)</li> <li>•Implement "Test CSC Project"</li> <li>•Monitor "Process Flow Chart, Service Pledge, and Service Standards" by agencies</li> <li>•Create common database for CSC, GSIS, DBM, and BIR for easy access to government personnel information</li> <li>•Develop programs for LGUs to improve services at the local levels and to increase awareness of CSC rules</li> </ul>	<ul style="list-style-type: none"> <li>•Strengthen coordination and partnership with other agency members</li> <li>•Review rights and privileges as well as existing mechanisms with respect to labor-management relations</li> <li>•Intensify education and information campaign on responsible Public Sector Unionism (PSU)</li> <li>•Strengthen PSUs to serve as watchdog in every agency</li> <li>•Encourage unions to register and accredit with CSC</li> <li>•Implement more effective conciliation and mediation services</li> <li>•Develop proactive and quick reaction mechanisms for resolving labor management conflicts</li> </ul>	<ul style="list-style-type: none"> <li>•Strengthen advisory role to the President on all matters pertaining to human resource management in government</li> <li>•Take a lead role in interagency committees involved in good governance</li> <li>•Develop and implement a Civil Service Public Information Communication Plan</li> <li>•Develop programs that will follow through CSC's "jump start" programs for LGUs</li> <li>•Evolve personnel management functions to agencies particularly at the regional, provincial, and municipal levels</li> <li>•Review relationship between CSC and the OSG re handling of appealed cases before the CA and SC</li> </ul>	<ul style="list-style-type: none"> <li>•Reorganize CSC structure to rationalize functions and strengthen coordination among offices for efficient delivery of public services</li> <li>•Develop prudent expenditure management program</li> <li>•Strengthen internal audit system</li> <li>•Develop efficient and effective model of governance within CSC</li> <li>•Create feedback/ monitoring mechanism for delegated/ devolved functions</li> <li>•Develop and implement an Organization Public Information and Education Plan (OPIE) for CSU</li> <li>•Expand use of IT in all CSC operations</li> <li>•Rationalize fiscal policies on CO assistance to CSRO</li> <li>•Revisit Performance Evaluation Monitoring System (PMEIS)</li> <li>•Ensure passage of Civil Service Code</li> <li>•Review structure of and support to field offices</li> <li>•Develop relevant and needs-based staff development programs</li> </ul>

Source: Civil Service Commission Strategic Plan, 2002-2004.

## Annex 3. Major Governance Issues and Desired Outcomes

Key Aspects	Major Governance Issues	Desired Outcomes
Quality of regulatory framework	<ul style="list-style-type: none"> <li>The purpose of all sector entities is clearly established in legislation</li> <li>The relative responsibilities of agency heads are clearly laid out</li> <li>There is a clear division of responsibility among agencies charged with delivering the sector's outputs or services</li> <li>If user pays services to the public by a monopolistic sector agency, then there is an independent regulatory agency to approve prices and oversee compliance with any operating licenses</li> </ul>	Clear role and responsibilities
Coherent planning	<ul style="list-style-type: none"> <li>There is a realistic medium term (5 to 10 years) plan to achieve sector's policy objectives relative to budget (or revenue) affordability</li> <li>Senior management formally develops action plans to address problems in implementing annual plans</li> </ul>	Effective organization, plans, and processes to fulfill objectives
Effective organizational structure	<ul style="list-style-type: none"> <li>The organization delegates discrete levels of responsibilities to each level of management/supervision</li> <li>Full personnel delegations are given to the agency head (hire and fire staff, classification of levels, promotions)</li> <li>If the institution is a business enterprise that has been privatized, it has an independent Board reporting to a government body/authority.</li> </ul>	
Effective management reporting systems	<ul style="list-style-type: none"> <li>Accurate monthly financial management statements comparing actual expenditures with budgeted are presented to all managers in control of budgets.</li> <li>There is an autonomous internal audit committee</li> <li>There is an effective internal audit capacity</li> <li>An annual audited financial statement and performance report is submitted to the Minister and Parliament within six months of year end close.</li> <li>Action is taken in response to internal and external audit reports.</li> <li>External Audit reports have not been qualified.</li> </ul>	
Effective processes		
Inter-governmental relations	<ul style="list-style-type: none"> <li>There is a clear demarcation of responsibilities at each level of Government.</li> <li>Each level of government is accountable for discharging its obligations effectively</li> <li>There is a satisfactory formula for ensuring that adequate funds are transferred from higher levels of government</li> <li>The formula operates satisfactorily in practice</li> </ul>	Effective organization
Adequacy of financial and other resources	<ul style="list-style-type: none"> <li>Government programs are prioritized for budget purposes.</li> <li>If the agency is a government department, it has a budget appropriate to discrete programs.</li> <li>The annual budget is based on a realistic funding of the agency's programs or needs.</li> <li>Budget transfers from central or regional level to the service point on self financing of the institution cover payroll through prices or tariffs.</li> <li>Enterprise revenues are sufficient to cover its operating costs and the cost of capital</li> </ul>	Self-sufficiency to business operations and investment needed to provide services
Appropriate policy framework	<ul style="list-style-type: none"> <li>All policies are made public</li> <li>There is an equitable policy about access to services.</li> <li>Clear professional standards are established for key service workers at entry.</li> <li>If the policy is to privatize the key government institutions in the sector then they have been realized for the step (including matters of financial self-sufficiency, accountability, productivity including staff downsizing).</li> </ul>	Effective policy
Quality of management/ leadership	<ul style="list-style-type: none"> <li>Senior management is selected on merit</li> <li>If there is a Board, it has part time independent members.</li> <li>If performance has been poor, there is evidence that the Board members direct the senior management to take action.</li> <li>Board membership is stable.</li> <li>Management team is reasonably stable.</li> </ul>	Sound planning and entity performance
Quality and quantity of infrastructure	<ul style="list-style-type: none"> <li>Procurement practices comply with good governance practices.</li> <li>There is a transparent grant/procuring process for determining the infrastructure acquisition sequence.</li> </ul>	Likelihood of service continuity
Quality and quantity of staff	<ul style="list-style-type: none"> <li>Promotion is based on merit.</li> <li>Salary packages are sufficient for an average family to live comfortably.</li> </ul>	Capability to carry out the activities of the organization
Access and reliability of service	<ul style="list-style-type: none"> <li>Service standards are set for access (e.g., hours of opening, response time, proximity to users, etc.) and quality of service</li> <li>There are mechanisms to place to deal satisfactorily with requests and complaints from the clientele over the level of service or effectiveness of the providing agency</li> <li>The local clientele or communities are generally satisfied with the performance of the local service provider</li> <li>If the service is charged for, customers are provided sufficient information on their bills to allow them to judge the reasonableness of charges</li> </ul>	Desired policy outcomes
Sector Specific Services and Technical Capacity	<ul style="list-style-type: none"> <li>Criteria for load shedding are made public.</li> <li>There is an effective system of auditing teaching standards and addressing problems.</li> <li>There is an effective technical auditing system which ensures schools are built and maintained according to budget specifications and materials are provided according to budgets.</li> </ul>	Effective services

## Annex 4. Governance Map of the Philippines



Source: ADB 2005: 149.

# **Assessing the Need for Integrating Ethics in Managerial Decisionmaking**

TOMAS A. SAJO\*

*Ethics is central to the study and practice of public administration and the need to inquire into it has been recognized in the academe. Nowadays, integrating ethics in managerial decisionmaking appears in demand in view of the fact that unethical practices cost, not only the government but the society at large, a lot. This article addresses the lack of systematic assessment of ethics in decisionmaking, particularly among local government officials without access to public funds. Among others, the author points out that local government officials and employees are exposed to various forms of ethical risks. To address this problem, the author recommends the strengthening of ethical safeguards, protection of the whistleblowers, and the reduction of incidence of distortion of managerial roles.*

## **Introduction**

In contemporary public administration wherein relevance and equity are significantly featured, the question of ethics in government has been frequently raised in the academic and popular forums, or reported in the media. In many public transactions and events, violations of the ethics code, unwarranted use of the pork barrel fund, whistle-blowing on graft and corruption at the highest executive level, and partaking of the ransom money in the military, have been actually headlined. Pertinent allegations with accompanying evidence appeared not only in newspapers but in televised congressional hearings as well.

The need to inquire into ethics in government actions and decisions has been critically recognized in the academe. The need for inquiry is demonstrated by focusing more on the understanding of and applying ethics in dealing with the cost of fraudulent acts and commissions, assessing ethically questionable acts of government managers, examining the erosion of integrity in government service, and looking into corruptive pressures on a global arena. In pursuing the teaching and practice of ethics in decisionmaking, more attention should be given to the benefits that could actually and potentially derive from ethical managing of public affairs. Said benefits, both tangible

---

\*Roberto S. Benedicto Diamond Jubilee Professor of Management, College of Management, University of the Philippines in the Visayas.

and intangible, could motivate and encourage public officials and functionaries to act and decide within moral, ethical, and legal boundaries.

That the academe is concerned with ethics in government is a curricular and practical exigency and reality. Academics in the field of ethics have calculatedly indulged their passion for social equity and relevance by calling for persuasive moral reasoning about the civil servants' sense of professionalism, always mindful of the rigorous demands of active citizenship, civility and decorum, and continuing harmony between democratic responsibility and regime values. Certainly, these concerns must be accepted with an accompanying commitment and integrated into decisionmaking by academicians and practitioners to ensure the success and vitality of public administration today.

Integrating ethics in managerial decisionmaking appears in demand in view of consequential costs of unethical or fraudulent acts in government service, aggravated by media frenzy over very highly visible offenders. In spite of the reported knowledge of government managers and employees of ethics and decisionmaking, effective safeguards are wanting and emergence of graft and corruption into accepted norms of public behavior is morally threatening. Most personnel appear to have no significant knowledge of what constitutes fraud and refuse to report commission of unethical acts. Although many understand the moral dimensions of their roles, different acts of fraud are still committed, particularly distortion and overexertion of managerial roles.

While trust is recognized as the foundation for managing public organizations, incidence of integrity erosion and unnecessary exposures to ethical risks still continues to harm or cause damage to public organizations. Even corruption pressures have encroached in government organizations with international dealings and transactions. Most government officials and employees expect tangible and intangible benefits from improved public management ethics.

### *Problem Statement*

The study addresses the problem of lack of systematic assessment of ethics in decisionmaking, as practiced by local government officials and functionaries with fiscal roles and responsibilities. The problem is reinforced by the lack of research inquiring into the integration of ethics in decisionmaking within the local government setting. Local officials and employees who have responsibilities and direct dealings with the local budget and fiscal operations in their respective agencies are exposed to various forms of ethical risks while carrying out their responsibilities, roles and functions.

### *Objectives*

In pursuing the major intents of this inquiry, the study seeks to: (1) specify the level of understanding of "ethics" and "decisionmaking" as components of ethical decisionmaking, (2) measure the costs of fraudulent and/or unethical acts in the workplace, (3) pinpoint ethically questionable acts related to nonmanagerial and managerial roles and performance, (4) detail the erosion of integrity and exposure to ethical risk among public managers, (5) state the perceptions on corruptive pressures in global environment, (6) identify the benefits of improved ethics in managing the public workplace, and (7) propose an agenda for action to elevate ethics in government decisionmaking.

### *Analytical Framework*

A systems-oriented framework consists of information inputs including the respondents' profiles, ethics and decisionmaking perspectives, awareness of ethically questionable acts and decisions, and corruption pressures in the global environment. These inputs affect the ethical managerial decisionmaking processes with expected outputs, which include the benefits gained from improved management ethics anchored on personal and organizational integrity. Benefits particularly derived are the organization's sense of social responsibility, responsible environmental management, application of distributive and procedural justice at work, progressive workplace management, participative management, and good community relations.

### *Methods*

The study design is descriptive-analytical, concerned with analyzing the what and how many of what ethical conduct in a government workplace. Primary data are generated using pretested questionnaires, and secondary data are drawn from various references and published materials related to ethics and decisionmaking. The sampling is a non-probability technique—quota sampling—with specific criteria strictly observed. Descriptive statistics is used to analyze the key variables, including the use of a chi-square test to measure the significance associated with contingency table analysis (Jackson 1995). The study is limited by time and funds, explaining the area and sample limitations.

### *Definitions*

The conceptual foundations of ethics and of decisionmaking are necessary ingredients of sound and worthwhile ethical choices confronting local public



managers and functionaries. Challenges of managing within the local and global environments have to deal with differing ethical values and points of view, with the added requirement of explaining why these are important in governmental management. Hence, the concepts of ethics and decisionmaking have to be clearly defined.

*Ethics*, the first concept, connotes the practical science of the morality of the human conduct (Glenn 1930). From this definition, the different characteristics of ethics can be pinpointed. First, ethics is a science, because it is a complete and systematically arranged body of data relating to the morality of human conduct, and presents reasons showing these data to be true. Second, it is a practical science, because it directly implies rules and directions for thought or action, representing truths that are to be acted upon. Third, it points to the science of human conduct referring only to such human activity that is deliberate and free, meaning, acts performed with advertence and motive, and determined by free will. Fourth, it is also a science of morality of the human conduct, because it indicates that the free, knowing and deliberate human activity is either in agreement or disagreement with the dictates of reason.

Ethics also refers to the principles of conduct governing an individual or a group, and specifically relates to the standards used in deciding what the conduct should be (Dessler 2002). It deals with the concern for good behavior, the obligation to consider not only one's personal well-being, but also those of other human beings (Certo 2000). Broadly, ethics is considered a study of how one's decisions affect other people; and simply, the study of people's rights and duties, the moral rules that people apply in making decisions, and the nature of relationships among people (Stoney et al. 1995). It could mean the study of rights and of who is—or should be—benefited or harmed by an action.

In an extended definition, "ethics" is viewed as "the systematic attempt to make sense of individual, group, organizational, professional, social, market, and global moral experience in such a way as to determine the desirable, prioritized ends that are worth pursuing, the right rules and obligations that ought to govern human conduct, the virtuous intentions and character traits that deserve development in life, and to act accordingly" (Petrick and Quinn 1997: 42).

Administrative ethics can further enrich the ethics perspective. It involves the application of moral principles to the conduct of officials in organizations. Such moral principles indicate in particular: (a) the rights and duties that individuals should respect when they act in ways that seriously affect the well-being of individuals and society, and (b) the conditions that collective practices and policies should satisfy when they similarly affect the well-being of individuals and society (Thomson 1985, in Shafritz and Hyde 1997). This thinking becomes more significant when public managers and functionaries make judgments (who is to judge over the persons or group of persons to be judged) (who is to be judged) in their workplaces.

The second concept dealt with is *decisionmaking*. Essentially, this is a process of defining problems, gathering information, generating alternatives, and choosing a course of action. It is also viewed as the process of choosing the best alternative for reaching objectives (Hellriegel et al. 1999, Certo 2000). As a central function in management, decisionmaking deals with the process of identifying and selecting a course of action to solve a specific problem, or taking advantage of an opportunity.

*Graft and Corruption.* In the ethical concept, graft refers to the unscrupulous use of one's position to derive profit or advantage. Exemplified by extortion, it indicates that money is gained or yielded under dubious circumstances exploited by the power holder. By way of distinction, corruption means a deviation from the ethical or moral behavior. Relying on legal norms, it refers to behavior deviating from formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status gains; or violating rules against the exercise of certain types of private-regarding.

Cariño and De Guzman (1979) point to *graft* when the act is performed by a civil servant or a group of civil servants acting alone, without involving any person external to the bureaucracy, or compromising the performance of duties of another bureaucrat; and to *corruption* when the latter actions obtain with participants within and without the bureaucracy. These distinctions are more in tune with Heidenheimer's (1970) public office category, which centers on the concept of public office and the norms of conduct binding on the incumbent.

In the realm of politics, corruption can be defined according to these three criteria: legality, public interest, and public opinion. On the basis of the legality criterion, the political behavior is corruption when it violates certain formal standards or rules of behavior set down by a political system for its public officials. Based on the notion of public interest, what is public or common interest is determined first to form basis for investigating corruption behavior. In terms of public opinion, a political act is corrupt when the weight of public opinion determines it to be so (Peters and Welch 1978 in Frederickson 1993).

*Norms*, in the psychological context, are acceptable standards of behavior within a group that are shared by the members. They gradually develop as the members of a group or organization learn what behaviors are necessary to be able to function effectively. Usually, they tell members what they ought or ought not to do, under certain circumstances (Robbins 2001).

*Subjects.* Respondents are invariably government officials, functionaries, personnel, and employees, and in certain instances are identified as government or public managers, or people in government service. The age range of the 36 subjects is from 24 to 25 years, with an average age of 39.77

years, roughly 40 old. Twenty-five are females, and eleven are males. The civil status shows that 29 are married; five are single, while only two are widows or widowers. Thirty-one are Roman Catholics, while only four are Protestants. Only one respondent is a member of *Iglesia ni Kristo*.

Among these subjects, thirty-one are bachelor's degree holders. Many baccalaureate graduates are Bachelor of Science in Accountancy, Bachelor of Science in Commerce, Bachelor of Science in Management, or Bachelor of Science in Business Administration. Others hold Bachelor of Science in Mechanical Engineering, Bachelor of Science in Civil Engineering, Bachelor of Science in Education, and Bachelor of Arts degrees. Fifteen of them are master's degree holders, with eight Master of Management graduates with specialization in Public Management (MMPM). A few are Master of Business Administration (MBA); Master of Management, major in Rural Development Management (MMRDM); Master of Public Administration (MPA); and, Master of Arts in Teaching (MAT). In addition, two are Doctors of Medicine (M.D.).

The subjects' monthly incomes are estimated at the personal and joint family levels. Twelve earn within the P11,000-P15,000 bracket, and two groups of seven fall below the P10,000 and P16,000-P20,000 brackets, respectively. Four of them have incomes in excess of P20,000, including the two who earn much higher incomes of P130,000 and P170,000, respectively. The average income is about P19,583.00.

Based on monthly joint family income, thirteen subjects belong to the P51,000-P100,000 bracket, eleven below the P50,000 bracket, and four earn over P100,000. Of the four personnel earning over P100,000, two report incomes of P150,000 and P200,000, respectively. The average income is approximately P57,778.00 per month.

The present positions of the government functionaries used as subjects vary. Among twenty-eight of them, four hold officers as Accountants I, II, and III; four occupy positions as Administrative Officers II, IV; and, three as Budget Officers II, III, and Budget Clerks II and III. The other ten include Regional Manager, Chief of Hospital, Property Officer II, Legal Officer, Auditor IV, Teacher III, Senior Budget Specialist, Computer Operator II, Technical Assistant, and Revenue Collection Clerk.

The key roles of the public functionaries are widely differentiated. Among the thirty personnel who report their primary roles, four are responsible for safeguarding or controlling the financial assets and their records, three are concerned with recording financial transactions and preparing financial statements, and three are preparing and revising budget proposals. Two others perform the following: review budgets of local government center, post transactions on their appropriate ledgers, prepare financial statements, and attend to administrative matters or affairs. The

other key roles include overall management of regional operations; managing hospital operations; attending to personnel matters, including position classification and wage administration; recording and communicating financial status and operations; handling property matters; taking care of legal internal matters; assisting the regional accountant; creating and executing fiscal policies; computer encoding and processing financial data, and doing clerical jobs related to accounting and communication matters.

The subjects' treasured principles in life contribute much to ethical contents that often shape the personal and work life of people in organizations. Many express their valued principles such as, "Love God above all things," "Honesty is the best policy," and the Golden Rule. Others expressed principles these ways: "Learning is a continuous process in life, not what we receive that counts, but what we do for others;" "Trust in the Lord with all your heart, and not in yourself only;" "What am I is God's gift to me, what I become is my gift to God;" "Live life so well so that when you look back, you can live it again;" "Live life to the best of your abilities, follow your dreams by working hard to reach them;" "Have faith in self and others, will succeed; and, "Aim high and work at your best to hit it bull's eye."

These ethical principles can influence relationships between and among government managers and employees, as well as their performance and diligence at work.

## Results and Discussion

Tables 1 to 6 reflect the findings on factors affecting the need to integrate ethics in ethical managerial decisionmaking, to wit: (1) ethics and decisionmaking perspectives, (2) cost of unethical workplace conduct, (3) ethically questionable performance of managers, (4) integrity erosion and ethical risk exposures, (5) global corruption pressures, and (6) benefits derived from improved government ethics. Factors with highly significant ( $p < 0.01$ ), significant ( $p < 0.05$ ), and not significant ( $p > 0.05$ ) effects are indicated in the remarks column. The percentage of respondents, the *chi-square* value, and the *p*-value are also entered.

### *Ethics and Decisionmaking Perspectives*

Significant learning points affecting the perspectives of ethics and decisionmaking that are the key elements of ethical managerial decisionmaking are put together. To facilitate learning significance, Table 1 indicates the percentage distribution of respondent functionaries, the results of test statistics consisting of *chi-square* and probability values, and their interpretations in terms of significance.

**Table 1. Ethics and Decisionmaking Perspectives**

<i>Factors</i>	<i>% of Respondents</i>	<i>Chi-Square Value</i>	<i>P-value</i>	<i>Remarks</i>
Ideas concerning decision-making	94.12	26.471	0.000	Highly significant
Ideas about ethics	91.43	24.029	0.000	Highly significant
Belief in ethical decisionmaking	86.11	18.778	0.000	Highly significant
Ideas regarding ethical decisionmaking	80.56	13.444	0.000	Highly significant
Public sector ethics for prevention or minimization of graft and corruption	66.67	4.000	0.169	Not significant
Assessment of need for ethical decisionmaking	62.86	2.314	0.314	Not significant
Usefulness of assessing need for ethical decisionmaking	61.76	1.882	0.183	Not significant
Practice of ethical decisionmaking	58.33	1.000	0.317	Not significant
Management emphasis on ethical decisionmaking to prevent and minimize graft and corruption	55.56	0.444	0.506	Not significant
Graft and corruption as developing into accepted norms of behavior	47.22	0.111	0.739	Not significant
Ethical safeguards to prevent graft and corruption	44.12	0.471	0.547	Not significant

Table 1 reflects the percentage distribution and the results of the test statistics. The factors most personnel recognized and measured as highly significant are (a) ideas about decisionmaking; (b) ideas concerning ethics; (c) belief in ethical decisionmaking; and (d) ideas regarding ethical decisionmaking.

The factors therein that are recognized by the majority, but are not significant include: (a) public sector ethics for prevention or minimization of graft and corruption; (b) assessment of need for ethical decisionmaking; (c) usefulness of assessing need for ethical decisionmaking; (d) practice of ethical decisionmaking; and (e) management emphasis on ethical decisionmaking to prevent or minimize graft and corruption.

However, the factors that are recognized only by the majority but have no significance to ethics and decisionmaking perspectives are: (a) ethical safeguards against graft and corruption, and (b) graft and corruption developing into an accepted norm of behavior.

These are the two areas where managers should focus more in assessing the need for ethical decisionmaking, since it appears that ethical safeguards are not adequately detailed to forestall or reduce incidence of graft and corruption in public office. Such safeguards must be implemented promptly; otherwise, the culture of graft and corruption will continue to plague and dissipate public service.

The additional findings concerning the reasons and illustrations given for each factor are presented in the order of importance as each factor affects ethics and decisionmaking perspectives. The most-cited factors are highlighted in the summary findings at three levels: (a) most-cited and highly significant factors, (b) factors that are recognized by the majority of respondents not considered as significant, and (c) factors that are recognized only by the majority of respondents and have no significance.

For the most cited and highly significant factors, the pertinent findings are:

First, the ideas concerning decisionmaking are centered on the different steps or processes the individuals or groups follow in making decisions, including the evaluation of influential factors or alternatives. Decisionmaking also refers to the process of making right choices considering such conditions as necessity, importance, economics, attainability and the common good.

Second, ethics is perceived as the right conduct, attitude, character and practices of people. It refers to doing work with responsibility and accountability, without any complaint or delay. It also deals with behaving in an educated and professional way in specific situations, settings, or circumstances. It emphasizes the Golden Rule: *Do unto others, as you would have others do unto you.*

Third, people sincerely believe in ethical decisionmaking because it improves job and organizational performance. In the social, economic, and political order, ethical managers are viewed with respect and dignity. When decisions or actions are ethically right, the parties are happy with the outcomes. Ethical acts strengthen the character of public managers.

Fourth, people generally think of ethical decisionmaking as the process of observing what is good or right in making choices or decisions. It points to the process of deciding in conformity with accepted values and norms of behavior. Choosing the right alternative for the common good, without jeopardizing the

interest or position of oneself or the other is considered ethical decisionmaking. Mostly, it is putting ethics at the core of decisionmaking or making final choices.

For factors recognized by the majority but without any significance, the findings are:

First, public sector ethics can influence the prevention and/or minimization of graft and corruption by means of observing excellent ethical values in public office. It guides the formation of a person's character or attitude, to be able to correct the wrong or unfair doings in the public service. The awarded public officials and employees serve as models.

Second, an assessment of the need for ethical decisionmaking is justified since its results can serve as guides to national and local government officials or personnel. It provides a barometer of what to do when one deviates from acceptable conduct. It also looks for ways to incorporate ethics into decisionmaking at the workplace, to improve one's way of personal or work like, and to know and pursue the right path.

Third, the usefulness of assessing the need for ethical decisionmaking is recognized in terms of uplifting the level of honesty and integrity in personal and work like. It promotes the achievement of a happy, fulfilling, and useful life for self and others. It also increases the capability of public officials and functionaries to respond to problems rightfully, correctly and fairly.

Fourth, the practice of ethical decisionmaking is justified, because it is important in dealing with superiors, subordinates, and peers, as well as clientele. It makes people more humane, merciful and sympathetic to others in the organization and in society. Moreover, it leads to a productive, progressive and a happy life.

Fifth, management emphasis of ethical decisionmaking is warranted, because it highlights merit in deciding or choosing the supplier and/or contractor to deal with concerning government business, and the personnel to be recruited and appointed in public office. It stresses fairness and equity in decisionmaking, application of ethical values and norms in personal dealings, the workplace, and the community, and reduction of acts of graft and corruption, especially when pertinent laws are strictly implemented.

With regards to factors that are recognized only by the minority of respondents and are not significant, the relevant findings are:

First, the ethical safeguards against graft and corruption are institutionally based as the Ombudsman is mandated to check offenders of malpractices of government officials and employees. An internal audit office is

created for safeguarding assets and financial transactions. The creation of Integrity Circles and the conduct of values orientation workshops (VOW) are parts of the moves to fight graft and corruption.

Second, graft and corruption can develop into an accepted norm of behavior in government, since subordinates emulate their officials in committing fraudulent acts, especially in cases where officials are in collusion to commit fraud with suppliers and those in the business sector. When officials taking a bribe are not apprehended, the conduct is repeated. The daily reports of graft and corruption cases tend to support the contention that graft and corruption is already an established norm of behavior or an emerging culture in the Philippines.

#### *Costs of Unethical Conduct in Public Organizations*

The significant findings affecting the costs of unethical conduct, committed by superiors and employees in the workplace, are summarized. Table 2 shows the different influential factors, with corresponding percentage distributions of respondents who took cognizance of the influence of ethical conduct to costs, including the results and interpretation of the chi-square test. The ranking of factors is mainly based on levels of significance of findings.

Based on Table 2, the four highly significant factors associated with the cost of workplace unethical conduct are: (1) recognition of people who always practice ethics in their actions or decisions, (2) expectation of loss suffered by the organization from the fraudulent act committed by a superior, (3) advising the employee, whose workplace error results in actual loss, to cooperate and be responsible for said loss, and (4) expectation of retaliation against managers who attempt to take undue advantage of stakeholders through their unethical behavior.

In addition, the two factors that are not significantly associated with the costs of unethical conduct in the workplace include: (a) the idea of what constitutes fraud in the workplace, and (b) the giving of advice to co-employees conspiring to commit a fraudulent act. Furthermore, when these factors are arranged on the basis of their percentage distribution, the ranking is consistent with the order based on the statistical level of significance.

The additional focus of summation relates to the most-cited explanations of factors affecting costs of workplace unethical conduct that have the highest average rank points. Whenever no ranking has been undertaken, the percentage points of frequency counts are used.



**Table 2. Costs of Unethical Workplace Conduct**

<i>Factors</i>	<i>% of Respondents</i>	<i>Chi-Square Value</i>	<i>P-value</i>	<i>Remarks</i>
Recognition of people who always practice ethics in their actions or decisions	94.44	28.444	0.000	Highly significant
Expectation of loss suffered by organization from fraudulent act committed by superior	94.29	27.457	0.000	Highly significant
Advising employee, whose workplace error resulted in actual loss, to cooperate and be responsible for said loss	88.87	20.829	0.000	Highly significant
Expectation of retaliation against managers attempting to take undue advantage of stakeholders through their unethical behavior	77.78	11.111	0.001	Highly significant
Idea of what constitutes fraud in workplace	55.56	0.444	0.505	Not significant
Giving advice to co-employees conspiring to commit fraudulent act	54.29	0.257	0.612	Not significant

First, regarding acts in the workplace considered as constituting fraud, the most-cited cases are as follows: overpricing of government supplies and materials purchased; malversation of funds; personal use of office supplies; graft and corruption; logging in but not at work and somewhere else; falsification of report of actual working hours; unauthorized undertime, and red tape in processing of papers. The least-cited fraudulent incidents are: substandard performance or work practice, unauthorized double compensation, and 15/30 salary of ghost employees.

Second, several suggestions are put forward to control losses resulting in fraud. The more prominent suggestions for management are: check and deny overpriced quotations; look for honest suppliers; emphasize internal control of supplies and materials inventory; and assign and delegate the task of canvassing to honest personnel. Conversely, suggestions given, such as suspending employees suspected of theft pending investigation, and rotating jobs to prevent or minimize collusion among personnel, are least considered.

Third, in most instances, superior officers commit acts deemed contributory to the commission of fraud in the workplace. These oft-cited contributory acts of superiors include: approving without verifying authenticity and accuracy of documents; allowing purchase transactions in spite of overpricing; mismanagement or lack of internal control; gross laxity in supervision, and signing the voucher without prior verification of supporting documents. On the other hand, the least-recognized contributory acts of the superiors include lack of time to follow up financial transactions, inability to do anything to stop such fraudulent acts, and lack of internal control of salary expense items.

Fourth, particular losses suffered by the organization resulting in fraudulent acts of the superior officials are identified. Based on frequency counts, the losses most mentioned consist of the following: low morale of personnel; inattention to methods and procedures becoming a norm; frequent disrespectful treatment of employees occurring; callous disregard for integrity leading to shameless loss of work commitment; decrease in productivity and profitability; lack of cooperation due to mounting fear or distrust; and loss of work price and meaning pervading the organization. Based on the gravity of loss, the following are the consequences: low morale of personnel; decrease in productivity and profitability; customary dissatisfaction increases; lack of cooperation due to mounting fear or distrust; work overtime; and exceeding budget limits.

Fifth, advising employees who are caught conspiring to commit fraudulent act is a preferred option. The more cogent explanations are: honesty can exonerate violators who accept the consequences of their fraudulent acts; conspiring parties would confess committing fraudulent act; it is for everybody's welfare to restore morality in the bureaucracy; and violators can be given the chance to explain and to retain their jobs. The contrary advice is anchored less on giving the warning "don't do it again" so as not to commit a fraudulent act again; and having violators confess voluntarily to reduce penalty.

Sixth, giving advice to employees committing errors at work resulting in actual loss, managers cause them to cooperate and be personally responsible. The most forceful argument is invoking honesty and taking personal responsibility. This reason is complemented by reforming one's character and conduct, and discouraging self-interest activities in the workplace. Based on the level of importance given the various reasons, the most important are: invoking honesty and taking personal responsibility, and reforming one's character and conduct.

Seventh, appropriate situations can fit the basis for recognizing that people always practice ethics in taking action or making decisions. Such situations include: managers having the choice of cooperating based on the

norm of telling the truth, and employees pledging to honor their commitments. Considering the degree of importance attached to these situations, the ranking confirms the situations most frequently recognized.

Eighth, retaliation is expected against managers who attempt to take undue advantage of present stakeholders through unethical behavior. Considering the frequency counts, the results indicate that the most-cited acts of retaliation consist of refusing to purchase from, work for, and/or do business with unethical managers, and organizing boycotts and other forms of pressuring those who refuse to do so. Based on the ranking of importance given to these retaliatory acts, the following are the most serious: refusing to purchase from, work for, and/or do business with unethical managers; organizing boycotts and other forms of getting others to refuse doing business with said managers; and depriving them of the opportunity for more beneficial or profitable exchanges.

#### *Awareness of Ethically Questionable Managerial Role-Related Acts*

Table 3 presents significant findings concerning the awareness of ethically questionable acts of managerial and nonmanagerial role performance of public managers.

In detail, Table 3 indicates the various contending factors, with corresponding percentage distributions of respondent personnel who recognize the varying significant levels of influence of these factors. The results of test statistics with chi-square and probability values are shown and interpreted in terms of their significance.

From the table, the four most influential factors on the basis of percentage distribution have a similar order when the factors are assessed on the bases of their chi-square values.

These factors include: managers' awareness of the moral dimensions of their varied roles; remedies for managers' acts for advancing personal gains; ethical challenges posed by failures and distortions of managerial roles; and non-performance of managerial roles resulting in damage to organization. Thus, the factors with the highest percentage points are also those factors that are considered highly significant.

On the contrary, the factors with lower frequencies correspond to factors that are not statistically significant. These factors consist of: overexertion of managerial roles through excessive exercise of influence; distortion of managerial roles; and non-managerial acts resulting in managers' personal gain at the expense of organization.

**Table 3. Ethically Questionable Performance of Public Managers**

<i>Factors</i>	<i>% of Respondents</i>	<i>Chi-Square Value</i>	<i>P-value</i>	<i>Remarks</i>
Managers' awareness of moral dimensions of their varied roles	94.29	27.457	0.000	Highly significant
Remedies to managers' acts for advancing personal gains	85.71	17.857	0.000	Highly significant
Ethical challenges posed by managerial role failures and distortions	80.56	13.444	0.000	Highly significant
Failures in performing managerial roles resulting in damage to organization	75.00	9.000	0.003	Highly significant
Performance of non-managerial acts giving direct gain to managers at expense of organization	52.78	0.111	0.739	Not significant
Distortions of managerial roles	52.78	0.111	0.739	Not significant
Overexertion of managerial roles through excessive exercise of influence	44.44	0.444	0.505	Not significant

The pertinent summary points relate to the most-cited explanations for the identification and explanations of specified factors. These are drawn from the probes undertaken in incidents or cases wherein personnel answer affirmatively only.

First, expectations concerning managers' awareness of the moral dimensions of their differentiated roles include: as leaders or manager, they are examples of what is moral; managers as leaders should observe what is moral in their leadership roles, including the practice of ethics and good moral conduct; they would not be managers if they do not know what is morally sound; managers have to know the demands of their jobs, know the moral dimension of their jobs, and ensure transparency and accountability in their jobs; and, as managers, they are executives who ought to give fair, fast, sound and stable decisions.

Second, although managers' actions on nonmanagerial roles are not statistically significant, the cases noted to have higher level of gravity include: expense account cheating by padding expenses; personally withdrawing

payment for ghost services; and seeking payment for unserved overtime services.

Third, remedies to managers' acts for their personal gain at the unnecessary expense of the organization are identified based on the level of importance, as follows: installing internal control in the accounting system; requesting formal auditing of accounts; citing the pertinent provisions of the Code of Ethics; and investigation of questionable acts demanding explanations.

Fourth, cases wherein managers fail to competently perform their managerial roles are assessed in terms of gravity of damage and prejudice to the organization. These cases include: covering poor performance with fake reports; conducting superficial or fake performance appraisal, and ignoring personnel involved in expense account cheating or misappropriation.

Fifth, although lacking in significance, the cases of managerial role distortion that are of higher levels of seriousness include: negotiated bidding through manager-supplier collusion; bribery where money is unduly received by managers in exchange for favor or accommodation of clientele, and manipulation of suppliers to gain undue price advantage.

Sixth, accepting no significant association, many cases of overexertion of managerial roles are recognized in pressing strict compliance with the letter of the law, more specifically in situations such as: strict adherence to rules for short-term advantage; contracting unauthorized high-risk investments, and perpetuating currently legal but harmful environmental practices.

Seventh, failures and distortions of managerial roles continue to ethically challenge managers' performance in such cases as: costly consequences to those affected or involved; acts corrosive of or prejudicial to moral standards, and creation of widespread moral stress and ethical dilemmas.

All these observations which impinge on the public managers' ethically questionable performance, including the cases describing the failures, distortions and overexertion of managerial roles, must be accepted as rich areas for integrating ethics in decisionmaking. Should ethical questions be raised in any of these managerial acts, it is incumbent upon the public managers concerned to act and decide with moral integrity. Otherwise, they would be exposed to greater ethical risks and their integrity could be further eroded in the public view.

#### *Erosion of Integrity and Exposures to Ethical Risks*

Table 4 is likewise informative when reviewed for the significant findings that relate to erosion of integrity and exposure to ethical risk. It indicates the

**Table 4. Integrity Erosion and Ethical Risk Exposures**

<i>Factors</i>	<i>% of Respondents</i>	<i>Chi-Square Value</i>	<i>P-value</i>	<i>Remarks</i>
Checking integrity erosion and managing workplace risks as means to improve performance	97.22	2.111	0.000	Highly significant
Effects of unintentional commission of unethical acts on personal and organizational integrity	88.89	21.778	0.000	Highly significant
Consequences of intentional commission of unethical acts	80.56	13.444	0.000	Highly significant
Adverse consequences from gambling with personal, interpersonal and public trust	80.00	12.60	0.003	Highly significant
Manipulation of career image impressions and public relations engagement to cover up lack of integrity	77.78	11.111	0.001	Highly significant
Increasing interest in managerial ethics as response to public accountability demands	77.42	9.323	0.002	Highly significant
Trust as foundation for managing organizations as relational enterprise	77.14	10.314	0.001	Highly significant
Ethics and morality cases in workplace and their concomitant factors	58.33	1.000	0.317	Not significant

various factors that influence the study of the erosion of ethical integrity and the intentional or unintentional exposure to ethical risks.

In the same table, the factors are highly significant except for the ethics and morality cases in workplace and their concomitant factors. Such highly significant findings are based on the results of the statistics showing the chi-square and probability values.

First, managers in the public service who want to improve their ethical performance should focus more attention on checking or controlling the erosion of integrity, and conscientiously manage ethical risks in the workplace. In the

order of level of importance, the different ways of checking the breaking down of integrity and handling ethical risks are: controlling costs incurred from avoiding harm; avoiding exposure to harmful dangers at work; checking costs resulting from harm, and limiting transaction costs incurred in allocating harm.

Second, the unintentional commission of unethical acts by managers in local government who are culpably ignorant can harm both personal and organizational integrity. Based on the levels of seriousness, the nature of the harm is presented as follows: denying the promotion of qualified personnel unintentionally discriminated against; culpable moral negligence destroying organizational integrity; ethical risks unduly imposing suffering on human and non-human stakeholders; unintentional omission of ethical acts injuring not only immediately affected individuals, but also categories of stakeholders, and harming natural ecosystems, indigenous population, and other industries.

Third, the intentional or premeditated commission of unethical acts by public managers in the local workplace can bring about harmful or damaging consequences. The assessment of such damage-causing consequences reveals the following order of gravity: destroys the ethical integrity of persons and of the organization; compounds the offense committed and whets the media frenzy; disregards recklessly the ethical risks to stakeholders that had been created before the unethical act was committed, and callously discounts the increased distribution of ethical risks imposed on other stakeholders after the fact or event of commission.

Fourth, the unethical act of gambling with personal, interpersonal, and public trust could result in major adverse consequences both to local managers and to local government organizations. Considering the level of importance given, the reasons supporting such assertion are: gambling is a game of chance that makes people dishonest; loss of trust will result in loss of confidence from clientele to workers, and from subordinates to managers; gambling generates telling lies and being dishonest; once integrity is destroyed, there is nothing more of value to expect; gamblers always grab the chance to take advantage of others for personal gain; it could cost top managers their respective careers, and being true in any dealings will gain more advantage than being deceitful.

Fifth, manipulating career image impressions and engaging in public relations efforts to cover up the lack of genuine integrity can bring about unfavorable or questionable consequences to public managers who resort to them. The downward order of gravity of the questionable consequence is as follows: create the problem of divided ethical selves; loss of moral alignment or consistency in word and in deed; establish compartmentalized relationships; mix or change values at varying venues or contacts, and switch personalities at home, work, or play.

Sixth, the increasing demand for public accountability of local public managers can be legitimately responded to by elevating managerial ethics in a morally and politically complicated environment. The reasons given for supporting this condition are arranged as follows: with top leaders as examples, public accountability and ethics have changed, gradually improving at the national level, but still unchanged at the local level; public office is a public trust wherein public servants are obliged to comply with ethical standards as stated in the Code of Ethics and Civil Service Commission rules and regulations; growth of interest in managerial ethics will promote understanding underlying worker-manager role relations in organization; in times when graft and corruption is cultured in government, ethics is the best response; a good leader can encourage other members to be good followers; and managerial ethics is the backbone of public accountability.

Seventh, the foundation of managing organizations viewed as relational enterprises is trust, not money, technology, nor power. The different reasons put forward are presented in the following order: when there is trust, employees are confident that the organization will achieve success; trust is the binding factor that unifies an organization; trust is a strong foundation for good government; trust is the keystone that promotes good relationships in the organization; trust is needed in every organization to develop harmonious relationships; and trust precedes all things—the basic tool within an organization.

Eighth, the number of cases involving ethics and morality in the workplace has been increasing. Although the findings on this aspect are not significant, the slight majority of respondents point out the factors that account for the increase in the following order: increased media attention to ethics cases and publicity of prominent offenders; violations of ethics rules are now more likely to be discovered and institutionally investigated; there are more offenders now because there are more offenses that are legally recognized; special courts are created with jurisdiction over ethics cases, e.g., graft and corruption committed by public officials; and presence of penalty provisions in the Code of Conduct and Ethical Standards helps prevent unethical behavior.

#### *Global Corruption Pressures*

To summarize the significant learning points concerning the corruption pressures within the global environment that support the need for integrating the elements of ethics in decisionmaking, Table 5 shows the factors with corresponding chi-square values and probability values and their significance.



**Table 5. Global Corruption Pressures**

<i>Factors</i>	<i>% of Respondents</i>	<i>Chi-Square Value</i>	<i>P-value</i>	<i>Remarks</i>
Importance of strengthened managerial ethical decisionmaking in international transactions	91.18	23.059	0.000	Highly significant
Effects of managers' weak character and poor ethical analysis skills in multinational organizations	80.00	10.800	0.001	Highly significant
Consequences of absence of improved managerial ethical decisionmaking	77.14	10.314	0.001	Highly significant
Relating corruption in environment to ethical integrity in global marketplace	67.74	3.903	0.048	Significant

Except for the factor relating corruption to ethical integrity in a global marketplace that is significant, the other factors are highly associated with dealing with global corruption pressures. The arrangement of the impinging factors is by their percentage points corresponding to their frequency distributions. These highly significant factors include: importance of ethical decisionmaking in international transactions, effect of public managers' weak character and poor ethical analysis skills on multinational organizations, and consequences of the absence of an improved managerial ethical decisionmaking. The findings pertinent to each of these factors are presented accordingly.

First, when entering into and managing international transactions threatened by corruption pressures, strengthened managerial ethical decisionmaking skills are of the essence. The different ways of manifesting such importance are described in situations such as: investors must be convinced that managers who call the shots are persons of integrity; those engaged in international transactions must observe ethics for the benefit of parties in interest; in actual decisionmaking, parties make long-term decisions affecting lives of many people; in global management, keeping promises should be maintained effectively; organizational image must be backed up by managers' integrity; and ethical decisionmaking helps in the competitive achievement for success in the global marketplace.

Second, the weak character and poor ethical analysis skills of managers place multinational organizations in a compromising or threatened position.

Some personnel allege that such conditions indicate public managers as prone to onerous transactions, exploiting weaker nations; they are not sure or firm in their decisions that sometimes create biases; they often succumb to graft and corruption in their transactions for personal gain; poor ethical analysis results in poor overall performance; and they pose a definite risk, although training them can help.

Third, the absence of improved managerial ethical decisionmaking in the context of corrupt national environments results in threatened or jeopardized personal and organizational integrity. In the descending order of their gravity, these consequences show that managers put their organization's reputation in jeopardy; they risk ruining their professional careers; they could fail to demonstrate personal integrity and to build organizational integrity; and, they block the opportunity of government organizations to compete in the free market in the global playing field.

Fourth, there are valid reasons to believe that the more corrupt the extra-organizational environment, the more important a strong managerial character and responsible organizational conduct are, to achieve ethical integrity in the global marketplace. These reasons indicate that nations should promote trade relations based on mutual trust and welfare; strong will and high ethical values can prevent corruption; in this way, distrust can be avoided; and acts of corruption need more effective controls to stop their existence.

As a whole, within the context of corruptive international environments, managers, especially in the government sector, must hold high the importance of ethical decisionmaking. They must strengthen ethical integrity in the world market by means of building unassailable characters and developing functional ethical analysis skills. In this way, they do not push public organizations towards endangered positions in the global market.

#### *Benefits of Improved Public Management Ethics*

The summary findings in Table 6 reflect the benefits that are the functions of improved ethical managerial decisionmaking. On the basis of percentage distributions and the chi-square values, the top five benefits that the respondents specifically identify are the organization's sense of social responsibility as means to attract clientele; responsible environmental management pays; outcomes and procedural justice at work for creating desirable organizational order; intrinsic effectiveness of organizations through fair outcomes and processes; and progressively managed workplaces as boosting stakeholders' returns. Although a majority of the government functionaries report that managing distributive justice at the workplace brings some favorable consequences, the findings are not statistically significant.

**Table 6. Benefits of Improved Public Management Ethics**

<i>Factors</i>	<i>% of Respondents</i>	<i>Chi-Square Value</i>	<i>P-value</i>	<i>Remarks</i>
Organization's sense of social responsibility as means to attract clientele	97.22	32.111	0.000	Highly significant
Responsible environmental management pays	91.67	25.000	0.000	Highly significant
Outcomes and procedural justice at work for creating desirable organizational order	91.18	23.059	0.000	Highly significant
Intrinsic effectiveness of organizations through fair outcomes and processes	91.18	23.059	0.000	Highly significant
Progressively managed workplace as boosting stakeholders' returns	88.89	21.778	0.000	Highly significant
Community relations as bases for achieving better financial performance, higher employee morale, and more clientele loyalty	88.24	19.882	0.002	Highly significant
Increased probability and intrinsic organizational desirability	85.71	17.857	0.001	Highly significant
Responsible participative management for increasing employee and organizational productivity	84.85	16.030	0.317	Highly significant
Consequences of improved ethical decisionmaking in organizational profitability and order in competitive and turbulent environment	83.33	13.333	0.000	Highly significant
Consequences of procedural justice at work	77.14	10.314	0.001	Highly significant
Desirability of managing distributive justice at work	53.13	0.182	0.670	Not significant

Since the nine benefits are considered highly significant, the following learning points are given emphasis:

First, the organization's sense of social responsibility as a means to attract clientele is considered a highly significant benefit, because the organization's sense of social responsibility is the key factor in purchasing or buying decisions of clients; clients are willing to pay more for products that support the cause that they care about; decisions to switch service types favor organizations with reputation for social responsibility; and, clients are likely to buy products or services of organizations noted for social responsibility, assuming that elements of quality, price, and service are equal.

Second, the responsible environmental management pays, that is, organizations stand to earn more from clientele patronage when known for having an environmental ethics program. The following are reasons given to justify the recognition of this benefit derived from pollution control and management: increases the visibility and patronage of organizational products or services; measures to ensure solid waste management provide the basis for clientele acceptance of the organization's products or services; and, increases financial performance due to pollution cutback.

Third, when managers ensure outcomes and procedural justice at the workplace, government functionaries help create desirable organizational order. In justifying this benefit, they point out that managers do the following: communicate value, respect and dignity to the constituents; elicit trust, commitment and loyalty from the employees; lead stakeholders to attribute legitimacy to organizational leaders and their decisions; and, cause employees to accept and immediately implement organizational decisions.

Fourth, the intrinsically effective organizations function better, because they are managed justly in terms of fair outcomes and processes. In explaining this benefit, the subjects give important reasons based on the organization's ability, such as to attain its goal; at least, to minimally satisfy all its strategic constituents, including the suppliers, clientele and employees; to secure the needed resources from its external environment; and, to enhance quality of internal processes and information.

Fifth, the progressively managed workplace can boost the stakeholders' returns. The benefits are recognized from the organization when its progressive features include substantial or generous incentive programs; development-oriented job designs;

proactive grievance procedures; and, well-crafted information sharing in the workplace.

Sixth, sound community relations form the bases for achieving better financial performance, higher employee morale and more clientele loyalty. Below are explanations for this benefit: patronized organizations earn better financial profit; people in the community cooperate by buying more products and paying for more services; the community can help finance organizations with good public relations; and, higher sales or service volume result in higher income.

Seventh, improved managerial ethical decisionmaking and moral performance lead to increased profitability and intrinsically desirable organizational order. The benefits enjoyed are: ethical decisionmaking and moral performance are warranties or badges of an organization or institution which is worth the full trust of its clientele and advocates; smooth personnel relationships result in better performance that leads to the attainment of organization's goals and objectives; employees become more efficient and effective in the workplace when they look up to their managers as role models; and, employees' performance becomes better, resulting in large production output.

Eighth, a responsible participative management practiced in organizations increases employee and organizational productivity. This practice redounds to the following benefits: employees are proud to be given the power to decide for themselves; everybody is willing to participate because their opinions are welcome, heard and counted in decisions; employees have personal decisions and higher morale; employees feel motivated when asked to participate in decisionmaking; empowered employees would do their work to the best of their ability; and, employee empowerment increases motivation since they are accountable for their personal decisions.

Ninth, the consequences of improved ethical decisionmaking are gains in terms of organizational profitability and order in a competitive and turbulent environment. The justifications given assert, to wit: even when the world is having problems, ethical decisions can bring more profits and cause an organization's stability; profitability and organizational order are reinforced by ethics in decisionmaking; ethics and culture form bases for self-respect and better attitude which lead to higher profitability and produce happier employees; generally accepted ethical and moral norms and standards positively influence both business organizations and public institutions; and, as long as trust and confidence enter into relationships, employees commit themselves to hard work.

Even if the findings concerning the consequences of procedural justice at work when consistently practiced by managers are beneficial although not statistically significant, some public managers who practice this type of justice are more likely to be inherently respected, accepted and followed; procedural justice is intrinsically seen as legitimate by parties involved; and this type of justice evokes managerial trust from people they come in contact with.

As a whole, government functionaries have significantly recognized the different benefits or gains derived from ethical managerial decisionmaking and morally sound conduct of performance in the government workplace. The rapidly changing, turbulent and dynamic environment could certainly spur improvement in the public managers' way of deciding and performing by centering ethics in their personal and operational conduct which can result in higher productivity and profitability, as well as a sound and stable organizational order.

### **Concluding Observations, Recommendations and Action Agenda**

The final part of the study is divided in three segments: the concluding observations based on the significant findings, the recommendations for particular problems identified with justifications, and an agenda for action that details the procedures for recommendations to be into operation within the adopting government agency.

#### *Concluding Observations*

The concluding observations are drawn from the different findings of the study. These cover the levels of understanding concerning ethics and decisionmaking which are: the key concepts in ethical decisionmaking; the costs of unethical acts to public sector organizations; the impact on awareness of ethically questionable non-managerial and managerial acts; the consequences of erosion of integrity and exposure to ethical risks; dealing with global-level corruption; and, achieving the benefits of managerial ethical decisionmaking.

*On Ethics and Decisionmaking Perspectives.* The government functionaries' level of understanding of ethics and decisionmaking as components of ethical decisionmaking is very high. The findings show that the government functionaries' ideas about decisionmaking, ethics, and ethical decisionmaking, as well as their belief in ethical decisionmaking are highly significant. In spite of the majority's positive perception of public sector ethics for prevention or minimization of graft and corruption, the findings are not significant for needs assessment for ethical decisionmaking, usefulness of

assessing the need for ethical decisionmaking, practice of ethical decisionmaking in the workplace, and management emphasis on ethical decisionmaking to prevent or minimize graft and corruption. The findings that further indicate as not significant are graft and corruption as developing into accepted norms of behavior, and ethical safeguards to prevent or minimize graft and corruption as recognized only by a minority of government personnel.

*On Costs of Unethical Acts.* The reported tangible and intangible costs of unethical acts committed in the public workplace are very significant. The pertinent highly significant findings provide sufficient proof to support: costs are reduced when people recognize the constant practice of ethics in their actions and decisions; losses are reasonably expected when superior officers commit fraudulent acts; costs are controlled by advising employees whose workplace errors result in actual loss to cooperate with management and take responsibility for such loss; and retaliation is expected against public managers who take undue advantage of stakeholders through their unethical behavior. Although a majority hold ideas of what constitutes fraud in the workplace and would give advice to employees conspiring to commit fraudulent acts, the relevant findings are not significant.

*Awareness of Ethically Questionable Managerial Role-Related Acts.* The government employees are highly aware of the ethically questionable acts related to managerial and non-managerial roles and performance. The findings provide highly significant evidence that the ethically questionable acts of public managers are affected by: the public managers' awareness of the moral dimensions of their varied roles, providing remedies to check managers' acts of advancing their personal gains, the ethical challenges posed by managerial role failures and distortions, and the failures of performing managerial roles resulting in damage to the organization. Although a majority recognize that ethically questionable performance of public managers is affected by performance of non-managerial acts; by giving direct personal gains to managers at the expense of the organization; and by the distortions of managerial roles, the findings are not significant. In addition, only a minority recognize the effect of overexertion of managerial roles through the exercise of excessive pressures, and this is not significant at all.

*On Erosion of Integrity and Exposure to Ethical Risks.* The erosion of integrity and exposure to ethical risks among government functionaries are very high. The study results provide highly significant proofs that erosion of integrity and exposures to ethical risks are primarily affected by: checking the cases of such erosion and managing workplace risks as means to improve performance; controlling the effects of unintentional commission of unethical acts; identifying the consequences of intentional commission of unethical acts; pointing out adverse consequences of gambling with personal, interpersonal and public trust; assessing the manipulation of career image impressions and

public relations efforts to cover up the lack of genuine integrity; increasing the interest in management ethics as response to demands for public accountability; and asserting that trust, not money, technology, and power is the foundation of managing organizations as relational enterprise.

*On Corruption Pressures in the Global Environment.* The level of perception of government employees concerning global corruption pressures is very high. There exist highly significant findings to show that global corruption pressures are affected by: the importance given to strengthened ethical decisionmaking in international transactions; the unfavorable effects of public managers' weak character and poor ethical analytical skills in transacting with organizations with global connections; and the consequences of the absence of improved ethical managerial decisionmaking. While corruption pressures in the global arena are also affected by relating corruption existing in an environment to ethical integrity in the global market place, the pertinent findings are not so highly significant.

*On Benefits of Managerial Ethical Decisionmaking.* The reported benefits gained from improved ethics in managing the public workplace are very high. The findings show that government functionaries consider the benefits of improved ethical managerial decisionmaking as highly significant. Such benefits are gained from the organization's sense of social responsibility, responsible environmental management, desirable organizational order created by outcomes and procedural justice in the workplace, intrinsic effectiveness of organizations through fair outcomes and processes, and progressively managed workplace that boosts stakeholders' returns. Other benefits of equally high significance include: community relations as bases for achieving better financial performance, high employee morale, and more clientele loyalty; increased profitability and organizational desirability; responsible participative management, improved ethical decisionmaking in competitive and turbulent environment, and applying procedural justice at work. While benefits due to desirability of managing distributive justice at work are also expected, the pertinent findings are not significant.

### *Recommendations and Corresponding Justifications*

Based on the findings of the study, three recommendations are given.

*First, strengthen ethical safeguards and practices in government agencies to minimize, if not prevent, graft and corruption.* Ethical safeguards are protective mechanisms anchored on the principles of right and wrong for protecting the organization, officials and employees against any forms of unethical, illegal, immoral, and irresponsible acts that may actually or potentially cause, result in or inflict loss, damage; harm, prejudice and other forms of moral jeopardy.



Ethical practices deal with established or performed acts or actions consistent with criteria of justness, integrity, openness, transparency and public accountability. Ethical practices cover both individual actions and organizational decisions. While the individual employee has his/her own concept of what is right or wrong, such perception or conduct must not be totally isolated from the organization where s/he belongs. This is primarily because the organization shapes ethical practices. Organizations must encourage interactive and cooperative relations among people (superiors and subordinates, peers) reflecting the values, attitudes, beliefs, language and behavioral patterns that define the organization's operating culture. Cohesiveness or feeling of being unified under a congenial climate reinforces the culture that shapes organizational ethical choices.

The reason for recommending the reinforcement of ethical safeguards and practices in government is to exert stronger political will and pressure in implementing Republic Act No. 6713, popularly known as the "Code of Conduct and Ethical Standards for Public Officials and Employees." What should be forcefully emphasized are the norms of conduct and duties of public officials and employees, with positive reinforcement of incentives and awards, as well as sanctions impartially imposed on prohibited acts and nefarious transactions.

*Second, protect the whistle-blowers—the government employees who have the will and determination to take positive action, if and when they know that fraudulent acts are committed overtly or covertly by their superiors and their co-workers.* "Whistle-blowing" in an organization involves finding and reporting a serious faulty decision or action of someone with vested interest who sees to it that the critical information is not uncovered. Officials or other employees involved in the cover-up of the supposed wrongdoing, while discrediting the whistle-blower, may do so to protect the organization's reputation, or shield themselves from embarrassment for not having made the appropriate decision earlier.

The recent political events that featured whistle-blowing at the highest executive level of government that resulted in People Power II, and succeeded in ousting an incumbent president, should be more than a justification, but taken as an inspiration to consider whistle-blowing more seriously in the name of government ethics. Although the staging differed, People Power I was also an uprising against a conjugal dictatorship accused of political and economic plunder.

*Third, reduce incidence of distortion and overexertion of managerial roles that have caused varying degrees of damage or loss to internal and external stakeholders.* These are ethically questionable or reprehensible acts of public managers that ought to be controlled, since in the long run, they are prejudicial, damaging, or costly to the interests of stakeholders inside and outside of the organization.

With regard to managerial role distortion, the managerial acts are characterized by a low scope and visibility that given direct advantage to the organization in the short run, indirectly provide gain to the corrupt public official who acted, but indirectly transfer direct costs to stakeholders inside and outside the organization. The distorted preoccupation with short-term bottomline results and performance goals points to disrespect and unconscionable damage unduly rendered to stakeholders.

As regards managerial role over-exertion, the managerial acts are featured as having a large scope and visibility, involving an excessive exertion of influence to comply strictly with the letter of the law, in disregard of its spirit. Again, the result is giving short-term gain for the organization and the corrupt official, but passes on long-term costs to internal and external stakeholders.

This recommendation is justified because, in the long run, the government employees and the general public could unduly absorb the stresses and costs, while the organization and the corrupt public officials receive short-term gains. Managerial role distortion and overexertion must be stopped, because the benefits claimed to accrue to the organization are only short-lived and not sustainable. With undue pressure of power positions exploited by corrupt officials who are in for an immediate personal gain within a limited time only, the stakeholders are unjustly imposed upon or burdened with costs of unethical acts in the long run.

### *Action Agenda*

The action agenda is prepared to guide the implementation of the different recommendations. It has been observed that recommendations, in generally quoted terms, could not be implemented with relative ease and facility in different government bureaucracies. To remove this potential block or constraint to the implementation of the aforementioned recommendations, the preparation of a double action agenda is deemed necessary:

- (1) To strengthen ethical safeguards and practices in government agencies and to minimize, if not prevent, graft and corruption, the local chief executive or local agency head may set up his own unique "Ethics program" tailor-made for any local government unit or government agency. The following action steps are:
  - a. *Highlight top management's commitment to public service ethics.* To achieve tangible results, the local chief executive or agency head shall be openly and strongly committed to ethical conduct and shall give constant inspiring leadership in nurturing, renewing, reassessing the values of the organization.

He/she as head shall be steadfast and unrelenting in fighting graft and corruption in government service. The use of properly crafted slogans or acceptable spot announcements can emphasize and elevate such commitment.

- b. *Prepare and publicize an ethics code unique to the organization.* Instead of adopting existing ethics code, the principles of conduct applicable to the whole organization shall be formulated after a thorough discussion or deliberation. Acts constituting unethical conduct, including the specific features of graft and corruption, and how they are committed within and outside the organization shall be specified. When the ethics code clearly captures and sets forth the principles of conduct or treasured values for the organization and employees, it shall be formalized into an organizational or agency document, and distributed to all offices or units of the organization. It must provide a convenient or accessible guide or reference for workplace performance behavior.
- c. *Establish adequate and appropriate compliance mechanisms.* Values and ethics that are codified and publicized shall primarily guide recruitment and selection. Management ethics shall be given emphasis in training programs and interventions. A convenient communication network to inform promptly, guide clearly and motivate persuasively government employees shall help spread values and ethics. Substantial compliance with the principles of ethical conduct and performance shall be ensured through regularly scheduled monitoring and ethics auditing.
- d. *Involve personnel at all levels.* Direct employee participation shall be achieved through the use of a roundtable discussion among a small group of willing and knowledgeable employees, or experiential learning workshops with management-employee collaboration. Government employees shall be provided with more time and allowed to elucidate on values that are relevant to their interests, as well as to the organization.
- e. *Incorporate incentives and rewards, as well as penalties.* To succeed, an ethics program shall include positive reinforcements in terms of rewarding and recognizing the outstanding and excellent performance outputs of public officials and employees. The requirements or basis for these awards and incentives shall be publicized throughout the entire organization, and emphasized in meetings, conferences, or any occasion where their announcement is appropriate. Graduated sanctions and penalties shall be specified to serve as deterrent or warning to actual or potential offenders.

- f. *Measure the results.* Survey and audit procedures prepared by the local government organization or agency shall be used to measure performance and compliance with ethical standards and observance of principles of conduct. In-process monitoring may be included as tool for measuring the progress towards ethical performance. The reports shall be discussed among top local officials or agency heads with public functionaries or employees. The audit or survey report shall contain doable recommendations for performance improvement and continuous organizational learning.
- (2) To protect the whistle-blowers—employees who have the will and determination to take positive action against known violators of ethical standards, given below are two practical options:
  - a. *Develop due process procedures to provide protection and resource to functionaries or employees who are perceived to have been treated unfairly as a result of whistle-blowing.* The formulation of these procedures indicates to employees taking actions to elevate ethics, that the organization is supportive of efforts to enhance the ethical perspectives of the organization. It also points out that employees who have encountered difficulties or retaliation for their acts can have due recourse within the existing administrative procedures.
  - b. *Create an office or position through which whistle-blowers can report anonymously the observed unethical behavior or policies.* Instead of the whistle-blower pursuing the case, the office can take administrative cognizance and investigate the confidentially reported wrongdoing. By relying on this office, the whistle-blower would not be afraid of any retaliation or personal retribution for reporting the unethical act, since an office exists that is responsible for formally investigating the ethical misconduct. This special office can make a positive contribution in managing retaliatory encounters, while elevating workplace ethics.
- (3) To reduce the incidence of distortion and overexertion of managerial roles, the steps to be taken may be distinguished between distortion and overexertion of managerial roles. The following steps are concerned with managerial role distortion:
  - a. Define managerial role distortion. Specify that: (1) It is a managerial act of low scope and visibility involving conduct that gives direct advantage to the organization in the short run; (2) It provides indirect gains to persons committing unethical

act in the short run; and (3) It transfers or displaces direct costs to selected stakeholders inside and outside the organization.

- b. Define or delineate the specific acts constituting managerial distortion.
- c. Emphasize an open and transparent conduct of financial transactions or invoking objects with value. Specify that bribery is a punishable act.
- d. Prepare internal control procedures for delineating the requisition, canvassing of prices, issuing receipts for delivered materials and supplies, checking materials and supplies received based on required quality and measurement standards, preparing vouchers, approving vouchers for payment, and actually releasing payment.
- e. Prepare a materials-and-supplies flowchart, with emphasis on employees involved in each segment of the process, and their respective responsibilities and accountabilities.
- f. Canvass current market prices of selected items of materials and supplies regularly, and use the price list as reference in establishing prices of requisitioned items.
- g. Conduct a regular materials and supplies inventory and audit, and submit reports with recommendations.
- h. Conduct a random supplier audit, and submit a report with recommendations.
- i. Conduct orientation with public managers and employees on what constitutes managerial role distortion and get their feedback for ethical improvement.

To check managerial role overexertion, the following agenda for action should be followed:

- a. Define managerial role overexertion.
- b. Define and delineate the specific acts that constitute managerial role overexertion, e.g., unauthorized high risk investment; perpetuating currently legal but harmful environmental practice; failure to cooperate fully with regulatory agencies.

- c. Prepare and issue memoranda defining the scope or limits of authority or discretion of local officials and managers concerning high-risk investments, environmental compliance, and cooperation with regulatory agencies.
- d. Specify the responsibility and accountability of local officials and managers concerning the commission of acts constituting over-exertion of managerial roles.
- e. Regularly check and assess the effects of implementation of environmental laws and regulations, with particular attention to damage, loss, or harm to people and community.
- f. Regularly check and measure the level of compliance with instructions or directives of regulatory agencies.
- g. Prepare report of checking or controlling performance, with recommendations for ethical management learning and improvement.

It is reasonably expected that the different recommendations—strengthening ethical safeguards and practices in local government organizations and agencies to minimize, if not prevent, graft and corruption; protecting whistle-blowers who have the will and determination to take positive action against known violators of ethical standards; and, reducing incidence of distortion and overexertion of managerial roles—can satisfy the need for integrating ethics in managerial decisionmaking, and eventually build a new cadre of ethically conscious and committed local managers and functionaries in the public service. When in time, these recommendations are substantially applied and institutionalized in various local government organizations and agencies, the integration of ethics in managerial decisionmaking becomes a reality—auguring a local governance that is graft and corruption-free.

### References

- Barsky, Jonathan D.  
1998 *Finding the Profit in Customer Satisfaction: Translating Best Practices into Bottom-Line Results*. Lincolnwood, Illinois: Contemporary Books, A division of NTC/Contemporary Publishing Group, Inc.
- Bautista, Victoria A., Ma. Concepcion P. Alfiler, Danilo R. Reyes and Proserpina D. Tapales (eds.)  
1993 *Introduction to Public Administration in the Philippines*. First Edition. Quezon City: University of the Philippines Press and the U.P. College of Public Administration.

- Beerel, Annabel  
1998 *Leadership Through Strategic Planning*. High Holborn, London: International Thomson Business Press.
- Bendaly, Leslie  
1999 *Organizations 2005: Four Steps Organizations Must Take to Succeed in the New Economy*. Indianapolis: Park Avenue Productions.
- Bennis, Warren  
2000 *Managing the Dream: Reflections on Leadership and Change*. Cambridge, Mass.: Perseus Publishing.
- Cariño, Ledivina V.  
1979 The Definition of Graft and Corruption and The Conflict of Ethics and Law. *Philippine Journal of Public Administration*, 23(3&4).
- Cariño, Ledivina V. and Raul P. de Guzman  
1979 Negative Bureaucratic Behavior in the Philippines: The Final Report of the IDRC Philippine Team. *Philippine Journal of Public Administration*, 23(3&4).
- Carter, Les and Jim Underwood  
1998 *The Significant Principle: The Secret behind High Performance People and Organizations*. Nashville, Tennessee: Broadman and Holman Publishers.
- Certo, Samuel C.  
2000 *Modern Management: Diversity, Quality, Ethics, and the Global Environment*. Eighth Edition. Singapore: Pearson Education Asia Pte, Ltd.
- Craimer, Stuart  
2001 *The Management Century: A Critical Review of 20<sup>th</sup> Century Thought and Practice*. San Francisco: Jossey-Bass Publishers.
- Cruz, Corazon L.  
1994 *Contemporary Ethics*. Third Edition. Mandaluyong City: National Book Store.
- Daft, Richard L.  
2000 *Management*. Fifth Edition. Australia: South-Western, Thomson Learning Inc.
- Denhardt, Kathryn G.  
1988 *The Ethics of Public Service: Resolving Moral Dilemmas in Public Organizations*. New York: Greenwood Press.
- Dessler, Gary  
2002 *Management: Leading People and Organizations in the 21<sup>st</sup> Century*. Second Edition. Singapore: Pearson Education Asia Pte Ltd.
- Frederickson, H. George  
1993 *Ethics and Public Administration*. Armonk, New York: M.E. Sharpe, Inc.
- Gibson, James L., John M. Ivancevich and James H. Donnelly, Jr.  
2000 *Organizations: Behavior, Structure, Processes*. Tenth Edition. Boston: Irwin MacGraw-Hill Book Co.

- Glenn, Paul J.  
1930 *Ethics: A Class Manual in Moral Philosophy*. St. Louis, Missouri: B. Herder Book. Co.
- Gortner, Harold F., Julianne Mahler and Jeanne Bell Nicholson  
1997 *Organization Theory: A Public Perspective*. Fort Worth: Harcourt Brace College Publishers.
- Hellriegel, Don, Susan E. Jackson and John W. Slocum, Jr.  
1999 *Management*. Eighth Edition. Cincinnati, Ohio: South-Western College Publishing.
- Hesselbein, Frances, Marshall Goldsmith and Richard Beckhard (eds.)  
1997 *The Organization of the Future*. San Francisco: Jossey-Bass Publishers.
- Jackson, Winston  
1995 *Methods: Doing Social Research*. Scarborough, Ontario: Prentice-Hall Canada, Inc.
- Kainz, Howard P.  
1988 *Ethics in Context: Toward the Definition and Differentiation of the Morally Good*. Houndmills, Basingstoke, Hampshire: The Macmillan Press, Ltd.
- Olen, Jeffrey and Vincent E. Barry  
1992 *Applying Ethics: A Text with Readings*. Fourth Edition. Belmont, California: Wadsworth Publishing Company, A Division of Wadsworth, Inc.
- Peters, Tom  
1994 *The Pursuit of WOW!: Every Person's Guide to Topsy-Turvy Times*. New York: Vintage Books, A Division of Random House, Inc.
- Petrick, Joseph A. and John F. Quinn  
1997 *Management Ethics: Integrity at Work*. New Delhi: Response Books, A Division of Sage Publications.
- Piper, Thomas R., Mary C. Gentile and Sharon Daloz Parks  
1993 *Can Ethics Be Taught?: Perspectives, Challenges, and Approaches*. Harvard Business School. Boston, Mass.: President and Fellows of Harvard College.
- Republic of the Philippines  
1989 *Republic Act No. 6713: Code of Conduct and Ethical Standards for Public Officials and Employees*. Metro Manila: Republic of the Philippines.
- Robbins, Stephen P.  
2001 *Organizational Behavior*. Ninth Edition. Singapore: Simon Schuster (Asia) Pte Ltd., A Division of Simon and Schuster International Group.
- Sajo, Tomas A., Eden V. Santiago and Ma. Ernita T. Joaquin  
1998 *Handbook of Modern Management in Philippine Local Government*. Quezon City: University of the Philippines, National College of Public Administration and Governance, Center for Local and Regional Governance, and German Foundation for International Development, Public Administration Promotion Centre.
- Shafritz, Jay M. and Albert C. Hyde  
1997 *Classics of Public Administration*. Fourth Edition. Fort Worth: Harcourt Brace College Publishers.



Stillman, Richard J. II

2000 *Public Administration: Concepts and Cases*. Seventh Edition. Boston, Mass.: Houghton Mifflin Company.

Stoner, James A.F., R. Edward Freeman and Daniel R. Gilbert, Jr.

1995 *Management*. Sixth Edition. Englewood Cliffs, New Jersey: Prentice Hall, Inc., A Simon & Schuster Company.

# **Participatory Governance: A Future Charted With The People, For The People**

FRANCIS B. LUCAS AND MARICEL ALMOJUELA TOLENTINO\*

*The participation of civil society in the development process has intensively increased in recent years. Not surprisingly, this dynamism has led to new notions of public administration and governance. Civil society groups have come to discard the established belief that citizens are mere recipients of government programs and services. They advocate the concept of participatory governance which views governance as a dynamic interaction between the State, the market, the citizens and civil society using the Asian experience in participatory governance. In particular, the participation of civil society organizations in promoting and practicing good governance is given emphasis. The authors show how civil society can be instrumental in key reform areas and directions like decentralization and electoral reforms.*

## **Perspective on Civil Society-Government Relations**

### *Governance*

An Asian NGO Coalition for Agrarian Reform and Rural Development (ANGOC) (2000) study on Local Governance in the Philippines noted two major perspectives in defining governance.

The first one is the perspective of the State. It is concerned with the improvement of the capacities of government, or the formal institutional structure and its decisionmaking powers. Its focus is on the administrative and managerial aspects of governance, and thus measures the quality of governance according to the degree of government accountability, transparency and efficiency. Donor organizations are said to favor this perspective.

The second perspective emphasizes relations of authority and defines governance in terms of the actual interactions between government and the broader public (Labajo 2000).

---

\*From the Asian NGO Coalition for Agrarian Reform and Rural Development (ANCOG), 5B Marilag St., UP Village, Quezon City.

Hence, it views governance as a reform strategy—meant to strengthen civil society organizations (CSOs) with a view to making governments more accountable, responsive and democratic. CSOs prefer this definition.

Indeed, more and more civil society groups have come to view governance as the fruit of the dynamic interaction between government, business, and civil society organizations to formulate state policies, implement government programs, projects and activities, and ensure government transparency, accountability and citizens' participation. Viewing government in terms of public management rather than public administration places greater emphasis on the needs of citizens and treats them as partners instead of mere recipients of government programs and services (Ellison 1997).

Gandhian thinking resonates with this perspective of governance as it is grounded on the philosophy of *Lok Niti*, or people's politics and direct governance by a sovereign people. This philosophy advocates building people's power from the village upwards, over larger areas and towards higher levels of integration in institutional structures, all the while keeping the entire process highly decentralized. People's participation thus takes on a new meaning—not of people participating in government or even in nongovernment organization (NGO) projects—but of people enabling to take hold of their own and their families' development (Debuque 1999).

#### *Indicators of Good Governance*

Literature on indicators of good governance has largely been written from the point of view of the public sector. Table 1 lists the four most widely cited capabilities that the public sector needs to develop in order to undertake and accomplish the appropriate tasks assigned to them, at the least possible cost and in a sustained manner.

#### *Indicators of Good Participation*

Meanwhile, the ANGO study identified three sets of indicators to measure the effectiveness of participation, namely, (1) better-skilled leaders, (2) more active members, and (3) "better projection" of the organization in the local community.

Effective participation by the leaders can be seen in their ability to assert their ideas, negotiate with local government officials, mobilize their constituents, and further develop their skills as leaders. More active participation by the members is manifest in higher rates of attendance at organizational meetings, eagerness to assert their ideas at meetings, gatherings and other activities. "Better projection" means "being consulted

**Table 1. Good Governance Indicators Based on Capacity**

<i>Capacity</i>	<i>Good Governance Indicator</i>
Institutional Capacity	<ul style="list-style-type: none"> <li>• Accountability</li> <li>• Transparency</li> <li>• Adoptability</li> <li>• Effective administration of justice</li> </ul>
Technical Capacity	<ul style="list-style-type: none"> <li>• Coherent policy framework balancing equity and growth goals.</li> <li>• Proficiency of bureaucracy in macromanagement.</li> </ul>
Administrative Policy	<ul style="list-style-type: none"> <li>• Sound management system</li> <li>• Administrative culture that values quality performance.</li> </ul>
Political Capacity	<ul style="list-style-type: none"> <li>• Institutionalized channels and mechanisms for demand making and representation by various stakeholders, especially the poor.</li> </ul>

Source: Grindle and Hildebrand 1994.

and/or being able to influence individuals both in the local government and the community.<sup>7</sup>

Success in the three indicators should translate to gains in three areas, namely, (1) policy, (2) civil society and (3) democracy (Miller 1994).

An obvious policy success would be the adoption and legislation of the nongovernment and people's organizations (NGO/PO) development agenda. For civil society, success is often gauged by the presence of strong NGOs/POs that can keep government being accountable and responsive to community needs. Meanwhile, success for democracy is evidenced by greater democratic space for NGOs and POs, and, thus, greater political legitimacy and a more favorable attitude and behavior on the part of government officials and the elite toward NGOs and grassroots groups.

#### *Government and Civil Society Relations Across Asia*

The late environmentalist Maximo Kalaw said that civil society grew out of the need to resolve perceived contradictions between the interest of the State and that of the communities. NGOs/POs represent the organized sector of civil society; as such, they form part of the core foundation of an active democracy. They act as the public watchdog, promote self-reliance among the poor, and are a source of development innovation and extension in public policy formulation and program implementation (Lucas 1999).

It has been stressed before that for governance to be meaningful, civil society groups need to be critical partners and equal stakeholders with government in the pursuit of poverty eradication and sustainable development. Civil society organizations (CSOs) can be active participants in the various aspects of governance, i.e., planning, fiscal management, legislation and implementation. This role must be recognized by the state and other sectors in society (Lucas 1999).

Meanwhile, the state can help this transformation along by supporting laws and programs that promote empowerment and greater access to basic services (Liporada 1997). This requires, however, a reorientation of policy—a change of heart. Therefore, the traditional politician, who exploits civil society for electoral gain, must become a genuine public servant, working only for the people's interest. The model for growth, which puts profits over people, must give way to a people-centered one.

Across Asia the level of CSO participation varies, especially in local governance where decisions that have a direct impact on people's lives are made. The variation is primarily influenced by how states view CSOs.

A seven-country study conducted by the International Development Support Services (IDSS) in 1997 for the Asian Development Bank (ADB) reported that, at least on paper, many Asian governments recognize the role of NGOs and the voluntary sector. But their official declarations are belied by laws that regulate the registration of NGOs, restrict their travel within and outside the country, control their access to foreign funds, and sometimes prohibit some of their activities (ADB 1989).

In Bangladesh, for example, NGOs are asked to confine their activities to government-approved projects, particularly in the areas of education, environment, fisheries and livestock. In Cambodia, the NGO sector is not clearly defined under the Constitution and cooperation with the government has remained limited due to negative experiences in the past. In Indonesia, the government loathes to even use the term "NGO" as it supposedly connotes an alternative power to government; thus, the government refers to "NGOs" as self-reliant institutions (*Lembaga Swadaya Masyarakat* or LSM). The Environment Law (1982) and the Law of Social Organization (1985) are two main government regulations in Indonesia which provide the legal basis for the government's policy towards NGOs. These laws regulate the activity of NGOs and are considered obstructive to their activities at the village level.

Although Philippine NGOs are duly recognized by the 1987 Constitution, their relationship with the government has often been strained. Differences in development approaches are a frequent source of tension, as is the fear of NGOs that government would try to co-opt them. Nevertheless, the democratic space for NGOs is much wider, especially with the recognition accorded to NGO/PO participation under the Local Government Code of 1991.

Asian NGOs which came to the Fifth Asian Development Forum in 1996 asserted that participation is a value or a principle of action rather than a mere approach to a problem. It is a crucial parameter for measuring the very impact or success of community development programs. In contrast, governments and international organizations tend to promote participation as merely a methodology. This perspective is at the root of many failed attempts to replicate successful development programs.

### *Issues*

While it is a positive sign that more and more CSOs are getting involved in governance, a number of concerns still need to be addressed. For instance, to what extent should CSOs participate in matters and processes pertaining to governance? How much of the system and structures should CSOs penetrate in order to attain sustainable good governance?

Just as civil involvement in governance is growing, corporations too are increasingly able to influence governance directions even if most of these entities do not directly participate in the processes of governance. How do we then engage businesses and the private sector in participatory processes while ensuring that the people's interest takes priority over profit?

We must also ask ourselves how we can effectively collaborate with government, and to what end? How do we ensure that CSOs are not co-opted by the government? How do we safeguard the integrity of civil society against government's attempts to use them as a scapegoat for its failed efforts?

### **Local Governance Efforts Between Government and NGOs in Asia**

Government organizations view participation in the following contexts:

- (1) A process of empowerment, leading towards self-help and social change;
- (2) Organized action, or the best way by which the poor are able to exercise and assert their power, their numbers, productive work and collective will;
- (3) A way to enhance the built-in capabilities of the poor and to heighten their critical consciousness and awareness individually and collectively; and

- (4) A process that requires the intervention of a catalyst or facilitator—a role frequently assumed by NGOs/CSOs (ANGOC/IFAD/SEARSOLIN 2000).

Participatory governance has been said to yield positive democracy building outcomes. More and more communities are realizing that participation is not just a process but also a basic right. There is, however, an urgent need to assess the quality, rationale and extent of current participation practices in order to ensure that the people's interests are protected despite changes in leadership, especially at the local government level.

Different mechanisms for participatory governance can be found operating in the Asian region. The most prominent of these mechanisms are described in the following section.

#### *Decentralization and Devolution*

Decentralization and devolution entail the transfer of some functions of national agencies to local government units in order to bring government closer to the constituencies. Moreover, both terms refer to the restructuring of authority to institute a system of co-responsibility among institutions of governance at the central, regional and local levels. This improves the overall quality and effectiveness of the system of governance, while increasing authority and capabilities at subnational or local government levels. Sixty-three developing and transitional countries with populations numbering over five million have expressed an interest in decentralization.

In the past three decades, governments in developing countries have attempted to implement a variety of administrative decentralization policies. These policies range from the more comprehensive in scope and design to those dealing with local development planning and management responsibilities (ANGOC/IFAD/SEARSOLIN 2000).

This context of decentralization is almost equated with empowering local governance. Civil society groups are enabled to directly participate in government programs and governance through systems such as sectoral representation in Congress and Local Government Units (LGUs), recall of laws and public officials, contracting out of public services to NGOs, and sectoral/NGO/PO representation in government bodies.

#### *Membership in Local Councils*

At the village level, local councils, bodies and assemblies are good mechanisms for direct democracy. Local government units are given greater local powers and responsibilities, such as local taxation, control and

management of resources, and delivery of local services. In some cases, civil society groups are invited to sit in these local councils, which have a say on policies and local development plans.

The participation, however, of NGOs/POs in these bodies has at times been passive. This passive participation reinforces the need for better education on people's rights and roles in these participatory structures.

### *Electoral Participation*

People deserve the kind of officials they elect. Sadly, elections at both national and local levels have become little more than popularity contests rather than a test of a candidate's sincerity and intent to serve the people and uphold their interests. Hence, CSOs must help build up a responsible electorate through education. Unless more citizens vote wisely, we will forever be saddled with "popular but criminal" leaders.

Fortunately, more NGO/PO members are getting voted into office, especially at the local government level. Indeed, every NGO involved in people empowerment should aim to develop at least one candidate with sufficient leadership, negotiating and networking capacity to effectively represent the sector in higher bodies.

### *Anti-Corruption Programs or Movements*

A World Bank document on combatting corruption declared that "global experience suggests that efforts to combat systemic corruption have to go beyond consciousness raising and prevention measures. The effort has to be focused on determining the points of vulnerability and corruption within governments and markets" (WB 2001: vii).

The more democratic societies in Asia, like the Philippines and India, have already formed alliances among CSOs and different stakeholders to monitor corruption. The Philippines has the Transparent Accountable Governance Project, the Transparency and Accountability Network, and the Philippine Governance Forum. Generally, their mission is to promote transparency and accountability in government, keep track of related legislation and raise awareness on corruption issues. They are convinced that close monitoring of government performance tends to discourage corruption and promotes greater efficiency in the delivery of government services.

### *Consultations/Dialogues at Macro and Micro Levels*

In the last few years, CSOs have been called to consultations by governments and even private sector groups over decisions that may affect the



entire community. Even multilateral development banks (MDBs) like the World Bank (WB) and the ADB have included engagement with civil society in their overall strategy. While maximizing their participation in these consultations, CSOs should take care that their presence at these meetings is not used merely to legitimize them.

### *People's Mobilizations*

Before participation and partnership became the preferred modes of engagement, CSOs used the tried-and-tested people's mobilization to exact accountability, transparency and responsibility from government. Today, and even as they participate in decision-making bodies, CSOs still use this strategy to keep government on its toes.

### *Training and Awareness Raising on Participation Mechanisms*

These activities figure highly in the activities of NGOs to promote citizens' participation and good leadership in local bodies. Methods are being developed according to the traditions, cultural factors, and language of participants to maximize learning.

### *Strategic Networking*

Asian NGOs work as advocates, educators and catalysts of broadly based people's movements. They set the agenda for change, support political constituencies, and promote alternative practices. However, the limited finances of most NGOs make them unlikely challengers of economic and political systems that are sustained by governments and big businesses. Instead, NGOs use strategic networking to upscale or mainstream their initiatives.

The contribution of NGOs and civil society in general to governance and economic development has been widely recognized. The NGO Working Group on the World Bank, the International Criminal Court, and the Jubilee 2000 for debt relief, among others, are just some examples of what NGOs have been able to build up through networking and alliance-building.

### *Multi-stakeholder Dialogues*

The extent of poverty in Asia is driving NGOs and other sectors to join hands to address the problem. Perhaps, this is a recognition that no single sector can claim to have substantially reduced poverty and that we all need to work together to rid the world of this scourge.

The International Forum on Capacity Building (IFCB) has defined multi-stakeholder dialogues as both a process and a forum aimed at building a common platform and shared understanding of an issue among different stakeholders. It is an important mechanism to enable a larger and more representative group to get its perspective into development plans and projects.

### **Asian Countries Practicing Decentralization and Local Governance**

A recent joint study led by UN ESCAP stated that to meet the challenges of the 21st century, new paradigms based on partnership among local governments, civil society and even the private sector are needed. Yet, while Asian and Pacific economies and societies are undergoing rapid transformation, government structures and systems in most of the region's countries have been slow to change and respond to these new challenges. A fundamental reevaluation of the form and nature of local governance in the region is thus imperative.

Fortunately, many Asian countries are now actively decentralizing government functions and promoting local governance (Hernandez 2001). Among these countries are:

#### *Indonesia*

The Law on Regional Governance (Law 22/99) was enacted in June 1999. This significantly shifted the balance of power from Jakarta to the 300 *Kota* and *Kabupaten* (Municipalities and Districts) because these local units are given the power to legislate, plan, implement, and evaluate almost everything at the local level, except where it concerns the currency, foreign affairs, national defense, and a few other strategic concerns and industries. The law took effect in May 2001 but the implementing rules and regulations (IRR) are still being finalized. This law also enables rural governance of some 60,000 *Desa* (villages) in the country.

#### *Cambodia*

The Law on Commune Administration (*Kram on Khum Sangkat*) was passed and immediately took effect right after the very first commune elections held last February 2002 in Cambodia. The law has more or less the same features as its Indonesian counterpart. It promotes participatory governance as it provides for the establishment of development councils at village, commune, district, and provincial levels.

*China and Vietnam*

These countries aggressively pursued decentralization after the collapse of the Soviet empire. Their version of decentralization empowers the municipalities to design, plan and implement development programs. China has also empowered 100 of its Indigenous Communities to set their development priorities.

*India and Pakistan*

To begin with, both these countries are already decentralized by virtue of having a federal form of government. Nevertheless, various constitutional amendments have been adopted to devolve more power to the village (*Gram*) and district (*Panchayat*) governments. For instance, India's 73rd and 74th Constitutional Amendment Acts aim to strengthen the country's basic local government unit—the Panchayati Raj Institution (PRI). In Pakistan, local self-government was restored in the 1979 elections. A three-level system consisting of the Union Council (a village or a group of villages), the Tehsil Council (elected chairmen of Union Councils) and the Zila Council (governing a territorial unit or District) was introduced. This is not to say, however, that the decentralization effort has been smooth-sailing. The bureaucracy, which is marred by corruption, infighting, and a tradition of manipulation, remains the biggest obstacle.

*Nepal*

In 1992, Nepal instituted a national decentralization policy that gave district development committees the task of coordinating development activities. This decentralized structure of governance made it easier to submit household information to the National Planning Commission because the Village development committees took charge of collecting data on health, land ownership, food security, settlement data and other indicators of poverty. However, local governments are still constrained by their limited control of development resources (UNCDF n.d.).

*Philippines*

The local autonomy and decentralization program which was legislated in the Philippines through the 1991 Local Government Code aimed to deepen and strengthen the democratization process initiated in 1986, and thus harness local energies for local development. The Code also upholds the primacy of citizens' participation in promoting good governance.

However, NGOs must continue to monitor the implementation of pertinent provisions in the Code, particularly those related to representation in governance. In fact, there is an ongoing campaign spearheaded by NGOs to enforce the Code's provision for local sectoral representation in local legislative bodies. This provision has not been implemented since the law took effect in 1991.

### **CSO Cases in Participatory Governance**

The following three cases show how CSOs continue to innovate on the ground to promote participation and actual local governance.

#### *The 200-Village Project: ANGOC's Regional Food Security Initiative*

This is a study on household food security conducted by ANGOC in ten Asian countries. It has already brought about concrete policy initiatives and community activities geared towards food security in the Philippines and India.

The 200-Village Project also represents a strategy designed to monitor the extent to which the 1996 World Food Summit Commitments and Plan of Actions have been attained at the household and community levels.

The Project has three phases—Baseline Survey and Community Planning, Community Projects, and Policy Advocacy—all of which build on a community-based approach. It is a combination of community-based projects and complementary initiatives to influence policy at the national, regional and global levels, and thereby improve household food security in Asian villages. A total of 5,640 households in 188 villages were consulted through household survey and community profiling/PRA activities during the first phase.

The baseline survey (household survey and community profiling) was conducted through the coordinated efforts of some 17 NGO Networks in the selected countries (Bangladesh, India, Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam) as well as 125 local NGOs. ANGOC serves as regional Secretariat. Both community projects and policy advocacy efforts at the national and regional levels directly benefit from the household and community baseline data.

The survey yielded notable findings on community participation as it relates to food security. Some of these findings are as follows:

- (1) Households categorized as "moderately food secure" report the highest level of participation in organizations (i.e., are members in

the most number of organizations) compared to their counterparts in the three other subgroups.

Private organizations are the most popular in all countries, except Bangladesh and Pakistan. Food secure households are members in an average of 1.9 organizations, while food insecure households average 1.45 organizations each.

(2) Food secure households participate least in community programs.

Food secure households account for the largest proportion (40 percent) of respondents in all five countries; followed by the highly food insecure, with 26 percent; the food insecure with 18 percent; and the moderately food secure, with 13 percent.

There is no positive correlation between length of membership in community organizations and level of food security.

Membership in community organizations does not necessarily ensure improved level of food security, particularly in Pakistan, Philippines and Sri Lanka. In fact, the length of membership in community organizations was found to be inversely correlated with the level of food security, i.e., the longer a household has been a member, the lower is its level of food security.

However, in Bangladesh and Thailand, the length of membership of both male and female household members was reported to be correlated with higher levels of food security. The data further revealed that more food secure households consider membership in organizations as "highly needed," citing such benefits as access to loans, training, and facilities/equipment.

They also accounted for the highest proportion of households that thought that nongovernment community organizations are "highly necessary."

#### *India's Amended Panchayat Raj Act and Civil Society Involvement*

Recent government policies which favor community self-governance have opened up opportunities to encourage civil society participation. Most notably, the 1992 amendments to the Constitution of India seek to strengthen and impart continuity to rural and urban institutions of self-governance, called *panchayats*. By 1997, elected local institutions of self-government had been established throughout the country. One third of the seats in these bodies had been reserved for women, and a similar number had been set aside for scheduled castes and scheduled tribes in proportion to their population. By virtue of these constitutional amendments, *panchayats* now have Constitutional sanction and statutory recognition. Indeed, they are considered the third tier of government. One can say that the State was extended to the

village through *panchayats*. These decentralization processes are also happening in the Philippines and Bangladesh.

Moreover, in the Approach Paper to the Ninth Five-Year Plan (1997-2002), the Government of India has adopted a policy of bottom-up, people-led decentralized participatory planning and development through *panchayats* and municipal bodies.

NGOs can play an important role by assisting *panchayats* in planning and implementation of social development strategies and programs. They can go one step further and become actively involved in local elections or they could support independents or candidates of political parties. In a large number of States where elections were held in 1994 and 1995, NGOs had put up candidates. In Andhra Pradesh, Himachal Pradesh, Rajasthan, Uttar Pradesh and Madhya Pradesh, a sizeable number of *panchayat* members have an NGO background. In fact, ANGOC's very own board member, Mr. M.V. Rajasekharan of the Asian Institute for Rural Development (AIRD) in India is an elected member of the Upper House in Karnataka state.

#### *PRIA's Pre-election Awareness-raising Activities (Malik 2002)*

The India-based Society for Participatory Research in Asia (PRIA) has been conducting pre-election awareness raising activities in Himachal Pradesh. These aim to make the general public, but most especially the weaker sections of society, aware of the new Panchayati Raj Act. Villagers were told that they can contribute to their area's development by electing a candidate who would truly work for the people's interests. First-time political candidates, largely composed of women and scheduled caste/scheduled tribe representatives, were educated on their potential roles and responsibilities as well as the importance of participation in generating a useful and workable local development plan.

Teams of trainers were organized and likewise oriented on the role of NGOs/POs in Panchayati Raj as well as on the provisions of the new Act. The pre-election campaign used such tools as information materials (pamphlets, posters), series of local discussions, writing exercises among the participants, *Kala Jatha* or cultural programs consisting of songs, dances, street plays, etc., radio programs, and video showing.

The main problems encountered during the campaign were traveling through difficult terrain and lack of fluency in the local language of Himachal Pradesh. In spite of these problems, however, the strategy proved to be effective in educating the people on how they can claim their rights from the state. Meanwhile, PRIA realized that it had to sustain the interest of the Himachal people if the process were to continue.

*Panchayat Raj in Scheduled Areas: A Bleaker Picture  
of Decentralization (Matthew 2002)*

Tribal people are still among the most vulnerable sections of Indian society despite being the beneficiaries of many development programs. For instance, the 73rd Amendment Act guarantees adequate representation to marginalized groups like women, scheduled castes, and scheduled tribes. The law, however, was not immediately applicable to the scheduled areas because of their unique characteristics and needs.

In December 1996, an amended "Provisions of the Panchayat" was passed to facilitate the enforcement of the 73rd Amendment Act. The revised law authorizes tribal areas to set up their own *Gram Sabha* (Matthew 2002), together with traditional village councils. The *Gram Sabha* may nominate an executive council to implement its development projects/plans. It was also authorized to own minor forest produce, approve development plans, select beneficiaries for various programs, hold consultations on land acquisitions, and manage minor water bodies and minerals, among others. The law also provides that any legislation on the *Panchayats* shall not contradict customary law, social and religious practices, and traditional practices of the inhabitants in managing community resources.

PRIA, however, reported that not all states had revised their laws according to this Amendment Act (e.g., Rajasthan). A survey of State Acts showed that some states only halfheartedly complied with the amendment. Some of these State Acts are in Andhra Pradesh (Act No. 7, 1998), Gujarat Act No. 5 (1998), Himachal Pradesh Panchayat Act, 1994 (amended 1998), and Madhya Pradesh Panchayat Raj Adhiniyam, 1993 (amended December 1997). These acts were passed either at the last minute or after the deadline. Furthermore, provisions reserving seats for scheduled tribes in the district council, as well as the powers supposed to be given to the *Gram Sabha*, were left out of these local amendments.

Studies assessing the extent to which the 1996 Act has been able to establish grassroots democracy in Scheduled Areas revealed that nothing notable has taken place in these areas. Meanwhile, tribal rights violations have been reported in Madhya Pradesh. The *Gram Sabha*/*Gram Panchayats* lack administrative and financial resources; thus, Indian groups working with the tribals are calling on State governments to enforce the Extension Act in the spirit in which it was drafted.

*The Integrated Community Development Assistance, Inc. (CDAI)  
and the Land Use Planning Process in Infanta, Quezon, Philippines*

ICDAI, a local NGO in the Philippines, has been heavily involved in local development processes in the municipality of Infanta, Quezon. Among such

processes is one that led to the municipal-wide Comprehensive Land Use Planning (CLUP) exercise in Infanta, which is one of the few cases where the land use planning exercise was implemented by the local government in partnership with a nongovernment organization, in this case, ICDAI.

This experience likewise yielded useful insight into how such an activity can be made as participatory as possible. Despite problems in sustaining the participation of ordinary residents, ICDAI fell back on the consistently active involvement of people's organizations which it had built up for over two decades. Moreover, the Infanta case highlights the importance of a healthy collaborative relationship between an NGO and the local government in implementing development programs.

#### *Cambodian Government's Views on NGOs*

Judging by its overall policy on health and food distribution, the government of Cambodia can be considered as quite open in working with NGOs and the international community in policy formation. The enforcement, however, of these policies has been hampered by the implementors' inability or unwillingness to do so, and by the absence of the rule of law in Cambodia (Hernandez 2001).

Moreover, the relationship between NGOs and government has frequently been marred by misperceptions of each other and by the lack of communication. The government sees no point in consulting with NGOs because it does not recognize the role of civil society. The government believes that the power to make decisions regarding state affairs derives solely from elections, and, therefore, cannot be arbitrarily dispensed to any sector. Indeed, many officials feel that NGOs have no right to express their opinion.

#### *STAR KAMPUCHEA's Work on Local Governance*

There are no NGO networks in Cambodia that specialize in local governance, because the law on commune administration is still fairly new and also, perhaps, because NGOs are still trying to understand its implication as well as the opportunities it offers. One national network, STAR KAMPUCHEA, however, explicitly focuses on decentralization and governance as their major advocacy. STAR KAMPUCHEA is one of ANGOC's members.

A non-profit and non-partisan organization, STAR KAMPUCHEA was established on 1 August 1997. It is a civil society networking organization, whose goal is to strengthen democracy by strengthening civil society in Cambodia. It works in cooperation with 36 officially affiliated organizations, five union federations, and four provincial networks, which are provided with



advocacy and organizational development training and different kinds of services.

The major programs are:

- (1) Advocacy and Information Program – to disseminate information on important laws such as the commune administration law and the upcoming NGO law in Cambodia, and
- (2) Capability-Building Program – to reinforce the capability of NGOs in many areas, including commune governance and organizational development.

The following lessons have been learned from early partnering and collaboration exercises between NGOs and the government in Cambodia:

- (1) Clearly define the type of partnership and maintain reasonable expectations;
- (2) Establish clear mechanisms (procedures and policies) for partnering-building/dialogue;
- (3) Have a clear chain of command because government and local NGOs are instruction-oriented and leader-centered;
- (4) Get strong commitment from government and NGOs;
- (5) Get commitment from government to engage itself in a lot of capacity-building programs. NGOs need less than government, but also requires capacity-building;
- (6) Find constructive ways to generate positive attitudes and behavior that support learning; and
- (7) Have both patience and time in partnering.

### **Lessons for Effective Participatory Governance**

Partnership between LGUs and NGOs has been formed around three major areas, namely: (1) service delivery, (2) development planning/project designing, implementation, monitoring and evaluation, and (3) policy formulation. Partnerships are also being explored in co-managing public service enterprises, and in enforcing laws. Participatory approaches, strategies, practical skills, methods, and tools that have come out of these

initiatives are also being discussed, giving emphasis to the importance of the people's role in their own development.

With their legacy of government by patronage, most Asian peoples regard government with mistrust, cynicism and suspicion; hence, people cannot be expected to view government differently after a mere training or awareness-building exercise. What they need is actual, recurring experience of an alternative mode of governance (IFCB-ANGOC 2000).

A number of lessons has been drawn from almost a decade of NGO participation in local governance.

#### *Emergence of Innovative and Creative Mechanisms for People's Participation*

While NGO/PO representatives are exploring the possibilities and opportunities offered by legal mechanisms and processes for civic participation in local governance, they are also realizing that there are limits to what they can do under these formal structures. Hence, they should create or use other avenues that would yield more substantive gains for people's participation.

#### *Developing a Shift in Paradigm and Perspective of Government*

NGOs acknowledge that they have irreconcilable differences with government when it comes to development perspective. However, they are also starting to realize that these differences should not get in the way of partnership-building. Rather than complete convergence—which is probably unattainable—what they need to sustain a partnership is a shared understanding of what has to be accomplished within a period of time and the limited opportunities available in their current situation.

#### *Necessity of Networking and Coalition Building among NGOs, and Sharpening of Technical Capacities*

Networking and coalition building among NGOs within a common political jurisdiction have certainly yielded positive results. It has become much easier to come up with a common issue-based or program-centered development agenda, and to conduct appropriate advocacy. Apart from defining a common development agenda, NGOs need to sharpen their technical knowledge as well.

NGOs also need to develop their capacity in areas like institution building, strategic planning, sustainable resource base management, and other specialized and technical skills.

*Assessing Impact of Participation Initiatives  
for More Focused Advocacy and Replicability*

The quality of LGU/NGO cooperation is heavily determined by the openness and willingness of local government executives to work with NGOs. These officials must first recognize that a participatory form of governance is beneficial to the community. To facilitate this recognition, a cross-sectional study of the overall impact of this form of governance must be conducted. Best practices in participatory local governance should be widely disseminated. There are enough success stories that can be used as models for learning and, possibly, replication.

*Developing Common Indicators for Effective People's Participation  
in Local Governance*

It is necessary to identify indicators for good governance that could guide everyone involved in this work. NGOs would benefit if the indicators are formulated from their own experience; hence, part of this effort should be to define the role of civil society in governance institutions and processes within the broader goals of democratization.

Participants in multistakeholder fora held in six Asian countries identified the following as indicators of good governance: (1) transparency and accountability; (2) people's participation and recognition of NGOs as partners in governance institutions and structures; (3) improved quality of life; (4) effective delivery of services; (5) strategic public management and shared development agenda; (6) continuity and sustainability; (7) responsiveness and flexibility; (8) compliance, consistency and rule of law; (9) relevance; and (10) equity.

**Capacity-Building Initiatives of Civil Society Groups  
for Good Local Governance**

Capacity-building in local governance has generally focused on the following areas:

- (1) access, use and dissemination of information relating to the local autonomy and decentralization program;
- (2) development of technologies related to participatory local development planning, including sectoral concerns, e.g., environment planning and management, gender and development planning, and development investment management and promotion;

- (3) networking and coalition-building among NGOs for better claim-making and negotiations, and partnership-building with LGUs;
- (4) revenue generation and local resource mobilization; and
- (5) policy research, advocacy and development.

Various CSOs are becoming involved in disseminating participatory experiences and approaches at the country and global levels. For example, ANGOC became the Asia-Pacific regional focal point for the International Forum on Capacity Building (IFCB). At an IFCB conference held in Manila in 2000, the following consensus points were noted:

- (1) The context and structure of local governance are important.
- (2) An attitudinal shift is required of NGOs if they are to gainfully engage local governments. There is a widespread notion among NGO workers that "development" and "politics" are two separate realms. There is a strong case for reconciling the two in order to engage with government and access benefits for the marginalized sectors that NGOs represent.
- (3) NGOs involving themselves in local governance face two kinds of risks:
  - a. Co-optation – Governments may use the partnership with NGOs to legitimize their agenda (i.e., electoral) or operations or even to boost their public image.
  - b. Loss of accountability – NGOs must always keep in mind that their primary accountability is to their constituency and not to government officials (IFCB-ANGOC 2000).

The six-country multistakeholders' fora also identified the following capacity-building needs of NGOs in support of local governance:

- (1) public management which includes the very understanding of the bureaucracy and how it works, the various forms of governance (economic, political and administrative) and the role of the state in development;
- (2) information technology and networking among the various stakeholders in governance;
- (3) local legislative advocacy;
- (4) local budgeting and fiscal administration;

- (5) development investments promotion;
- (6) resource-based enterprise development and management (use of land, water and other natural resources);
- (7) sector-based technical knowledge, such as coastal resource management, watershed management, environmental planning, paralegal systems, gender and development, land use planning, etc.;
- (8) local revenue generation and resource mobilization;
- (9) organizational management and strategic planning;
- (10) monitoring and evaluation of government projects; and
- (11) provision of assistance to the public sector in learning and institutionalizing the technology of participation, within the broad framework of governance work and the use of participatory methods in governance structures and processes (IFCB-ANGOC 2000).

The following future directions for capacity-building on governance were also identified:

- (1) Both NGOs and local governments should familiarize themselves with the rules of this new game called "true local self-governance."
- (2) Gains must be protected, consolidated and sustained.
- (3) NGOs must be weaned from dependence on donor support and eventually sustain themselves with local resources.
- (4) Successes ought to be communicated and replicated.
- (5) A clear consensus on the objectives to be pursued has to be reached.
- (6) The social capital that already exists has to be used.
- (7) Resources management techniques have to be shared with government partners, and have to be internalized to ensure their sustained application (IFCB-ANGOC 2000).

#### **Challenges and Opportunities for NGO Involvement in the Local Development Process**

The following concerns must be addressed in order to consolidate gains:

- (1) Sustain and expand the gains from concrete and specific interventions at the local level;

- (2) Promote genuine implementation of the local autonomy law;
- (3) Strengthen institutions and capacities to better serve the public, while maintaining partnerships with local governments; and
- (4) Ensure that participatory processes are inclusive of the various concerned sectors in local development (IFCB-ANGOC 2000).

Participatory governance that leads to poverty alleviation and pro-poor development appears to require three pre-conditions based on sharing resources management techniques with government partners and working for their internalization:

- (1) A strong, central and affirmative state;
- (2) A well-developed and discerning civil society to determine when to engage and when to take on a more adversarial stance; and
- (3) An organized political force, such as a party with strong social movement characteristics (IFCB-ANGOC 2000).

Where these conditions do not exist, more work needs to be done, including awareness-building on rights and citizenship; building up civil society associations and social movements engaged in governance issues; and strengthening institutions of governance, both at the local and central levels.

Information is power. And local community information is a very powerful tool that could steer the development direction of a community. Initiatives like the 200-Village Project are good mechanisms to collect field data on food security of households across Asia, which are then correlated with key development issues like participation and governance. The study then becomes an important community planning tool since it genuinely comes from the people.

At this point, the solution lies not in the separation of civil society and good governance agenda, but in their interface. The way forward is found by focusing BOTH on a more active and engaged civil society which can express demands of the citizenry AND a more responsive and effective state which can deliver public services.

On a final note, participation in governance requires a change in personal values among both NGO and government workers. As long as social institutions like the state are run or managed by those who put the welfare of the people above self or vested interest, these institutions will achieve their mandate. If the people's interest is to be prioritized by the state, then the people's voice should be heard in its decisionmaking bodies.

## References

- ANGOC/ IFAD/SEARSOLIN  
2000 *Overview of Participation in the Asian NGO Experience. Promoting Participation in Development Projects.*
- Asian Development Bank (ADB)  
1989 *Cooperation with NGOs (Non-government Organizations) in Agricultural and Rural Development. A Report prepared for the Asian Development Bank by the International Development Support Services. Manila: ADB.*
- BANKWATCH  
1998 Excerpted from the International Development Support Services report to the ADB in 1997. November.
- Debuque, Teresa L.  
1999 *Untitled Paper. ANGOC.*
- Ellison, N.  
1997 *Towards a New Social Politics: Citizenship and Reflexivity in Late Modernity. Sociology, 31(4): 697-711.*
- Hernandez, Ariel  
2001 *Masteral Research Report on Local Governance in Mindanao and Southeast Asia. Development Management Program, Asian Institute of Management.*
- Hildebrand, Mary E. and Merilee S. Grindle  
1994 *Building Sustainable Capacity: Challenges for the Public Sector. Harvard Institute for International Development: Harvard University.*
- IFCB-ANGOC  
2000 *International Forum on Capacity Building Asia-Pacific Regional Conference Report. October.*
- Labajo, Marie  
2000 *A Survey of Capacity Building Initiatives of NGOs in Support of Local Governance. ANGOC, unpublished.*
- Liporada, Cesar  
1997 *Sourcebook on Effective Partnership for Local Governance. Quezon City: PhilDHRRA.*
- Lucas, Francis  
1999 *Statement from an NGO Representative to the Philippine Consultative Group Meeting on NGOs and Governance. Mita Conference Facility, Tokyo. 24-25 March.*
- Malik, Mamita  
2002 *A Campaign Towards Empowerment: An Overview. Reprinted in Participation & Governance, 8(23), PRIA, March.*
- Matthew, George  
2002 *Panchayati Raj in Scheduled Areas. Participation & Governance, 8(23), PRIA, March.*

- Miller, Valerie  
1994 *NGOs and Grassroots Policy Influence: What is Success?* Boston: Institute for Development Research.
- United Nations Capital Development Fund (UNCDF)  
n.d. *Local Governance for Participatory Development in Nepal*. Downloaded article from the UNCDF.
- United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)  
n.d. *Local Government in Asia and the Pacific: A Comparative Analysis of Fifteen Countries*. Downloaded article from [www.unescap.org/huset/lgstudy/compartive1](http://www.unescap.org/huset/lgstudy/compartive1).
- World Bank (WB)  
2001 *Combating Corruption in the Philippines: An Update*. Washington, DC: World Bank. 30 September.



## **Civic Service in East Asia and the Pacific**

EDNA E. A. CO\*

*It is inherently difficult to formulate a single notion of "civic service" as the history of "service" in the Region varies considerably due to different contexts, experiences, cultures, religions and socioeconomic conditions. In order to accurately summarize the notion of service of various countries, one must consider the social, cultural, economic and political context of "civic service." It is in this context that the article tries to contextualize the meaning of civic service in some countries in the Region such as Vietnam, Korea, China, Mongolia, Thailand, and the Philippines. It also attempts to draw the typology and profile of "service" in the Region. As far as there is yet no systematic analysis of the positive consequences and impacts rendered by civic service to society, the author tries to disclose a number of benefits rendered by "service" and "volunteering." Further analysis is also done to better understand the conceptual dilemmas in civic service and other challenges and issues.*

### **Defining "Civic Service"**

"Civic service" refers to "acts of giving of one's services, time, talent or skills for a specific purpose to a group, community, or society in general." The underlying purpose is that such acts of giving and "servicing" contribute to the fulfillment of a larger vision, usually accompanied by a set of values shared by the giver and the group or organization engaged in the service. This study borrows from Sherraden who defines "civic service" as an "organized period of substantial engagement and contribution to the local, national, or world community, recognized and valued by society, with minimal monetary compensation to the participant" (Sherraden 2001: 2). It is therefore distinguished from on-off acts of giving and philanthropy. Civic service may be led, initiated and organized by the state, or by a non-state entity, sustained over a period of time. It entails the server's time and talents rather than money, and there is a lack of familiarity between the server and the host at the outset of an engagement.

---

\*Professor, National College of Public Administration and Governance, University of the Philippines Diliman.

### Contextual Meaning of Civic Service in the Region

Civic service, as commonly understood in the region, tends to be inclusive and encompasses extension or rendering of services, money and materials, or even transference of skills and expansion of networks and contacts. Usually, it occurs through, but is not limited to, non-profit organizations including volunteer organizations. Civic service emanates from different types of organizations and originators. The organizers and channels of civic service may range from nongovernmental groups, charities, mission groups whose origins are religious in nature (such as the Jesuit Volunteers Program in the Philippines), government organizations, to foundations set up by monarchies (such as voluntary service rendered through the Chaipattana Foundation initiated by the King of Thailand). Civic service may also be channeled through organizations initiated by individuals and groups outside the country, such as the Korean-American Alliance or the Korean-American Community Services, Inc. Service may also be rendered by volunteers from other countries. The Voluntary Service Overseas places volunteers in different countries all over the world. The Australian Volunteers International has volunteers in 52 countries.

Some countries, such as Vietnam, Korea, or China, consider as civic service so-called "patriotic acts" for the nation, "defense of the land" and construction of infrastructures, such as bridges and roads. This was a common perception until around the period of independence and the victory over America by Vietnam. In China, contributions of time and energy to road work, infrastructures and other public facilities are considered as civic service by citizens for the purpose of building and constructing the nation. These patriotic services included the role of militia engaged in intelligence work and the part played by young men and women fighting in the war and defending the nation. The texture of service, however, changed as such countries enjoyed peace, independence and increasing prosperity. The result is that citizens have gained space for a broader range of activities beyond their immediate need to make a living or defend their nation. Service in the region increasingly shares a universal texture in which it encompasses diverse activities such as community development, health care, literacy and educational activities, environmental protection and resource management, sports and cultural activities, assistance to vulnerable groups such as the sick, the elderly and the young, and disaster response or rehabilitation from calamity.

Religious beliefs have also influenced notions of service in the region. For example, Confucianism emphasizes etiquette or *sahmgang-oryun* (the three bonds and the five moral rules in human relations). These values imply service which comes from free will, with no immediate material rewards, and which benefits people outside of relatives or close friends. Buddhism also teaches the value and practice of mercy. These values, which are strong among Koreans, Chinese, Thai and other Asians practicing Buddhism and Confucianism, have

propelled people to service and volunteerism. Although Mao may have made famous the slogan "Serve the People," it is not only a political statement, but is also embedded in traditional Confucian values of equity and brotherhood.

Similarly, the Christian and the indigenous Filipino traits of *pakikisama* (smooth relationship with others) and *pakikipagkapwa-tao* (sharing one's inner self) are core to Filipino volunteering and giving. A national survey on volunteering and giving conducted in the Philippines under the Johns Hopkins Comparative Nonprofit Sector Project (2000) affirms that giving without expecting anything in return is a value well-embedded in the belief system and culture of Filipino society. Goodwill giving or sharing of oneself especially with those in need is discernible in the service and acts of voluntarism among the Koreans, Chinese, Filipinos, and Thais. These values are at the core of Oriental philosophy and tradition.

### History and Origins of Service in the Region

The history of service in the region varies considerably due to different country contexts. The varied histories, colonial experiences, cultures, religions and socioeconomic conditions influence the diversity in the service and volunteering experiences among nations.

Most East Asian and Pacific countries experienced colonization and aggression. Korea, Philippines, Indonesia, East Timor, Cambodia, Myanmar and Vietnam, for example, share bitter experiences of colonization by powerful countries, while China and Japan were both aggressors and aggrieved in the historical struggle for power and territory. In the course of these colonial experiences, nations were bound to defend and to redefine themselves, and emerging states often urged their citizens to offer considerable self-sacrifice for love of nation. Citizens responded to such calls. Service in such contexts emerged largely from a sense of patriotism rather than compulsion.

#### *Vietnam*

In Vietnam, volunteering was seen as a natural response by citizens during the fight against colonialism. Voluntary work was channeled through defense-related activities. For example, to gain the Dien Bien Phu victory, 261,461 civilian volunteers contributed 18,301,570 working days to the campaign, manually transporting 27,400 tons of rice to the battlefield (IYV, 2001). Young volunteers also helped open roads and detonate bombs and landmines to ensure movement of commodity, people and transport. Hundreds of kilometers of roads were built and repaired. Hundreds of thousands of examples of volunteerism have been recorded in the Vietnamese fight for independence, including the war against the United States. Although there

was support from volunteer organizations and from the governments of Germany, Cuba, Japan and Venezuela, among others, the Vietnamese civilian volunteers served as the backbone of the fight for independence.

The past 10-15 years have, however, witnessed considerable change in the volunteer movement in Vietnam. With the open policy support of the Communist Party of Vietnam, volunteerism was considered a crucial factor in the rebuilding of Vietnam. Volunteering efforts involved those directed at infrastructure construction and rehabilitation, agricultural and rural development, environmental protection, industrial development, improvement of diplomatic relations, poverty alleviation, health care and education, and eradication of hunger. Volunteer groups, such as the Vietnam Youth Union, the Vietnam Women's Union and the Red Cross, consistently served as the structures to channel volunteers' efforts.

The victory of Vietnam in the wars for independence is largely attributed to the immense contributions of volunteer civilians, albeit with the strong backing of the state and the party in the mobilization of volunteers' efforts. During peace time, the shape of volunteerism changes and faces new challenges.

### *Philippines*

In the Philippines, it was considered honorable to respond to the call of duty and to defend the nation against the Spanish, American and Japanese aggressors. Likewise, it was considered patriotic for civilians to support the fighters by providing food, clothing and information about the enemies, to those in the forefront of battle.

The Church played a crucial role in voluntary action following the country's independence in 1946, encouraging voluntary services through support for human rights, for the homeless, orphans and other vulnerable groups. In the 1960s, the church institutionalized such programs by forming social action centers in every diocese, which incorporated volunteering and social service. During the resistance against dictatorship in the 1970s, the Church had the most organized machinery for voluntary action. Since the fall of the dictatorship in 1986, and with the return of formal democracy, the shape of volunteering and service changed again, and expanded. Corporations also expanded their engagement in service and volunteering through corporate foundations. Rotary Club, 4-H Club, Girl Scouts and similar organizations that grew after Independence continue to engage in civic service in the form of free professional and medical services to indigent populations, socialization, community building, and literacy courses, among others. Most of these organizations were composed of young people.

Many other voluntary groups emerged as resistance grew against the dictatorship. While voluntarism was politically oriented at this juncture, the emergence of these nongovernmental groups occurred as "weapons of the weak" (Scott 1985) against a dictatorship which used the state machinery against the people. The triumvirate of the church, nongovernmental organizations (NGOs) and, more recently, the corporation serves as the base from which formalized volunteering and service emanate.

### Korea

Korea considers volunteering to be a core principle of its culture. This is exemplified by a thousand-year-old funeral song in Korea that asks whether the dead person did pious acts for others during their lifetime. The song describes these acts as *wolcheon-kongdeok* (making public bridges), *whaling-kongdeok* (medical services for the sick), *hoonan kongdeok* (providing clothes for the poor), and *googook kongdeok* (patriotic action). All these are acts of voluntarism. Besides these were other voluntary efforts such as *kye* (mutual financing institution) and *dureh* (mutual help among farmers).

### China

There are two eras in China's history of volunteering. One is the Early China which, along with other East Asian countries, viewed civic service primarily in the form of military and quasi-military services. The next era commenced in 1978 when China opened its doors to pursue economic reform. The transition to a market economy was also marked by the change from a highly centralized system to one in which government is no longer the only force of development. The transition also entailed changes in policies to promote social development in China. This is clearly shown in the Ninth Five-Year Plan for Long-term National Economic and Social Development which runs until 2010, in which "the enhancement of economic growth is to be pursued through a strategy of science, education, and improvement of the material conditions of the Chinese people, the party and the government which encourages the participation and the contributions of all social organizations and institutions" (UNDP 1999). Organizations, such as the China National Youth Federation and the All China Women's Federation, which were initiated by the state involve young people and women in community services such as health care, education and literacy programs, child care and environmental protection. This Chinese perestroika service has changed considerably from defense-related activities to community and social development. Volunteers have emerged from various organizations, and not necessarily solely from those initiated by the State - even if they do remain state-sanctioned. According to the Ministry of Civil Affairs, there have been local organizations and nongovernmental institutions that are now the base of civic service and

volunteerism and had reached 700,000 in number by 1997. This constituency also diversified to include 410 trade associations, 1,200 academic and professional associations, and consumer associations (UNDP 1999).

The terrain of service and volunteering in China is changing and, with it, the forms and mechanisms of service. The issues around which volunteering and service revolve have included urban community service, population management, development of minority nationality areas, and programs for and by the elderly, who now exceed 122 million people in China.

### *Mongolia*

Much of the Republic of Mongolia's service efforts was started by international volunteer organizations working closely with aid agencies. For example, international volunteers work in Mongolia on programs for street children, with support from the United Nations Development Programme (UNDP).

### *Thailand*

Thailand, which has no recent direct experience of aggression and colonialism, has a history of service and volunteering quietly situated in emerging traditions of community development and development-related activities in rural villages. These activities include agricultural services, developing community awareness for forest protection and environmental management, income generation or productivity enhancement programs, teaching literacy, and services to the sick, disabled and the elderly. In the 1970s, military rule and the resulting student resistance contributed to the emergence of voluntary organizations. Since then, fora for the rural poor and the emergence of socially engaged Buddhist groups have been at the core of an emerging volunteerism. Nowadays, charitable organizations, civic groups, NGOs and corporate foundations, including those inspired by the monarchy, are quickly expanding and enthusiastically laying out the future for service and volunteering. At the same time, the monarchy may also prove to have been a taming influence on the nature and forms of civic service among the Thai people.

What is discernible in all these histories is that the State has served both as an enabling and a compelling force for service provision by the citizens. The state has dictated the regimen of war, the forms of volunteering, and served as the "managers" of services rendered by the volunteers. Citizens offered their services and time, and, on occasion, even their lives, in acts to defend the nation and in state-initiated campaigns for the use of their services. Colonialism too, in a way, gave birth to civic service, and the opposition to war

and resistance to colonialism paved the way for the development of organized mechanisms for service, mostly led by the post-colonial state. In other cases, secret resistance movements, like the Philippine guerrilla movement against the Americans and the Japanese, or the organized civilian service and support in Korea, China, and Vietnam, provided services to the nation. The role of the state was crucial in engendering service, albeit using its powers of compulsion. To a certain extent, it was necessary for the state to play the role of initiator and leader in enforcing service. Through time, however, the compelling role of the state has receded and permitted the development of a role for non-state formations to engage in, and direct civic service provision.

With independence, there have been changes in the forms and nature of voluntary action, from war and defense-related service during the Cold War to community development activities in the post Cold War period. As the forms of service have diversified so have volunteers also pluralized as they now come from a wider diversity of backgrounds, interests, and socioeconomic origins. This has, perhaps, proved to be a virtuous cycle, since with the pluralization of the major players has come yet further diversification of service even further from what was strongly military or defense related.

### **Typology and Profile of Service in the Region**

There is no systematic study on service and volunteering in the region which establishes a substantive profile of volunteers (whether as individual volunteers or as organizations) across countries or of the amount of time allocated to service, and the consequences of service (whether positive or otherwise). There is, so far, only cursory information on the benefits of service and volunteering based on a limited number of volunteer organizations in a few countries. The Australian Volunteers International (AVI) and the British Voluntary Service Overseas in the region, for example, have evaluations of their programs in selected host countries and based on these evaluations, have empirical data on issues related to service. Beyond those evaluations by these two organizations, there has been almost no analysis or theorizing concerning service in the region.

An attempt to draw an initial profile of service in the region according to type of activities and services, servers and recipients is shown in Table 1, Appendix A.

Given the difficulty in ascertaining the amount of time volunteers render to society, in quantifying the worth and value of service to national economies, or in arriving at a conclusion regarding the consequences of civic service, any statement on the consequences and extent of service can be little more than rough estimations.

In 1999, South Korea ascertained the extent of volunteering as shown in the following data ([www.iyvkorea.org/pdf/key\\_document.PDF](http://www.iyvkorea.org/pdf/key_document.PDF) 1999):

- That 3,898,564 persons volunteered a total of 451.19 million hours in one year (1997 as reference year);
- That 14 percent of Korean adults aged 20 or older volunteered an average of 2.2 hours per week;
- That the monetary value of yearly volunteering came to US\$204.5 billion which is approximately 0.58 percent of the GDP in 1997;
- That Korean adult volunteers are middle class and mostly housewives (43.1 percent), self-employed (19.5 percent), or office workers (12.2 percent).

The same data also reveal that most volunteer activities were done through religious organizations (34.4 percent), social service organizations (23.9 percent), civic organizations (11.2 percent), public health and medical organizations (5.6 percent), educational institutions and environmental organizations (5.3 percent each).

The Philippines has estimated the average hours of volunteering per week in 2001. In Metropolitan Manila where average volunteer hours are highest, the number of hours worked per week was very close to the official workday of eight hours. In other urban areas volunteers worked around four hours a week on average, and in other areas volunteer hours per week were about an hour less (Cariño et al. 2002).

The Korean survey above and a survey on attitudes toward volunteering in the Philippines (Johns Hopkins Comparative Nonprofit Sector Project 2000), reveal that most volunteers usually offer their services when other people ask them to. In other words, there is a need to make the effective demand known and to make information about volunteering and the demand for services known to potential volunteers.

In Australia and Japan, an increasing number of citizens are willing to serve whether in their own country or elsewhere. AVI, for example, has about 10,000 applicants at any one time but the organization has a current total overseas placement of only 600 volunteers at a time. The rest are put on hold. There is a huge reserve of potential volunteers in the region waiting to be tapped and mobilized but placement is frequently thwarted for a combination of the following reasons: difficulties in matching volunteers with appropriate work, administrative procedures to allow placement, and bureaucratic policies unsupportive of service and volunteering. The details on this issue are dealt with in another section of this study.



The Philippines is most diverse in terms of the forms of services and origins of volunteers, including young people, students, women, professionals, corporations, religious groups, university and school-based groups, and government, as well as international volunteers. This diversity makes service diverse and plural. The political history of the Philippines explains the emergence of civic service from a truly civil sector. The space provided by democracy and resistance against dictatorship enabled different groups and sectors, including corporate foundations, to undertake initiatives to serve the community and society. Volunteering in the Philippines though tends to be national and community-focused with placement of volunteers in other countries only taking place recently in a consistent and programmed fashion. The United Nations Volunteers (UNV) and the Jesuit Refugee Service have recruited volunteers from the Philippines in very small numbers for some time. One of the newer and larger organizations engaged in overseas placement of Filipinos is, in fact, British in origin. In 2000, Voluntary Service Overseas initiated the placement of Filipino volunteers in Asia, Africa, and Eastern Europe in the fields of health, education, environmental management, capability-building, and human rights.

Australian service and volunteering programs are generally more outward looking than other programs in the region. Volunteer organizations are not only durable and better sustained, but they also tend to place volunteers outside their country or home communities and serve to proactively promote intercultural and international relations. UNV has also been sensitive about the value of service and volunteering to the volunteers themselves, rather than citing an often overplayed altruism. Australian volunteer organizations are convinced that through service, the character of the individual is strengthened and, this, in turn, strengthens the individuals' contribution to the character of their nation. Service is, therefore, beneficial to nation-building.

### **The Social, Cultural, Economic and Political Contexts of Service**

In the last 30 or 40 years, some East Asian and Pacific countries perceived volunteering and civic service to be defense and military-related. However, political independence and autonomy from colonization engendered new forms of service, mostly community focused.

Other factors influence the texture of service in the region, among which are political instability, a nation's economic growth, the presence of socially aware and informed young people, and the emergence of democratic agencies such as voluntary organizations.

### *Political Instability*

Civil unrest, such as in Myanmar, Fiji, and the Solomon Islands, serves as an obstruction to effective civic service. Under politically difficult situations, volunteers are often required to pull out from their host communities. While conflict provides opportunities for service directed at relief work and peace-building through such organizations as Red Cross or Peace Brigades International, political stability and peace are, nevertheless, prerequisites to sustained civic service on any significant scale.

### *Economic Growth*

Economic status determines the form and approach that voluntary service takes. Countries that have attained a reasonably high income per capita and high levels of development, such as Australia and Japan, and that are freed from the preoccupations of war and defense, tend to take the lead in volunteerism through programs directed at services to the community, the nation, in intercultural and international partnerships and in modes that are civil and nonmilitarist. People are able to access the economic and cultural space for giving and volunteering. In Australia, for example, they could well afford to free themselves from the daily demands of economic responsibilities. Other countries in the region, such as Malaysia and Singapore, whose economic status consistently grows as so-called economic tigers, are moving towards the direction of civic service.

Where a middle class of significant size and a well-informed population have emerged, nations are inclined to look beyond themselves outwardly. Volunteers are placed in the countries away from home, family, community, and where culture and ways of doing are different from their own. Service has taken an external orientation in the case of Singapore and Malaysia during the last three to five years, with placement of volunteers and service programs being undertaken among neighbors in the region.

### *Young People as Servers*

It is evident from the data and information thus far available that the youth (aged between 16 and 30 years) play a major role in civic service, either as volunteers or recipients, or in some instances as both. In the case of Australia where there is no age exclusion in civic service, the major players as volunteers throughout the region are young people. They are heavily engaged in service in the region due to a number of reasons: (1) they are largely found in an environment that nurtures civic education and service, such as schools and universities; (2) authorities within the political institutions either compel

or challenge young people to render service; and (3) respect for, if not always obedience to, authority is a cultural reality among the young.

Civic service is generally instilled early in life among children and youth especially in educational institutions. The civic education integrated into the formal curriculum of schools in some countries, such as, the Philippines, Vietnam, Korea and China, has influenced attitudes towards civic service and love of community. Despite the fact that civic service is compulsory, the educational environment does contribute to the building of a civic consciousness among young people. For this reason young people, especially students, constitute a significant force for civic service in the region.

#### *Voluntary Organizations as Agents of Service*

Another facilitating factor for civic service is the growth of voluntary nonprofit organizations which undoubtedly are the leading lights in volunteering and service. The autonomy and initiatives taken by the voluntary nonprofit sector in the last decade or so engender a popularization of cause-oriented volunteerism. Voluntary organizations and their goals, origins, memberships, approaches and perspectives on service are crucial agents of service with which government agencies and educational institutions work to channel civic service to the grassroots.

A vibrant civic service in the region is engendered by peace and political stability, giving rise to independent voluntary organizations that act as agencies of service and enlighten young people raised in a culture oriented to citizenship, and to an economy that allows people the space and time for civic service. In all these developments, the state performs a crucial role by setting up the appropriate environment and temper for civic service. Either by policies that urge service or by persuasion that strengthens civic awareness and responsibility, the state serves as a key link between citizens and society to fulfill civic service.

#### **Contributions and Roles of Service to Society**

There is yet no systematic analysis of positive consequences and impacts rendered by civic service to society. Interviews with key informants, such as volunteers and service organization managers, however, disclose a number of benefits rendered by service and volunteering.

#### *Self-Development of the Volunteer*

At the end of a term of service, volunteers usually emerge stronger in their self-confidence and with a calculated understanding of their self-worth

and their capacities. The experience of service provides a firm grounding for further contributions to society. Volunteer organizations that conduct "exit interviews" among volunteers conclude that by service, individuals gain new skills and competencies and improve their capacity for adaptability and innovation. By sharing one's self, through time, talent, skills, and other resources, the volunteer gains self-fulfillment.

In some cases, volunteers claim that more than the recipients of service, the volunteers gain in terms of building confidence, competencies and skills. A volunteer who does not know how to assemble an agricultural tool from indigenous materials gradually learns the skill in an innovative way and thereby also acquires new ways of thinking about how to tackle problems. The limited resources in the workplace challenge the volunteer to become creative. Moreover, the new skills and abilities add to the qualifications and competencies that are beneficial to one's future employment. The self-benefits of volunteering might, therefore, be a motivation for individuals to do civic service.

#### *Exchange and Cultural Development*

Service opens the gate to an exchange of cultural knowledge and mutual learning about different cultures, practices, and ways of doing and being. Speaking a different language, eating different food, and doing things differently in a single work place enable tolerance for diversity and recognition of group differentiation. This mutual learning encourages respect for differences and promotes universal humanism.

Service in another location allows mutual transference of skills and cultural learning. The volunteer and the host learn from each other's culture and idiosyncrasy. The exchange has empowering consequences for both volunteer and recipient and serves their mutual interest. Tolerance for diversity enhances conflation between different races, ethnicities and cultures. Tolerance also serves as an antidote to parochial perceptions.

#### *Economic Development*

Korea has quantified the contributions of voluntary service to the economy by measuring the amount of time put in by volunteers, and the monetary equivalent of such contribution to the gross domestic product (GDP) and to the economy of the nation. The contributions are obviously enormous. Service is "near-free labor" that adds to the total output of goods – whether in defense during the cold war, in the delivery of social goods such as water, health, and education, or in the development of tools, technology, and the

creation of new knowledge or its development. Interestingly, a human resource accounting would show the extent of volunteer contribution.

*Building Social Networks and Putting a Human Face to Relationships between Organizations and Cultures*

Service adds to the vibrancy of society, especially where it links organizations and people that may be physically distant but become closely connected by common pursuits. Since the Cold War, peace and development have been shared by groups, organizations and nations as common goals of service and volunteering.

For some countries in the region, volunteers open the gates for host countries to know about other organizations. They act as natural facilitators in contacting other agencies that might be supportive of development programs. At an interpersonal level, volunteers forge ties with constituents of host communities. In other cases, volunteers introduce the host country or organization to sources of funding or networks of technical assistance.

The presence of volunteers puts a human face to otherwise abstract networks of organizations. When volunteers return to their own countries, they also serve as educators of their own people about service, against prejudice on the basis of race, class, or social background. Service engenders wider social network by pushing solidarity across distance, race, color and culture while lending a human dimension to social networks.

*A "School for Democracy"*

The expansion of volunteer organizations is a statement about the synergy of power—the power of those in civil society. Civic service enables citizens to participate in building nations and societies, and becoming active members of a political community. Civic service, therefore, serves as a channel for participation and a laboratory for democracy.

*Social Unity (Especially at the Community Level)*

Experiences of volunteering in countries, such as, Thailand, Philippines, Korea, Japan, New Zealand and Australia, show that by working around common projects, volunteering helps community members to work together where they might otherwise work individually. Projects in which volunteers serve encourage people to interact among themselves and learn to work with others. Both the project and the volunteers serve to unify the community and enhance social cohesion.

### Status of Research and Some Recommendations

The comparative studies on the nonprofit sector under the Johns Hopkins Comparative Nonprofit Sector Project look at nonprofit sector's structure, operation, processes, individual and social benefits, and problems.

The study is comprehensive, comparing different countries, integrating household surveys, national surveys and statistics, field experts' opinions, and case studies.

The International Association on Volunteer Efforts (IAVE) and its network provide profiles about service organizations and their activities. No in-depth study on these organizations and their services exists. The Independent Sector and the UNV published *Measuring Volunteering: A Practical Toolkit* (2001), a useful tool for those who would want to embark on volunteering studies using the survey method.

In the region, Australia appears to have gained some headway on the research front. A list of research titles has been collected under Table 2 indicating research works related to service and volunteering in the region (see Appendix B, Table 2).

The following are outline prospects for research on civic service:

(1) *Valuation of civic service to measure its contributions to society*

A profile on civic service could be a useful tool to convince government and policymakers about the value of civic service. It should also serve to inform society about the extent of volunteering and what citizens could offer.

(2) *Examination of the function of religion and belief systems as framework of giving, volunteering and service*

For instance, almost all countries have Muslim populations; and significant populations are found in the region such as in Malaysia, Indonesia, parts of Thailand, China, Cambodia and Philippines. How are their world views and perceptions as believers incorporated into civic service?

(3) *Further in-depth studies on youth and their potential involvement in governance and political development*

The youth constitutes the majority players in service and volunteerism. There are both actual and potential volunteers. One challenge is to research on youth involvement in the political arena, to examine the participation of young people in governance and political decisionmaking. Studies that would focus on the power of the youth being appropriated or where they are misrepresented

by politicians in the latter's desire to entrench themselves in power, should be an interesting and relevant research area that would enlighten policymakers on programs on youth and youth service. Countries in the region, such as, Indonesia, Thailand, Philippines and Mongolia, are enthusiastically involved in decentralization whose locus is to challenge youth engagement in service to the community and to society.

*(4) A reinvention of service—its forms, servers and recipients as another agenda for research*

Among the challenges to civic service is an exploration of the reinvention of volunteerism beyond social and community-based development and an inquiry into whether volunteering could be replicated in the corporate setting. The research should focus on possible approaches to a South-South exchange of skills and experiences between volunteers and hosts. The research should also explore viable institutional arrangements of placement, highlighting mutual learning of skills in spite of different experiences and work contexts.

A variation of this research prospect is to study the replication of existing efforts on corporate social responsibility in which skilled professionals and technical experts from corporations as well as academic institutions do voluntary service for community and national programs. Some countries in the region have initiated volunteering in this direction, but research could help increase the scale and viability of service and corporate social responsibility.

*(5) Inclusion of citizenship as a paradigm of service*

Civic education and citizenship might be a strong theoretical base of civic service as citizenship sheds light on new forms of involvement under various conditions that might challenge population to render civic service. Citizenship finds interesting transliteration in participation, transformation, and engagement, all of which heed social responsibilities among members of a community.

### **Challenges and Issues in Civic Service**

In spite of the multifaceted gains engendered by civic service, challenges persist and problems related to service appear in different dimensions.

#### *Conceptual Dilemmas in Civic Service*

A number of issues might be considered by scholars, policymakers, advocates and practitioners if they are to examine civic service. Deconstructing the theory and practice of civic service, for example, is

important. In the Asia-Pacific region the following questions might be addressed:

(1) *Is military or paramilitary service considered a form of civic service?*

Is service considered civic from the vantage point of its nature, i.e., non-military or non-defense related activity, or is it civic because the volunteers come from the civilian, not the military sector of the population? Or does civic service imply both—that the volunteers are civilians, and the nature and forms of service are non-military rather than defense-related?

(2) *The role of the state in civic service has been quite nebulous.*

In many countries in the region, one finds the State playing a major role in soliciting service from the citizens, but over time its role receded and gave way for voluntary groups to assume the steering role. The State continues to play a dominant role in relation to military service among the young which remains compulsory in many countries. This role brings into question the voluntary character of service. Where service is compelled by the State or where there is a strong political or moral pressure from the state and public institutions, service tends to lose its core element, namely, the voluntary giving of one's self, talent and skills for a cause one believes in. Would young people tend to develop an aversion for service and volunteering when they feel compelled by the state or an authority? Would this not then create a negative consequence as the quality of service declines and as the very purpose of civic service is eroded?

On the other hand, experiences in some countries indicate that without the support of the State, civic service would not have reached the extent that it has today. How much autonomy should the state grant? Where lies the boundaries between the "rowing" and "steering" roles of the State?

(3) *The site of service and the lack of familiarity between volunteers and hosts at the outset of a voluntary service engagement are also contentious issues.*

Does location of civic service and volunteering matter if one was to regard service as giving with an element of sacrifice rather than of convenience and expediency? The surveys in Korea, Vietnam and Philippines indicated that in their tradition, "giving" or "volunteering" includes extending material help and time (even prayers) to relatives and neighbors. Should helping or serving relatives and neighbors for example be considered as civic service? Or should civic service mean giving and volunteering of one's talent, skills and time to unknown recipients in another community, place, culture and society? Is service in such situations seen as having greater value in those circumstances?



Or does the reality of local reciprocities and obligations and of social pressures and power relations embedded in structures of patronage in local communities in much of Asia inherently diminish the value of services provided in such circumstances?

### *Practical Considerations in Civic Service*

A number of problems arises with regard to civic service and many of these practical issues relate to management and administrative concerns concerning volunteering and civic service:

#### *(1) Managing the expectations of the volunteer*

Volunteer and service organizations deal with the multiple and varied expectations of volunteers. That alone is a difficult matter to deal with. But a complicating factor has been, in many cases, that volunteers and volunteer organizations have high expectations of host organizations or communities at the onset while host units are often not prepared for such expectations among volunteers. While the volunteers are often enthusiastic to share their skills and regard their primary purpose as offering service, in many instances, the work place has not been properly prepared to make best use of the skills of the volunteers and this often results in frustration and dissatisfaction among volunteers.

#### *(2) Management of volunteers*

Two issues relate to placement: first, is the accommodation of potential volunteers in the potential posts available. There are usually more applicants than there are jobs or hosts available. With a long wait, potential volunteers eventually fall out and decide to withdraw their applications, or move on to pursue other interests. Second, it has to do with effective matching of volunteers with the jobs available. Matching interests and capacities of volunteers with the work place is equally important for sustained service and volunteering.

#### *(3) Dealing with bureaucratic procedures and government requirements in processing of volunteers' entry*

This issue relates to international volunteers seeking placement in another country. Volunteer organizations and civic organizations that host volunteers spend enormous amount of time and encounter considerable difficulties with unnecessary and unreasonable bureaucratic procedures of governments in East Asian and Pacific countries. From the receipt of request for volunteers, assessment, clearance with authorities, review of projects where volunteers would be placed, to the visa processing entail almost the

same amount of time as the period of service or volunteering itself. These unavoidable procedures have caused either delays in volunteer placements, or withdrawal, or tension between government agencies and volunteer organizations.

#### *(4) Strategic Vision for Civic Service*

The general question often raised by volunteer organizations to governments of participating countries (of the volunteer and the recipient) is whether there is indeed a strategic vision for civic service. What is the direction with regard to the ways in which voluntarism and service are to be taken forward? Is service merely to be seen as a convenient form of cheap labor, a status symbol, or simply part of the handwagon of volunteerism now gaining global popularity? The direction of civic service is dependent on the collective perceptions that leaders, government agencies, and citizens have about service, and how service might be utilized to meet their objectives. The challenges to civic service include what civic service should strive to undertake and what it cannot achieve such as with regard to the prospects of enhancing employment and meaningful jobs. Could civic service play a role in equipping young graduates and young adults with "life skill competencies" which are necessary in employment but which are not taught in schools and universities? By expanding the arena of volunteering from social welfare services to more income-earning opportunities whether in agriculture or in the industries, service could be designed as a support for employment and job generation. Should civic service be a vehicle for enhancing competency and skills through the transference of skills from volunteers to the recipients? In this regard, should civic service aim specifically to strengthen the competencies and skills of volunteers as well rather than focus more exclusively on willingness to serve and to share? Considering these strategic questions, nations may need to map out the potentials and the limits of civic service in the context of the community, the nation, and global society.

### **References**

#### *Books, Papers and Articles*

- Box, Richard  
1998 *Citizen Governance. Leading American Communities into the 21st Century.* Thousand Oaks, London and New Delhi, India: Sage Publications.
- Cariño, Ledivina V., Ramon L. Fernan and Rachel H. Racelis  
2002 *People Power and the Nonprofit Sector in the Philippines.* Paper presented at the Fifth International Conference of the International Society for Third Sector Research. 7-10 July. Cape Town, South Africa.
- Faulks, Keith  
2000 *Citizenship.* London and New York: Routledge.

- IDS Bulletin  
2002 *Making Rights Real: Exploring Citizenship, Participation and Accountability.* 33(2) Sussex UK. April.
- Independent Sector and the United Nations Volunteers  
2001 *Measuring Volunteering: A Practical Toolkit.* Washington DC: Independent Sector.
- Isin Engin and Patricia Wood  
1999 *Citizenship and Identity.* Thousand Oaks, London and New Delhi, India: Sage Publications.
- Oommen, T.K.  
1997 *Citizenship and National Identity: From Colonialism to Globalism.* Thousand Oaks, London and New Delhi, India: Sage Publications.
- Salamon, L., C. Hems and K. Chinnock  
2000 *The Nonprofit Sector: For What and For Whom? A working paper of the Comparative Nonprofit Sector Project.* Baltimore: Institute for Policy Studies, Johns Hopkins University.
- Scott, James C.  
1985 *Weapons of the Weak: Everyday Forms of Peasant Resistance.* London and New Haven: Yale University Press.
- Sherraden, Michael  
2001 *Youth Service as Strong Policy.* Paper presented at the Worldwide Workshop on Youth Involvement as a Strategy for Social, Economic, and Democratic Development. Costa Rica, San Jose. 4-7 January.
- United Nations Development Programme (UNDP)  
1999 *China Human Development Report.* New York City: Oxford University Press.
- United Nations Volunteers  
2001 *International Year of Volunteers.*
- Volunteers 21 and Gallup Korea  
1999 *Giving and Volunteering in Korea.*

#### Interviews

- Australian Volunteer International
- Australian Youth Ambassadors
- Beijing International Volunteer Association
- Greenway Thailand
- Philippine National Volunteer Service Coordinating Agency
- Thailand Development and Human Resources for Rural Asia or Thaidhrra
- Rong Chhrrong of Cambodia

#### World Wide Websites

- [www.austrop.org.au/volunteer.htm](http://www.austrop.org.au/volunteer.htm)  
[www.cie.uci.edu/iop/volunteer.htm](http://www.cie.uci.edu/iop/volunteer.htm)  
[www.aic.ca/outreach/links.html](http://www.aic.ca/outreach/links.html)  
[www.iaveseoul.org/program/plenary.asp](http://www.iaveseoul.org/program/plenary.asp)  
[www.iyv2001.org/cfapps/queries/vol\\_orgs/auto\\_vol\\_orgs](http://www.iyv2001.org/cfapps/queries/vol_orgs/auto_vol_orgs)  
[www.iyvkorea.org/pdf/key\\_document.PDF1999](http://www.iyvkorea.org/pdf/key_document.PDF1999)

*Appendix A***Table 1. Typology of Service by Country, Volunteers, and Recipients**

<i>Country</i>	<i>Type of Services</i>	<i>Volunteers / Organization</i>	<i>Recipients</i>
Australia	Development services and promotion of peace	Australian Volunteers International; Volunteers for Peace Australia	52 countries including East Asia and Pacific except Myanmar; worldwide
	Promotion of understanding among peoples on social justice and environmental harmony	Youth Ambassadors for Development (youth ages 18-30); Youth Challenge Australia (youth)	Business, education, government, and community partners in Asia and Pacific
	Strengthening mutual understanding between Australia and Asia Pacific countries		
	Preservation and reclaiming of forests; health and community infrastructure	Green Reserve Volunteers (Australians 35-65 years)	Communities in Guyana, Costa Rica and Canada; Australian communities
	Researching and recording information on local plants and wildlife; beach and coastal restoration	Conservation Volunteers	Australian Communities
	Conservation skills and awareness	Green Corps-Young Australians (youth 17-20 years)	Australian communities
China	Promotion of economic development and social progress	Chinese Young Volunteers (youth service) – around 85% of volunteer program in China	Chinese rural and urban communities
	Promotion of intercultural and international understanding & partnership on technical skills in development	Beijing International Volunteers Association	Chinese rural and urban communities
	Organizational support, planning and team management	Hong Kong Community Volunteers	Chinese communities and local organizations
Cambodia	Campaign on dengue prevention measures and health programs including HIV/AIDS prevention	Cambodian Red Cross Hope Cambodia Volunteer Corps Hope for the Heart	Local communities
	Promotion of literacy, peace, non-violent culture and empowerment	UNV	Local communities

Indonesia	<p>Promotion of environmental awareness and campaigns</p> <p>Caring for elderly citizens</p> <p>Promotion of voters' education</p>	<p>Klub Indonesia Hijau (Green Club Indonesia)</p> <p>Indonesia Volunteer careers for the elderly</p> <p>People's Voter Education Network (JPPR)/15 organizations with 117,000 volunteers</p>	<p>Local communities, young people and students in Indonesia</p> <p>Destitute and lonely elderly</p> <p>Villages throughout Indonesia</p>
Japan	<p>Promotion of young volunteers through social and economic development projects in developing countries</p> <p>Promotion of tree planting in schools</p> <p>Advice, information, and nurturing of volunteers through volunteer groups and associations</p> <p>Promotion of international and intercultural partnerships, and promotion of specific training (in archaeology, house building, etc.) through "bootcamps"</p> <p>Visit to victims of bombing and promotion of peace through workcamps</p> <p>Placement of international volunteers and promotion of international partnership and language learning</p>	<p>Japanese Overseas Cooperation Volunteers; OISCA Japan</p> <p>Students, teachers, parents and community members</p> <p>Japan Youth Volunteers Association</p> <p>Volunteers for Peace</p> <p>Brethren Volunteer Service</p> <p>Networked International Volunteering</p>	<p>Developing countries</p> <p>Developing countries</p> <p>Different volunteer groups in Japan and developing countries</p> <p>80 countries</p> <p>International volunteers</p> <p>Volunteers of various nationalities</p>
Korea	<p>Assistance and service to children and differently abled individuals</p> <p>Provision of training and technical assistance in health, nutrition and social development</p> <p>Promotion of women's development</p> <p>Promotion and guidance of youth volunteering in various projects</p>	<p>Angels' Haven</p> <p>Korea International Cooperation Agency</p> <p>Korea Women's Development Institute</p> <p>Korea Youth Volunteer Center</p>	<p>Different communities</p> <p>Different communities</p> <p>Nationwide</p> <p>Youth organizations</p>

Malaysia	<p>Rural development</p> <p>Promotion of child and youth rights</p> <p>Promotion of human rights</p> <p>Integrated social development</p> <p>Medical and relief services and inculcation of volunteerism among professionals and medical workers</p>	<p>Institute of Rural Reconstruction Malaysia/ technical experts and professionals Ansted University</p> <p>Humans Child Aid Malaysian Indian Youth Council Malaysian Youth Knowledge Network Youth Advisory Center Burma Democratic Movement Committee Center for Social Advancement of Malaysian Indian</p> <p>Asia Community Service Majlis Kanser National Social Work Association Soroptimist International Southwest Pacific The Boys' Brigade in Malaysia</p> <p>Yayasan Salam Malaysia National University of Malaysia IAVE Malaysia</p> <p>MERCY Malaysia</p>	<p>Rural communities</p> <p>Youth and students</p> <p>Ethnic groups in Malaysia and human rights victims outside Malaysia</p> <p>Local communities in Malaysia</p> <p>Remote communities of Malaysia, Sabah and Sarawak</p>
New Zealand	<p>Sharing life skills and experiences and work through community development, education and training, agriculture and rural development</p> <p>Conservative work through local projects in the community</p> <p>Restoration of old and historic buildings and engagement in recreational pursuits</p>	<p>Volunteer Service Abroad</p> <p>The Conservation Corps/ local members of the communities</p> <p>Youth Service Corps (16-20 years old)</p>	<p>Communities overseas</p> <p>Local communities</p> <p>Local communities</p>

Papua New Guinea	Promotion of nationbuilding through community service , education and training  Compulsory rural service by young people through the schools	National Youth Service Board/young people	Local communities
Philippines	<p>Promotion and protection of social rights according to sectors (children, young people, women, etc.)</p> <p>Promotion of education, literacy and civic education with extension of some social services</p> <p>Promotion of environmental awareness and care</p>	<p>ABS-CBN Foundation/ corporate arm ABS-CBN Social Service Club Barangay Youth Volunteer Club Developmental Advocacy of Women Volunteerism Foundation for Huwomany-Centered Development God's Special Children Hope Street Project</p> <p>AMA-Philippine Foundation Ayala Foundation Benedictine Volunteers Program-St. Scholastica's College Jaycees COSCA-De La Salle University Computer Science Society Fil-Mentoring He Cares Foundation Jesuit Volunteers Program Kiwanis International Petron Foundation Salesian Lay Volunteers Program PNRC-Youth <i>Ugnayan ng Pahinungod</i> - University of the Philippines Youth Action for Social Development Youth Community Service Club-Professional Sector</p> <p>Environmental Legal Assistance Center/ lawyers and paralegal people Mountaineering Club Scout Mountaineers-Boy Scouts of the Philippines Xavier University Center for Legal Assistance Youth for Sustainable Development Assembly Breakaway Mountaineering Club</p>	<p>Young people, women</p> <p>Young people, students, local communities</p> <p>Local communities, students</p>

	General and integrated social development	Assumption Academy of Compostela-Alumni Volunteers Initiative for Development Bayanihan Para sa Bagong Pilipino Bluehearts Countrywide Indigenous Pilipinos Foundation Human Development International Philippine National Red Cross Philippine Association of Volunteer Efforts Philippine Civil Community <i>Pilipino para sa Pilipino</i> <i>Pinoy Rin, Inc.</i> REACT Society of Association Executives  UNV-Philippines	Local communities            Other countries
Singapore	Upgrade and repair of laboratory, equipment and facilities in schools, construction of schools and teaching English language  Infrastructure development (roads, water filtration, solar heater, etc.)  Survey on biodiversity and habitats as part of environmental management plan  Provision of health care facilities	SIF Youth Expedition Projects 2000  SIF Youth Expedition Projects  SIF Youth Expedition Projects  SIF Youth Expedition Projects	Various countries in the region (Cambodia, China, Thailand, Vietnam, Indonesia, East Malaysia)  China, Myanmar  Sabah, East Malaysia  Myanmar
Thailand	Promotion of rural development in Northern Thailand through practical projects; promotion of North-South learning  Promotion of environmental care, economic development and sustainable growth	Rural Development Project  Greenway International Workcamps The Wild Animal Rescue Foundation of Thailand Elephant Nature Park	Rural communities in Thailand  Rural communities in Thailand



	Promotion of development especially in rural areas through projects that do not duplicate government projects	Chaipattana Foundation	Poor communities in Thailand especially those needing relocation assistance
	Promotion of tourist camps coupled with environmental awareness and training in the English language, promotion of intercultural partnership	Ecoventure Thailand	Kanchanaburi communities and other Thai people
	Promotion of welfare and capacity building for differently abled sectors	Nonthaburi Society of Disabled Persons The Foundation to Encourage the Potential of Disabled Persons The Redemptorist Job Placement for People with Disabilities The Redemptorist Vocational School for the Disabled	People with disabilities and different needs and skills
	Promotion of peace and solidarity	Women's Federation for World Peace Women's Conference on Religions and Peace, Thailand Dhammakaya Foundation/ adults and young people	Peace advocates, general population
	General welfare and development	Graduate Volunteer Center National Council on Social Welfare of Thailand Rejoice Urban Development Project Religious Youth Service Thailand/youth T-CARP Thai Volunteer Service Foundation Thailand Christian Life Missions and Humanitarian Relief Agency UNV WCRP Thailand Youth Club	Local communities – urban and rural, young people of Thailand

Vietnam	Promotion of sociocultural ties and social development	Vietnam Young Men's Christian Association/ involves young people	Nationwide/international volunteers and guests sometimes involved
	Promotion of socioeconomic development in the villages through technical assistance	Cantho University/ students and young people Webster University	Local communities especially in rural areas
	Promotion of education and sociocultural development	Vietnam Federation of UNESCO Clubs	Young people and young adults in schools and in the communities
	Promotion of Family Planning programs as a strategy of population control	Vietnam Family Planning Association	Local communities

Sources: Interviews with Philippine National Volunteers Coordinating Agency, 9 July 2002, and with Australian Volunteers International, 24 July 2002, and various sources online.

## Appendix B

Table 2. Major Research Titles on Service and Volunteering

Title	Author	Publisher / Year Published
Volunteering as a Lifestyle Choice: Negotiating Self Identities in Japan in <i>Ethnology</i> (about volunteering from the perspective of ethnology, an examination of volunteering in the neighborhood outside Yokohama)	Lynne Nakano	Spring 2000
Papers from the International Society for Third Sector Asia (about aspects of volunteering and giving, role of social capital in Asian sustainable development, management, governance, and activities of the third sector)	Third Sector Network (various contributors)	2001
Comparison between Volunteering in US and Japan	Kiyoshi Adachi	School of Human Environmental Studies
Attitudes to Volunteering in Britain and Japan	Yoshihiko Oyama	2000
The Structure and Dimension of Australia's Community Services Industry	Mark Lyons	1993
Australian Journal on Volunteering (about perspectives on volunteering, service provision, new technologies, research and statistics findings)	Volunteering Australia	Occasional
The Formation of the Newly Emerging Nonprofit Sector in China: Opportunities and Challenges	Zhao, Li Qing	1999
An Analysis on the Determinants of Volunteer Labor: An Empirical Study on Volunteer Behavior in Korea	Park, Tae-Kyu	1999
Building Effective Volunteer Services in a Nature Disaster: The Role of Nonprofit Organization in Coordinating Research	Liu, Li-Wen	1999

Source: [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html), [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html), [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html), [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html), [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html), [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html), [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html), [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html), [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html), [www.volunteering.com.au/2002/02/02/02volunteer.html](http://www.volunteering.com.au/2002/02/02/02volunteer.html)

## **Interim Findings on Universal Access to Information and Communication Technologies: The Cases of Carmona and Puerto Princesa**

ERWIN A. ALAMPAY\*

*The age of information and communication technology (ICT) has brought new trends in delivering public services. ICT has provided more possibilities for reaching and communicating with people and has brought variety of ways in availing of services such as the use of short message service (SMS) and the Internet. With the liberation of ICT in today's society, this article attempts to look at how these technologies have affected the lives of the ordinary people in accessing ICT and assess whether everybody even the long disadvantaged would finally gain access to information and new knowledge. This article presents the results of a survey in Carmona, Cavite and Puerto Princesa City, Palawan and reveals that even with liberalization in communications industry, universal access is one important area that will remain under government regulation. For everyone in society to have equal opportunities to the use of ICT, the author suggests that strategies must go beyond access in terms of proximity to the ICT infrastructure, but also look into the socioeconomic and cultural barriers to its use.*

Close to a decade has elapsed since the passage of policies that liberalized the telecommunications industry. Among the benefits it has brought have been the greater variety of services, higher telephone densities, and, to some extent, lower prices (Seráfica 2000). The evaluation of its impact, however, has tended to look only at macro indicators (i.e., teledensities, percentage of line targets achieved) and not at what is really happening at the household level.

As we celebrate the coming of new technologies that purport to bring in the age of information, little empirical evidence has been put forth to show how it has actually affected the lives of ordinary people. Most of the evidence has been anecdotal at best, and aggregate evidence through national statistics only provides a fuzzy picture of where information and communication technologies (ICT) are being accessed and not in terms of how they are used.

---

\*Assistant Professor, National College of Public Administration and Governance, University of the Philippines Diliman.

Moreover, they do not tell us what hinders people from using them and who are most disadvantaged.

Access to ICT has often been simply considered in terms of geographic access and affordability. Some argue, however, that access to ICT and basic needs, in general, are not solely limited to this, but should also factor-in the capabilities of people to make use of these resources (Sen 1999). Considering the advancement in technologies, the reduction in prices of services and the increasing ubiquity of ICT, one issue is whether people are actually using these technologies.

This investigation looks at location, gender, educational attainment, income and age as variables which influence the use of certain ICT such as telephones, cell phones, text messaging or short message service (SMS), personal computers (PCs) and e-mail. It is based on preliminary data collected from individuals in urban *barangays* in Carmona, Cavite (n=62) and Puerto Princesa City, Palawan (n=53).

### Location and ICT Use

The two areas, Carmona and Puerto Princesa, were selected partly because they are different from each other. Carmona is a rapidly industrializing municipality located very close to Metro Manila. In this respect, it is an area where new ICT and competition among the various industry players are more observable. The layout of the land is also relatively flat and much smaller compared to Puerto Princesa, and very few of its *barangays* are considered rural. Puerto Princesa, on the other hand, is one of the larger cities in the country with respect to land area. Despite being a city, many of its *barangays* are still rural. There is a wide variation in the geographical location and socioeconomic characteristics of *barangays*, with some located in the coast, some in farm lands, and others in mountainous areas. In selecting these areas, the research intends to capture the various conditions that strategies for universal access should be able to overcome.

In general, the sample (see Table 1) shows that as far as ability to use ICT is concerned, more people use landline phones than cell phones and they use personal computers and e-mail the least. Also, more people in Puerto Princesa have used the telephone and e-mail even though they are farther than Carmona from Manila. Note also that the proportion of people in Carmona who have used the cell phone is already equal to the proportion of those who have used the telephone. This figure indicates how rapidly people have learned to use the cell phone despite how recent the technology was developed.

**Table 1. Location and Percentage ICT Use (In Percent)**

<i>Location</i>	<i>Phone</i>	<i>Cell phone</i>	<i>SMS</i>	<i>PC</i>	<i>E-mail</i>
Puerto Princesa n = 53	96	70	62	40	21
Carmona n = 62	82	82	68	37	11
Total	89	77	65	38	16

### Gender and ICT Use

Table 2 shows that, except for the use of telephones where men have a slight advantage, women are more likely to be using cell phones, SMS, computers, and e-mail. That Filipino women have more access to ICT bodes well for development, because women, being the primary caregivers, are more likely to transmit these benefits to the rest of the family and community. This advantage may also have implications as far as using or tapping women as conduits of information and knowledge, or as intermediaries for spreading know-how found in the Internet. Models for using women and ICT in development could be seen from how Grameen in Bangladesh has branched into Grameen Phone to provide access.

**Table 2. Gender and ICT Use (In Percent)**

	<i>Male (n = 47)</i>		<i>Female (n = 68)</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Telephone	42	89	60	88
Cell phone	31	66	67	84
Knows SMS	27	57	48	71
Computers	15	32	29	43
Has e-mail address	4	9	14	21

The area of gender and community is a field that is also worth further investigation. Differences in how women and men use the technologies and in the kinds of work they are employed in could reflect societal stereotypes. Historically, with the telephone, this was evident with the "feminization" of telephone operators (Martin 1991).

### Education and ICT Use

Clearly, from Table 3, education is also a factor in the usage of ICT. More than half of those who reach college have used PCs and cell phones, and all have used a telephone. In contrast, only 73 percent of those who reached elementary level have used a telephone and only seven percent have used a PC.

**Table 3. Educational Attainment and Percentage ICT Use (In Percent)**

<i>Educational Attainment</i>	<i>Has Used a Phone</i>	<i>Has Used a Cell phone</i>	<i>Can Send SMS</i>	<i>Has Used a PC</i>	<i>Has e-mail account</i>
Elementary (n = 15)	73	33	13	7	0
High School (n = 42)	83	79	62	19	2
College (n = 51)	100	86	82	65	31
Vocational (n = 5)	80	80	60	20	0
School for the disabled (n = 1)	0	100	100	0	0
No answer (n = 1)	100	100	100	100	100

The data above show that a digital divide exists within communities and not between areas alone. Educational attainment is apparently one of them. For one, those who could afford to get a more decent education are the rich. On the other hand, the poor are more likely to drop out of school early. This implies that efforts to bridge the information gap through the access and use of ICT should begin as early as possible, such as in the primary level, or else, a significant number of people may never gain the knowledge to capitalize on the use of these technologies. This is especially important because the school system is a logical access point, especially with respect to the Internet.

### Income and ICT Use

Table 4 shows that close to 70 percent of those with income less than P5,000 per month have used a phone and 62 percent have used a cell phone. This proves that even poor households have a need for these technologies. In the past, the reason provided by telephone providers for not installing lines in some areas was the argument that there was no market. If market is simply a function of profitability, this may be true. However, there are people who need and use these services, hence there is a market for these services even among the poor.

**Table 4. Income and Usage of ICT (in Percent)**

<i>Monthly Household Income</i>	<i>Has Used a Phone</i>	<i>Has Used a Cell phone</i>	<i>Can Send SMS</i>	<i>Has Used a PC</i>	<i>Has e-mail account</i>
Less than 5,000 (n = 13)	69	62	38	23	15
5,000 – 10,000 (n = 42)	89	75	68	23	5
10,0001 – 20,000 (n = 15)	100	93	73	40	13
More than 20,000 (n = 20)	95	100	85	80	45
Does not know (n = 7)	86	57	57	43	0
No answer (n = 13)	92	54	54	46	23

This is important because, evidently, the use of various ICT is greatly influenced by income. The higher is the household's income, the more likely that individuals of that household have used a telephone, cell phone or computer. This implies that the affordability of these services is still crucial to their accessibility. While competition has brought down prices to some extent, some people still consider the cost of owning telephones, cell phones and computers as prohibitive.

It is hoped that with the onset of newer technologies, like cell phones that make the cost of providing universal access less expensive, the needs of ordinary people may eventually be met without companies having to sacrifice their bottom line.

#### **Age and ICT**

The elderly (aged 50 years and above) are less likely to use telephones, cell phones and computers. Some see new technologies as "just for the young" or that they are already too old.

For the elderly and less educated, what may be the key is indirect access to the technology and to the information and knowledge that comes with it. Indirect access occurs when there are other people in the household who use the ICT. For example, some people ask their children to e-mail or text for



**Table 5. Age and ICT Use (in Percent)**

	<i>12-49 years old (n = 87)</i>	<i>50 and above (n = 27)</i>
Telephone	91	85
Cell phone	86	44
Knows SMS	80	19
Computers	46	15
Has e-mail address	21	0

them, and, in return, some people send messages through these same people who then relay them back to the "non-users." In other cases, other users within the household may actually help bring the elderly to embrace and *learn new tricks* and use the ICT on their own.

### Conclusion

Even with liberalization of the telecommunications industry, universal access is one important area that will remain under government regulation. In fact, recent evaluations of policies connected with the liberalization of the industry suggest that competition has only occurred within markets deemed profitable and has resulted in oversupply in selected areas (NTC 2000). This is not limited to landline phones, but is also true with the cellular market, where competing companies try to eat into each other's market, or steal each other's clients by offering upgraded or free cell phones, rather than actually expanding into other areas by providing more cell sites.

The survey conducted in Carmona and Puerto Princesa reveals that whether one controls for the location, gender, age, income, or educational attainment, the percentage of those using ICT are highest with respect to telephones and lowest with respect to e-mail. Telephone has been in existence for over a century. The ability to use an ICT may also have more to do with the ubiquity of the technology. Using cell phones and sending SMS is more common, for instance, than using PCs and e-mail, although the latter has been around longer.

In summary, even as newer technologies provide more possibilities for reaching and communicating with people, government should remain vigilant, because new technologies are no assurance that groups long disadvantaged would finally gain access to information and new knowledge. It is even likely that those who gain access to newer technologies are the same groups who

already have access to older technologies. In the end, access to new ICT could simply mirror the divide that exists with respect to access to older ICT. The fact that telephones have remained inaccessible to some people up to now is worth noting. Even though newer technologies are able to overcome some of the technical limitations of the telephone, access to its use apparently goes beyond the technical. For everyone in society to have equal opportunities to reap the benefits that ICT could bring, strategies must then go beyond access in terms of proximity to the ICT infrastructure, and also look into the socioeconomic and cultural barriers to its use.

### References

- Martin, Michele  
1991 *Hello Central? Gender, Technology and Culture in the Formation of Telephone Systems*. Quebec: McGill-Queen's University Press.
- National Telecommunication Commission (NTC)  
2000 *NTC Assessment of Executive Order No. 109 Implementation. Conclusions and Future Development Planning*. 11 December.
- Sen, Amartya  
1999 *Development as Freedom*. Oxford: Oxford University Press.
- Serafica, Monette  
2000 *Competition in Philippine Telecommunications: A Survey of the Critical Issues*. Makati, Philippines: APEC Study Center Network.

# **Urban Poverty Morphology, Remote Sensing, and Geographic Information System: Towards Sensitizing Public Management**

MAY CELINE T.M. VICENTE, MA. AILEEN LEAH G. GUZMAN  
AND GERALD A. GALGANA\*

*The use of satellite technologies of the earth's surface for mapping land use, such as remote sensing, offers a cost-effective means to acquire multitemporal and multispectral images. The method for remote sensing covers an extensive use and process of images, ground truthing, classification of land cover and land use, and qualitative visual assessment. Another technique in the spatial study of urban poverty is the use of geographic information system (GIS) which allows users to create multiple layers of information. These techniques were employed in studying urban poverty in Metro Manila and in assessing the relocation sites of informal settlers. Suitability of relocation was determined by looking at the impact of natural risks and hazards like floods and earthquakes, and proximity to industrial sites with the aid of geo-information techniques. In furthering the advancement of satellite technologies in development studies, the factors of standardization and operationalization of procedures, use of higher resolution sensors, and integration with geographic information system need to be considered.*

## **Introduction: The Metro Manila Urban Environment**

Metro Manila, with a population of more than ten million and an area of 646.1 square kilometers, is among the megacities of Asia. Landcover mapping of the entire area poses a challenge to modern-day cartographers and geomatics experts, as well as remote sensing scientists, primarily because of the complex surfaces comprising the urban environment. Such surfaces exhibit different patterns of reflectances, which make accurate classification and photointerpretation difficult and tedious.

Satellite imageries have recently been used for mapping land use. Satellite technologies of the earth's surface offer cost-effective means to

---

\*Manager; Information, Education and Communications Officer; and Geomatics Specialist; respectively, Center for Environmental Geomatics, The Manila Observatory.

acquire multitemporal and multispectral images. This study explores the different image processing methods. These methods may be used to segment satellite images to highlight particular surface reflectance patterns and come up with better photointerpretation, classification and mapping, by visual and computer-aided analyses. These are also verified on the ground by field methods on selected areas. Particular interest is focused on mapping the different land uses, especially residential, commercial and industrial areas that exhibit unique characteristics.

As the National Capital Region of the Philippines, Metro Manila has an urban population of approximately 10.21 million (*Asiaweek* 1999). Its total land area is 646.1 square kilometers, composed of thirteen cities and four municipalities (DILG and NSO n.d.). Metro Manila is geographically located at approximately latitudes 14-25-00N to 14-45-00N and longitudes 120-52-00W to 121-10-00W. Its elevation ranges from 0 meter (Manila, Parañaque, and Navotas coastal areas at the east, near Manila Bay) to about 100 meters above sea mean sea level (North Quezon City).

Metro Manila was initially planned by Daniel Burnham, during the American colonial period in 1902, and was designed to accommodate about two million inhabitants. Physical planning then involved the use of the concentric model, which centers on the Intramuros area, with road networks emanating radially and circumferentially towards its outer fringes. This radial road pattern has eventually led to the current traffic congestion problem.

### *Decongesting Metro Manila*

As Metro Manila's population continues to grow, one challenge to urban planners is how to decongest the metropolis. One solution that has been in practice is to relocate urban poor communities to municipalities outside Metro Manila. This solution hits two birds with one stone as it does not only solve the problem of congestion but it also addresses the issue of providing housing for the urban poor settlers. However, this solution can also be a problem especially if the chosen relocation site is not appropriate for socialized housing units.

One such area chosen for relocation of urban poor communities is Rodriguez (Montalban), Rizal. This is located in the northernmost part of Rizal Province. It is bounded by Caloocan to the west; the province of Bulacan to the north; the province of Quezon to the east and the municipalities of San Mateo, Antipolo and Tanay in Rizal province to the south. Rodriguez lies between latitudes 14°41' to 14°54' north and longitudes 121°07' to 121°22' east. It can be accessed via Aurora Boulevard, A. Bonifacio Avenue and J.P. Rizal (in Marikina), General Luna (in San Mateo) national roads. Rodriguez is one of the largest municipalities in Rizal in terms of land area (36,308 hectares).

In 1980-1995, Rodriguez's land use was changing. In 1980, 91.3 percent of the municipality was forested and only five percent could be classified as grasslands. Agriculture occupied only 2.2 percent of the area and the built-up area was only 1.5 percent of the municipality's total land area.

In 1995, it was observed that almost half of the forested areas had been deforested and only 50.4 percent remained as forested areas. The rampant deforestation of the area, in turn, increased the grasslands to its present 43.3 percent. Another significant change in land use is the presence of quarrying sites, which in 1980 were non-existent. An increase in both agricultural lands and built-up areas can also be seen.

The built-up area is located in *barangays* Burgos, San Rafael, Manggahan, Rosario, Balite, Geronimo, and San Jose and a small portion in the southern part of *barangay* San Isidro. As for the squatter/urban poor settlements, they are found contiguously in *barangays* San Jose, Balite, Rosario, Geronimo, and San Rafael. These areas are flat lands and lie close to Metro Manila. The commercial areas lie along Rizal Avenue, Rodriguez Highway and M.H. del Pilar Streets. These commercial areas service the nearby residential areas. The Central Business District, on the other hand, is around the intersection of Rizal Avenue and Rodriguez Highway, which is near the town center or plaza.

One of the reasons for land use conversion in the area is the increasing population. The municipality of Rodriguez has a total population of 115,167 residents and has approximately 24,524 houses with an approximate average household size of 4.7 members.

Rodriguez's population has been growing at an average of 2.1 percent from 1995 to 2000 (calculated based on census data of 1995 and 2000). The population from 1995 to 2000 increased by 35,499 persons. This increase in the population is attributed to in-migration particularly the relocation of squatter families from areas such as Payatas, Pinyahan, Pasig, to Kasiglahan Village 1 and Sub-Urban Housing Project, San Jose, Rizal. Incidentally, the population of *barangay* San Jose where the relocation sites are found has more than doubled from 16,206 in 1990 to 40,372 in 2000. The proximity of the municipality to the National Capital Region (NCR) and the low prices of lands, as well as their availability, are among the reasons for increased migration to the area.

#### *Kasiglahan Village 1 and Sub-Urban Housing Project, Rodriguez, Rizal*

The National Housing Authority (NHA)—Kasiglahan Village I Project and the Sub-Urban Housing Project are both located at *barangay* San Jose, Rodriguez, Rizal. Both projects aim to provide decent housing for families affected by the Pasig River Rehabilitation Program and for urban poor settlers from Payatas, Pinyahan and Rodriguez, Rizal.

The project has a total land area of approximately 57.9 hectares with 7,011 housing units. Each unit has an average lot size of 32 m<sup>2</sup> and an average floor area of 20 m<sup>2</sup>. Roads within the village are concrete, complete with curb and gutters. An underground drainage system has been set up in the area and a centralized water system (overhead water cisterns) supplies water to the 7,000 households. Electricity is supplied by Manila Electric Company (MERALCO). The New San Jose Builders, Inc. (NSJBI) developed the area.

Each housing unit costs P165,000. There are three modes of payment, namely: (1) outright cash directly paid to NHA; (2) through mortgage take-out, if the relocatee family is a member of the Social Security System (SSS), the Government Service Insurance System (GSIS), the Home Development Mutual Fund (Pag-Ibig), to be amortized for a maximum repayment period of 30 years at nine percent interest; or (3) rental with option to purchase after five years. For the last option, the rental payments are (on a monthly basis): P400.00 for year 1; P600.00 for year 2; P800.00 for year 3; P1,000.00 for year 4; and P1,200 for year 5. Rental payments may be credited as lot payments provided that the relocatee pays on time. The relocatee may also opt at any time to be a member of SSS, GSIS, Pag-Ibig, through which he/she could later avail of a housing loan.

Existing community facilities include swimming pools for kids and adults, a clubhouse that doubles as a multipurpose hall, several parks, playgrounds, basketball courts, a health center, a day care center, an elementary and high school building, a market place, and jeepney and pedicab terminals. Other institutional establishments found within a 5-km radius are:

- Rodriguez Heights Elementary School;
- Montalban Heights High School;
- National Federation of Women's Club (Amityville Day Care Center);
- Forest Lawn Memorial Park;
- San Jose *Barangay* Hall;
- San Jose Elementary School;
- San Jose Market.

Access to the area is through the use of public Asian utility vehicles, popularly known as FX, from SM North to Tagumpay, Amityville (P25), bus (*Pasada ni Erap*) from Amityville to Litex (P8), jeepney from Kasiglahan Village 1 to Litex (P8) and by using tricycles from Kasiglahan Village 1 (KV1) to Amityville (P5), KV1 to Crossing or San Jose Market (P7), KV1 to Rodriguez proper (P10).<sup>1</sup>

As of July 2001, 5,248 families have been relocated to the area: 912 of these families come from Pinyahan, Quezon City; 559 from Payatas, Quezon City; 3,345 from Pasig River; and 432 from various *barangays* in Rodriguez, Rizal. In order to help the relocatee families, several livelihood programs have

been introduced to the community. Some of the programs include training in food processing, handicrafts, candle and soap making, and sewing. Cooperatives, as well as several credit assistance groups, have also been established in the area.

### *Spatial Approach to Studying Urban Poverty*

Urban poverty can be studied based on its spatial manifestations and planning implications. Urban slums are magnified images of a severely dense residential environment plagued by lack of order, deteriorating materials, risks on welfare and security, perennial pollution and continuous degradation. These are contributory factors to pervasive socioeconomic and physical problems (e.g., crime, social differences, and diseases) common to such areas. Dwelling units are usually composed of single-room structures made from scrap and lightweight materials. Land tenure is the basic legal impediment to ownership. Lack of access to basic utilities and facilities compounds the problem (Nuqui 1991: 521-522).

Urban poverty sites, such as squatter and slum settlements, can be delineated quite readily from an aerial view, using aerial photography and satellite imageries. Since these areas were not specifically planned for development, they are characterized by:

*Lack of Spatial Pattern* – With the absence of land development plans, as well as the proper allocation of residential lots versus open spaces and road lots, the tendency for most settlements is to develop individual properties with irregular shapes and sizes as space would permit. In most cases, residential units forcefully intrude into areas allotted for access, such as roads, easements, and alleys. In contrast, well-planned residential lots tend to be uniformly allocated, with roads, alleys, easements and even open spaces being prominent.

*Smaller Structures* – Houses tend to be almost contiguous because of the interspersed roofing in slums. However, these units are relatively much smaller than their regular housing counterparts even in medium- to high-density subdivisions. In aerial photography, these units are larger than cemetery structures, although smaller than most buildings.

*Irregular Boundary Demarcation* – Properly subdivided properties tend to approximate polygons with more or less evenly distributed corners. However, due to the lack of choices and the availability of lots for spontaneous in-fill settlements, urban slums have jagged and irregular boundaries.

*Clustering and Uneven Spread* – Due to the evenly-planned lots and road networks, residential units in well-designed subdivisions are spaced quite

regularly. The open spaces around individual lots depict vegetation, making it easily identifiable in satellite imageries. However, without such a plan, slum settlements tend to group and cluster, which may make one settlement densely populated on one side and sparsely populated on another. Most often, patches of vegetation are absent.

*Different Reflectance* – Because of the degraded nature of scrap materials, as well as the size of the buildings and residential units, slum settlements exhibit different reflectances (radiation) from typical residential units in subdivisions and other types of buildings. They tend to be darker and more diffused, with varying reflectances.

*Locational Attributes* – Normally, residential subdivisions would be located in prime lots with convex polygonal shapes. Slum and squatter settlements inhabit areas that are leftovers of the subdivision process, whether residential, industrial or commercial. Thus, they are situated near the city periphery, near industrial areas, and even unoccupied open spaces.

With all the above aspects in consideration, urban poverty areas in Metro Manila were studied morphologically and delineated using third generation mapping tools as facilitated by satellite imaging.

#### *Spectral Characteristics in Satellite Imageries*

Level II classification is possible with SPOT satellite imageries.<sup>2</sup> Urban studies and monitoring require specific spatial resolutions depending on areas of study. For instance, in the United States where structures are larger, 30-meter resolution sensors may be used such as the LANDSAT TM, while higher resolutions are required for Asian cities (5 to 10 meters) (Everett and Simonett 1976). The latter is primarily due to the smaller structures, higher densities and narrower road patterns in Asian cities. Likewise, complexities of urban land use patterns and land use changes can be observed much more accurately with higher resolution imaging products. Forster (1993) recommends that as a general rule, the sensor resolution has to be approximately one fourth the size of the smallest observed object.

Remote sensing of the urban environment with specific focus on poverty areas is the main strategy of URC Phase I with these specific objectives: to adequately define urban poverty in the local metropolitan setting; to characterize the different manifestations and types of urban poverty; to establish a spatial database giving the different but limited profiles of the types of urban poor and conversely to validate typologies of the urban poor through these profiles; and to recommend appropriate policies and measures that would result in the better integration of the marginalized into the urban ecosystem.



## Methodology for Remote Sensing Poverty Areas

### *Preprocessing*

Preprocessing involves the radiometric and geometric correction of the satellite imaging data. Normally, the satellite image distributor corrects imageries for speckles, panoramic errors, earth rotation errors, and variation in orbital altitude with respect to the reference ellipsoid. More accurately, geometric corrections are introduced by registering the imagery to an appropriate map projection system. In this case, control points were selected in the scene, with corresponding coordinates derived from available 1:10,000 land use maps of Metro Manila. Quadratic interpolation was used to project the imagery, which resulted in a Universal Transverse Mercator (UTM)-registered SPOT imagery. Selected control points were about 12, with Root-Mean-Square (RMS) values no larger than 1.0.

### *Image Processing*

Image processing involves the manipulation of the imagery to highlight spectral and spatial features using filters, which selectively enhance and heighten color and pattern differences. The actual methodology involves the use of various processed images, fused together to highlight particular differences in spectral signatures. Variances across bands are differentiated or decorrelated to improve detection of combined spectral patterns, using Principal Components Analysis. Band ratioing may be used to measure specific indices. Spatial filtering may be applied for contrast enhancement and textural analyses.

The 20-meter XS Bands, i.e., Visible Green, Visible Red, and NIR bands were combined with 10-meter Panchromatic Band to enhance spatial resolution, hence, giving more definition to urban forms and structures such as roads, waterways, and large buildings. Histogram equalization routines were applied thereafter to all the resulting bands for better visualization. Resulting image shows large commercial and industrial buildings, as well as low- and medium-density residential buildings. Easily identifiable are the density and conditions of residential settlements. Also, patterns or lack of patterns in subdivisions are revealed. Areas extremely built up, likewise, differ conspicuously from areas that are still vegetated. The resulting color composition is very useful for degradation studies and settlement pattern analysis of urban areas.

Another method utilized was the application of a deconvolution filter, which improved visibility of urban landcover patterns. Original ground signals or responses, as acquired by the satellite multispectral sensor, were "reconstructed" by the filter. The suppressed pixel values were highlighted

against surrounding high-response pixel values, giving more visibility to structural features. The effect is a compression of the signals and the histograms of the original bands.

### *Ground Truthing and Verification*

To verify the accuracy of land use and land cover interpretation, limited ground truthing was conducted, selecting points randomly around Metro Manila. Location was ascertained based on existing road networks and familiar landmarks. Confusion among industrial, commercial, and institutional buildings was observed, primarily due to the similar spectral signatures of building materials. Differentiating high-density residential areas from slum and squatter settlements was also difficult, particularly in the largely blighted or congested central Manila area.<sup>3</sup>

### *Classification*

Grouping together similar land use and land cover was done using typical classification algorithms and methodologies. For the purpose of this study, Isoclass<sup>4</sup> unsupervised classification was conducted for 15 computer-generated classes.

Normally, supervised classification through the Bayes Method or the Maximum Likelihood Classification is conducted, with user-defined training areas taken as seed classes. Generated classes were grouped as High-Density Residential Areas, Low-Density Residential Areas, Water (Sedimented and Clear), Industrial, Commercial, Open Space (Vegetated and Bare Soil), and Cemeteries, Vegetation (Grass or Trees).

### *Assessment*

Qualitative visual assessment was done to determine the classification accuracy. This was because of the pinpoint classification accuracy needed to identify complex patterns of buildings in the urban milieu. Visual assessment of the classified image was compared with that of the improved image. Slum and squatter patterns are quite distinct as compared to other high-density residential areas. This detection needs supporting ground truth information and photo interpretation. Confusion among industrial, institutional, and commercial buildings was also observed. Water, vegetation and open space were accurately classified and delineated. Narrow and unpaved roads tend to mix classes with the urban high-density areas. These are, nonetheless, distinguishable through their unique linear pattern or neighboring boundary effect.

### *Methodology for Suitability Analysis*

Aside from the use of remote sensing data to study urban poverty, another technique that can be used in studying urban poverty is the use of GIS. GIS allows users to create multiple layers of information. This information may be road networks, schools, hospitals, commercial, and industrial areas. GIS enables public managers as well as local government administrators to geographically locate existing physical, environmental and human conditions within their jurisdiction. Likewise, GIS can be used to map themes, such as socioeconomic profiles of constituents, potential hazards brought about by flooding and earthquakes, as well as possible sources of pollution, which in some cases may not be easily detected using remotely sensed data. The use of GIS also allows one to model or predict possible impact and extent of damage of hazards that may occur in a given area.

### *Suitability Analysis*

One of the more useful applications of GIS is the use of a suitability analysis to determine the appropriateness of a chosen area for a particular land use type. A suitability analysis is a tool used for planning. It helps determine the most suitable site/s for a specific land use. This is done based on a set of local criteria that ensures that a community attains the maximum cost-benefit ratio. Some of these criteria may include present land use, water availability, distance to employment, and development costs. A scoring and weighting system is then applied to various aspects of suitability in order to assess the most appropriate site for a particular land use. To accomplish a suitability analysis, the following steps are essential:

- risk analysis (involves hazards determination and vulnerability assessment)
- modelling of land requirements for a particular land use (including weighting and classifying suitability factors)

### *Risk Analysis*

The occurrence of a disaster depends on the probability that a potentially damaging phenomenon will happen (hazard) and the degree of loss occurring from the phenomenon (vulnerability) (ITC 1997). Combining both hazards and vulnerability results in risk analysis. In risk analysis, the following input data are necessary: (a) boundary map indicating the location of the study site, (b) map of the rivers in the area<sup>5</sup>, (c) topographic map<sup>6</sup>, and (e) seismic map<sup>7</sup>.

*Creating the Hazard Map.* The degree of hazard of a given area is influenced by different factors. In order to create the hazard map, the

following parameter maps should be taken into account: topographic regions, flood hazards, seismic hazards, and rivers.

The next step in the creation of a hazard map is combining all information into one map. This is done through the method of blind weighting (ITC 1997). In this particular method, each class within the individual hazard map is assigned a specific weight based on its importance in producing damage.

The final step in the creation of a hazard map is aggregating the individual weight maps. This is done by calculating the range of the values obtained for the maps and classifying the map hazard into different classes.

*Creating the Vulnerability Map.* Vulnerability is defined as the degree of loss given a set of elements at risk resulting from the occurrence of a phenomenon. Elements that are at risk are population, properties, economic activities, etc. within a given area (ITC 1997). A vulnerability map can be classified in the same manner as a hazard map using (a) population density map and (b) infrastructure map.

As with the hazard map, blind weighting method is used to assign various weights to each class of the individual maps. The weights used should be based on the relative importance of the individual factors representing risk due to the potential damage that might arise from a disaster. Finally, the resulting map needs to be classified into different classes in order to get a vulnerability map.

*Creating the Risk Map.* The last stage in risk analysis is the creation of a risk map. A simple risk analysis model can be applied by combining only vulnerability and hazard. Costs, as well as recurrences, can also be incorporated. To create a risk map, a hazard map has to be crossed with a vulnerability map.

#### *Modelling Land Requirements for a Particular Land Use Type*

The second step involved in suitability analysis is modelling land requirements for a particular land use type. For this, input data such as land use map<sup>8</sup>, map of the hazards (obtained from the first step), map of roads, and map of rivers can be used.

The basic assumption that can be used for this model is that all non-urban lands (classified as either bare lands or agricultural lands) found in *barangay* San Jose are available for conversion to socialized housing. This model has been simplified since factors, such as municipal plans,

socioeconomic classes, political and commercial factors as well as urban developments outside the study area, are not considered.<sup>9</sup>

In this model, two scenarios can be generated based on the occurrence of hazards (earthquakes and floods). Scenario A happens when there is conversion everywhere except in zones that have high risks. Scenario B occurs when conversion only takes place in low risk areas.

After the scenarios are established, the last step involved in suitability analysis is combining the resulting maps. This is done through a weighting system. The system used here gives the highest weight to risks. In doing a suitability analysis for socialized housing for urban poor, distance to main roads and distance from commercial and industrial sites should also be considered.

### *Applications*

One of the more useful applications of a suitability model is by using the results to quantify the size of existing urban areas found in unsuitable zones. This is done by crossing a land use map with a classified suitability map. In principle, these areas found in unsuitable sites should be transferred to more suitable areas. However, this is not possible due to economic constraints and development costs.

The results obtained can be used as a guide for local government units to make sure they have adequate disaster mitigation schemes. These include relevant laws to minimize damage, stricter implementation of these laws, and proper disaster awareness campaigns (earthquake drills, disaster response simulations, etc.). These schemes shall also allow municipalities to itemize what facilities they still require in relation to disaster preparedness and to focus on obtaining or improving these facilities.

A suitability model also helps quantify areas that are available for future expansion. The results will give planners a better idea of which areas are suitable for future expansion and further development.

## **Findings: Morphology/Manifestation of Urban Poverty**

### *Types of Structures*

Based on actual ground truthing information, urban poverty is manifested as: (1) degraded housing areas, and (2) slum and squatter colonies. The first includes housing projects, mostly developed by the government, for which titles are legally given to occupants, but the actual housing conditions

are way below standard and subject to continuous degradation. Examples are the Dagat-Dagatan and Tondo Foreshore housing projects. The latter includes hastily-built, makeshift housing units on land that occupants do not legally own. Examples abound in the Manggahan Floodway area, Parola area, Payatas area, Luzon Avenue, among others.

Typical of degraded housing are units of concrete or wood-concrete combination. On the other hand, squatter colonies are built from light scrap materials, concrete, wood, or their combinations. With regard to the pattern of development, the first type of urban poverty morphology exhibits regular pattern, presence of roads, lot blocking and utility. However, the second type of urban poverty morphology does not exhibit any regular geometric pattern, no road networks, and virtually no pre-installed utility sources.

#### *Location Patterns and Attractors*

Slum and squatter colonies in Metro Manila exhibit certain patterns of urban poverty morphology, with respect to their location, i.e., they are found in the following setups: (1) Near Commercial and Industrial Areas (these are main job attractors, as workers from the provinces migrate to Manila and locate themselves on available vacant land nearest their work place); (2) Vacant Public Lots (these represent available open space that are enhanced by protection under the Lina Law); (3) Easements (these are supposedly no-build lots that are offset from naturally occurring or man-made structures; these provide adequate right-of-way for maintenance and safety); (4) Vacant or "Abandoned" Private Lots (these are privately owned lots that have been left partially or totally undeveloped by their owners; the absence of physical claim to the land and the open space attract squatters); (5) Within or Under Public Structures such as bridges (these include built-up structures devoted to utilities, such as bridges that provide instant cover and housing for families); and (6) Combinations of the above patterns.

#### *Observed Development Patterns and Difficulties of Identification*

Based on ground truthing information (data gathering conducted October to December 1999), variations from intended land use are prevalent in Metro Manila, particularly in residential areas:

- (1) Mixing of Land Use - This is notable in various high-density residential areas. Houses are multipurpose, i.e., integrated *sari-sari* stores, car repair shops, clinics, barbershops with living areas.

Some oversized structures were also erected in low-density residential areas, suggestive of zoning violations. There were areas

where establishments should have been purely industrial. Instead, special zones of "complementary" land use were integrated.

- (2) Existing Landcover Confuses Intended Land Use – Vegetation in cemeteries is confused with open space. Commercial buildings have similar reflectance characteristics with industrial buildings due to similar construction materials used. Slums and squatters along predominantly well-vegetated areas in Quezon City are unusually difficult to locate.
- (3) Continuous Development of Areas – Areas classified as low-cost housing during the 1970s may not be similar with the specifications of the late 1990s. This pattern of socialized housing classification changes over time. Moreover, because of continuous development, degraded lands or areas may improve over time or may continue to deteriorate.
- (4) Non-Spatial Data Necessary – The detailed classification of "squatter" and "slums" requires land tenure data. Such data may only be available from tax maps and cadastral maps, which are usually vector or point-coordinate data. Tenurial information may be used to supplement information derived from satellite imageries.
- (5) Physical Barriers – The difficulty in extracting slums from high-density residential areas is due to similar spectral signatures. Furthermore, satellite imaging does not differentiate or recognize high-density, multi-storey residential structures from ordinary buildings. Misclassification is possible, as classification is only based on the 2-D planimetry level. This difficulty may be surmounted via 3-D image analyses.

### **Findings: Suitability Assessment**

To demonstrate the power of GIS, the study sites, Kasiglahan Village 1 and Sub-Urban Housing Project, were subjected to a suitability analysis to determine if the chosen sites are appropriate as relocation areas for urban poor families. The impact of natural risks and hazards in the study areas was looked into with the aid of geo-information techniques. The risk analysis was done by determining the natural hazards such as floods and earthquakes and by determining the vulnerability of the study areas in terms of number of people, industries and commercial establishments affected.

Interviews with residents revealed that in Phase D of *Kasiglahan Village 1* several houses sustained damages due to flooding from the nearby river. Also, some houses were damaged because of subsidence.

From ocular inspections conducted in the area, it was observed that retaining walls were placed along the stretch of the river. The walls constructed have a height of eight meters. The retaining walls might have been placed on the site to prevent flooding. Retaining walls, however, are best used to prevent soil erosion from entering the river. These walls can also address the problem of small floods (water levels lower than eight meters). Embankment structures built along the river would have been a better option to prevent large scale flooding in the area, especially since flooding poses a greater risk than soil erosion. However, these structures are way more expensive than retaining walls to construct. Aside from the retaining walls, it was also observed that the entire resettlement site was elevated to make sure that the housing area is higher compared to the nearby river. This is one way of making sure that in the event the river overflows, the housing area will not be affected by the floodwaters.

At the time the study started, most of the houses in Kasiglahan Village 1 had already been occupied and construction of the units had ceased. Very few units were open and unoccupied, which the survey team could scrutinize. In some units, small cracks in the walls were observed. These cracks might be a result of sloppy finishing rather than structural defects. Since construction had ceased at the time the study was conducted, there was no way to determine whether or not the contractor followed all specifications found in the building code to make sure that the housing units are earthquake proof, considering that the area is ten kilometers away from the Marikina Valley Fault Line. The observations noted are not enough to conclude that the houses are not fit to live in. Likewise, the opinion of a structural engineer (which the study team lacked) should be consulted before any conclusion on the safety of the housing units could be made.

From the analysis, it was determined that the area has a high risk due to earthquakes and floods. Furthermore, the study site was determined to be unsuitable as a resettlement site not only because of the risks involved but also due to economic reasons, such as distance from industrial sites and commercial areas.

Aside from the risk analysis, other factors, such as distance from roads and distance from possible livelihood sources (such as industries and commercial areas), as well as other economic factors, were also analyzed using GIS. The relocation site violated all the criteria<sup>10</sup> set by the Housing and Land Use Regulatory Board (HLURB) in choosing sites for relocatees.<sup>11</sup>

### **Conclusion**

Certain aspects of remote sensing of the urban environment have been strengthened and illustrated by observing Metro Manila's urban morphology. These are:



- (1) Satellite imaging applications are valuable to urban studies and analyses of urban morphology.

In this particular case, SPOT satellite images provided multispectral coverage at sufficient spatial accuracy. They may also be used in a multitemporal aspect for monitoring urban spatial dynamics and for observing the complex patterns of the urban environment. Furthermore, space-borne imaging has lower cost compared to conventional aerial photography and land-based surveys. It is much easier to organize, more comprehensive in its nature of data collection, and requires less manpower and equipment to implement. The fast changing urban landscape can be monitored effectively by satellite imageries, taking note of urban degradation, encroachment, and other patterns of systematic and anarchic development. In this case, the sites containing degraded residential areas, as well as slums and squatter colonies, have been detected.

Ultimately, population size may be estimated by taking note of appropriate densities per pixel and multiplying this to the corresponding number of pixels by land use type, thereby supplementing census estimates (Forster 1993: 31).

- (2) The classification of land use types is greatly facilitated by complex but rigorous method of image processing.

Conventional display, preprocessing, image processing and classification will lead to reasonable accuracy for land use and other thematic mapping. However, by combining different segmentation methods, as well as advanced image processing procedures, such as the algorithms; accuracies better than 85 percent have been achieved as proven in the study of Vicente (1998). This may be even significantly improved by introducing new techniques, such as the use of pattern classifiers and neural networks.

- (3) The suitability analysis demonstrated that the location of the two-resettlement site is inappropriate for socialized housing.

This is due to its distance from geohazards, such as earthquakes and the overflow of rivers, the latter in the event of a strong rainfall. The suitability analysis also demonstrated that the resettlement areas are unsuitable because of their distance from industrial sites. Aside from proving that the area is inappropriate for socialized housing, the suitability analysis shows how people would be affected during a disaster, such as earthquakes and floods. This can be used by local government officials, as well as NHA and DSWD, to make sure they have proper disaster preparedness programs set in place. This will allow stakeholders to minimize losses, structural and human, during the occurrence of a catastrophe.

- (4) Suitability analysis is a tool that local government units and national agencies can apply to address the problem of urban poverty.

This tool can be very useful in the decisionmaking process. However, a genuine and decisive effort to eradicate the problem is still the best way to go. It should be remembered that the urban poverty problem, being manifested at the regional and neighborhood scales, should be a collaborative effort among the local, regional, and national governments. Whatever planning tools used should facilitate management, disaster preparedness, as well as political action, to eradicate urban poverty.

### **Perspectives**

Seven clusters of slum and squatter settlements were mapped out. Circular zones give only relative spread of marginalized settlements. In reality, the phenomenon appears to be metastatic, following extractive leap-frog industrial, commercial, and infrastructure development and taking advantage of available utility systems and waterways.

It is necessary to investigate this clustering more deeply and locally through systematic field surveys. Such surveys should enable the sound negotiation of intra- and inter-neighborhood concerns. But such negotiation would only be fruitful if factions and sectors would be sympathetic to the plight and potentials of the poor, that is, to be better integrated into the urban ecosystem.

On the other hand, the regional perspective should not be lost and, thus, it is recommended that short- to medium-term change detection should be undertaken. This study should determine causes, stresses and trends. Both regional and local research should facilitate the formulation of preventive policies and remedial local action.

It would certainly help if image processing applies advanced segmentation methods, through analyses and intersections across various imaging parameters, in order to extract observed metastatic urban poverty morphology occurring on the ground. This would enable more accurate area measurements of marginalized settlements at specific time intervals, thereby also facilitating change detection and monitoring.

It appears from Phase I of the study of urban poverty morphology that slum and squatter settlements represent social costs, manifesting themselves within identified clusters and attributed to locational attractors. These social costs could well be absorbed by local governments in cooperation with medium to large-scale extractive industries and commercial establishments. These

social costs transformed into benefits could be brought to bear on sustainable urban development. This would be in the form of enhanced communities where socialized housing-cum-small-scale or cottage industries, enterprises and/or services are altogether integrated into health and environmental management systems.

### Recommendations

The activities recommended for further studies on urban morphology are:

- (1) Standardization and operationalization of procedures for multitemporal processing and mapping of land use

The utilization of satellite imageries for urban monitoring and landcover/land use mapping must follow procedural standards in order to be operationalized and iterated periodically. Standard formulas and flowcharts for image processing of particular imageries must be developed for the technology to be disseminated, adopted and implemented.

- (2) Use of higher resolution sensors for urban environmental house-type quality assessment

With the use of 20 and 10 meter SPOT Imageries, patterns of urbanization have been detected. Through wider coverage in terms of scene and better spectral and spatial resolution, more aspects of landcover may be observed, such as varying roof and road materials, smaller pockets of slum and squatter settlements, environmental degradation and heat islands. Studies using hyperspectral bands evolve from using standard satellite imageries of SPOT and LANDSAT, thereby noting more detail and more spectral characteristics of the ever complex urban morphology.

- (3) Integration with Geographic Information Systems

As discussed, some data are not physically observable on the ground or from satellites, such as political boundaries and cadastral records. For more efficient utilization of data from satellites, imageries may be associated with vector, tabular and other structures of data through a GIS. Studies may be undertaken to monitor and analyze urban growth and spatial dynamics, zoning, site allocation as well as environmental degradation and analysis (Da Costa and Cintra 1999: 41-49).

- (4) Use of a topographic map with better resolution

The use of a topographic map with better resolution will allow one to improve the results of the suitability analysis.

### Endnotes

<sup>1</sup> The fares given are the ideal prices especially for tricycles. These figures are true provided that there are five passengers per trip. A special trip in a tricycle costs approximately P40.00 to P50.00 from KV1 to San Jose Market (near Rodriguez's town proper).

<sup>2</sup> Morphology is based on appearance of various land use types from SPOT XS and P Satellite Imageries (20x20m resolution and 10x10 meter resolution, respectively). This type of imagery is a multichannel composite image of the Green Visible, Red Visible and Near Infrared bands for the XS or Multispectral. The Panchromatic imagery is a broad visible band (Green to Red).

The green band or XS1 senses wavelengths within 0.5 to 0.59 micrometers, XS2 or the red band at 0.61 to 0.68 micrometers, while XS3 or the near infrared band senses from 0.79 to 0.89 micrometers. The Panchromatic band senses from 0.51 to 0.73 micrometers.

<sup>3</sup> For a detailed report, see *Urban Poverty Morphology: Synthesis of Geoinformation from Ground Truthing and Remote Sensing Data*.

<sup>4</sup> Isoclass method of unsupervised classification combines clustering of spectral groups with actual classification.

<sup>5</sup> The map of rivers was obtained by digitizing on screen the rivers as observed from the satellite image SPOT XS taken in 1997 and combining this with a downloaded river network map for the Philippines obtained from the Digital Chart of the World (1:1,000,000 scale). No digital river map was available at the time the study was made. It should be noted that some rivers that were not visible in the satellite image might have been omitted.

<sup>6</sup> Topographic map obtained from the Digital Chart of the World (1:1,000,000 scale).

<sup>7</sup> Manually obtained based on paper map of the Marikina Valley Fault System from the Philippine Institute of Volcanology and Seismology (PHIVOLCS).

<sup>8</sup> Obtained from 1997 SPOT XS, December 1997.

<sup>9</sup> These factors will be considered in the next chapter (Impact Analysis Results).

<sup>10</sup> For a more detailed discussion of the policies available on relocation, refer to *Urban Poverty Morphology Phase II Terminal Report*.

<sup>11</sup> The Urban Development and Housing Act of 1992 (RA 7279) and from the Implementing Rules and Regulations Governing the Registration of Socialized Housing Beneficiaries (DILG, HUDCC).

### References

- Da Costa, S.M.F. and J.P. Cintra  
1999 Environmental Analysis of Metropolitan Areas in Brazil. *ISPRS Journal of Photogrammetry and Remote Sensing*, 54(1) (February): 41-49.
- Department of the Interior and Local Government (DILG) and Housing  
and Urban Development Coordinating Council (HUDCC)  
n.d. *Implementing Rules and Regulations Governing the Registration of Socialized Housing Beneficiaries*.

- Everett, J. and D.S. Simonett  
1976 *Principles, Concepts, and Philosophical Problems, Remote Sensing of the Environment*. Reading, Massachusetts: Addison-Wesley Publishing Co.
- Forster, Bruce C.  
1993 *Remote Sensing and Geographic Information Systems for Urban and Regional Planning*. Lecture Notes. The University of New South Wales.
- Guzman, M.A.L.G. and C. Vicente  
2002 *Urban Poverty Morphology Phase II: A GIS-Based SEA for Urban Poor Land and Housing. Terminal Report*. Quezon City: Manila Observatory.
- International Institute for Geo-Information Science and Earth Observation (ITC)  
1994 *ILWIS User's Guide*. Enschede, The Netherlands: International Institute for Aerospace Survey and Earth Observation.
- Nuqui, Wilfredo  
1991 *Philippines*. Pasig, Metro Manila: National Economic and Development Authority.
- Republic of the Philippines  
1992 *Urban Development and Housing Act*.
- Schowengerdt, Robert A.  
1983 *Techniques for Image Processing and Classification in Remote Sensing*. New York: Academic Press.
- Swain, Philip H. and Shirley M. Davis (eds.)  
1978 *Remote Sensing: The Quantitative Approach*. New York: McGraw-Hill.
- Vicente, May Celine T.M.  
1998 *An Approach to the Study of Urban Degradation through Remote Sensing: A Case Study of the Eastern Sector of Metropolitan Manila*. GISdevelopment.net: Asian Conference on Remote Sensing.

# **Spatial Microsimulation of Household Characteristics in Metro Manila: Identifying Informal Settlements and Its Implications to Urban and Housing Policy**

NORIEL CHRISTOPHER C. TIGLAO\*

*Microsimulation modeling approach has recently become an accepted tool in the evaluation of economic and social policy. This method offers great potential in modeling complex urban systems in developing countries like the Philippines. In this article, the author adopted the above approach in estimating the magnitude and spatial distribution of informal households. InformalSim was presented and informal households are identified using direct measures—urban poverty and housing need. The article also explains the operational process for validating the model outputs using statistical small area estimation. Finally, the implications of spatial microsimulation in informing urban and housing policy were discussed.*

## **Introduction**

Explosive population growth and in-city migration has brought a host of urban problems in the rapidly-urbanizing cities in developing countries. Presently, 19 of the 25 mega-cities (i.e., cities whose population is ten million or more) in the world are located in the less developed regions, including Metro Manila in the Philippines. The kind of urbanization that has been experienced in cities in developing countries is markedly different from that experienced in cities in advanced countries. Mohan (1979) cites three major factors that lend to the fact that cities in developing countries are much more complex and certainly more difficult to model, namely, rapid population growth, coexistence of different levels of technology, and decline in the relative cost of transport and communication. While cities in Europe grew at around 0.5 percent in the period of high industrialization, cities in developing countries have been growing at a rate of 2.5 to 4 percent annually. Moreover, less developed countries have not achieved industrialization levels needed to support the

---

\* Assistant Professor, National College of Public Administration and Governance, University of the Philippines Diliman.

explosive growth in the urban population. More seriously, wealth and economic power have been concentrated among a certain few and have resulted in severe economic inequality across socioeconomic classes and geographic regions (Boyce 1993). As such, urban poverty and economic inequality have become serious concerns. These problems are clearly evident in the housing sector where there is an expanding informal sector.

In Metro Manila, the magnitude of informal settlers is estimated to consist of over 726,000 households in 2000. The proliferation of squatter and informal settlements has prompted the government to implement various housing programs aimed at promoting home ownership among the urban poor and low income households since the early 1990s. However, these programs have not been successful in reaching their intended beneficiaries because of weak targeting mechanisms. An inherent and more basic problem in the targeting of housing and social programs is the inaccurate identification of the urban poor and informal households. Up to this time, the identification of informal households has not been satisfactorily achieved due to the serious problems of data availability and reliability.

This study has five parts. The first part presents the spatial microsimulation approach in identifying informal households using existing census-based information in conjunction with high-resolution geographic data. Part 2 discusses the urban poverty and the housing problem. Part 3 discusses the urgent need to identify informal households and outline the data needed for informing housing and social policy. Part 4 presents the development of the spatial microsimulation model for Manila City. It also provides the outputs of microsimulation and a robust method for validation. Part 5 provides the concluding comments and areas for future research.

### **Urban Poverty and the Housing Problem**

The urban housing problem in Metro Manila is complex. Rebullida et al. (1999) highlight the various interdependent dimensions of the urban housing problem. These include urban squatting, housing backlog and housing need, lack of access to housing finance, insecurity of tenure, and lack of comprehensive policy and institutional framework for tackling the housing problem. The problem of housing in Metro Manila has been viewed in terms of the illegal occupancy of land or of housing space, and the subsequent formation of squatter communities. Squatting, which is legally defined as the "unlawful occupancy of land rightfully owned by others," became widespread in the ensuing years after the Second World War.

Studies of squatting usually explain the spread of such practice, working under the social network consisting of friends, relatives or town mates, who facilitate the illegal occupancy of government-owned or private land. In some

cases, the settler pays some rent to a "caretaker." Dwelling units in these areas are usually made from scrap materials. In later years, the term *squatter* also came to refer to "anyone who could afford to buy a house and lot, but continue to live in an illegal settlement in order to avoid paying rent or mortgage." Moreover, there are the so-called "professional squatter" or "squatter syndicates" who occupy vacant land owned by others in order to sell the right for its use to others.

Makeshift housing also became a measure of inadequate housing, with the lack of facilities and the conditions of poverty of its dwellers as additional indicators (Endriga et al. 1996). Makeshift housing refers to the use of salvaged or improvised construction materials as roofs or walls used with other construction materials.

There have been various estimates of the number of squatters and urban poor in Metro Manila, but the different criteria and methods of measurement used render the estimates incomparable against each other and misleading (Rebullida et al. 1999). While there are differences in actual magnitude of informal settlements in Metro Manila, there is a consensus that the number has been growing through the years. Table 1 shows the growth in the number of informal settlers. In 1998, the magnitude of informal settlers was estimated to consist around ten percent of the total number of households. However, in 2000, this number is estimated to comprise one-third of the total households with 726,908 households classified as informal settlers.

**Table 1. Growth of Informal Settlements in Metro Manila, 1988-2000**

<i>Year</i>	<i>Number of Informal Households</i>	<i>% of Total Households</i>
1988	150,721	10.5
1991	192,394	11.7
1994	245,425	13.9
2000	726,908	34.2

Source: Urban Sector Profile, ADB 1999; NHA 2000.

The United Nations Commission on Sustainable Development (UNCSD) proposed two formal definitions of informal settlements:

- (1) residential areas where a group of housing units has been constructed on land to which the occupants have no legal claim, or which they occupy illegally; and



- (2) unplanned settlements and areas where housing is not in compliance with current planning and building regulations (unauthorized housing) ([http://esl.jrc.it/envind/un\\_meths/UN\\_ME048.htm](http://esl.jrc.it/envind/un_meths/UN_ME048.htm)).

However, there is still a serious lack of operational definitions due to inherent issues on the definitions. Firstly, the legal framework for settlements as embodied in the first definition poses a vague criterion as laws vary from place to place and across time. A case in point is that while squatters in the Philippines used to be totally illegal several decades ago, they now enjoy a certain level of leverage or protection under the present set of housing and urban development laws. Another issue concerns the serious lack of available data, that is, informal housing is not captured in the existing official statistics. Finally, research studies to date have provided only limited quality and have heavily relied on proxy variables that are very restrictive, oftentimes confusing and very weak in providing insights into the current state of the housing problem. The urban structure of Metro Manila as with other cities in developing countries is indeed complex. In order to understand the structure, there is a need to understand the complex interplay of problems and issues (Tiglaio 2001).

### Measures of Urban Poverty

Poverty measures in the Philippines are (1) the food threshold or subsistence threshold and (2) the poverty threshold or poverty line. Both measures were officially adopted by the National Statistics Coordination Board (NSCB) in 1992. The food threshold (FT) is measured in terms of a basket which satisfies all (100 percent) of the Recommended Daily Allowance (RDA) for protein, and 80 percent of the RDA for vitamins and other nutrients. The RDAs are prescribed by the Food and Nutrition Research Institute (FNRI). Low-cost menus are prepared for each region in a particular year based on average prices of goods. Families with incomes below the established FT constitute the core poor or subsistence families. The proportion of the core poor to the total number of families is the *subsistence incidence* or *food poverty incidence*. The poverty threshold (PT) or poverty line is computed as the ratio of the food threshold to the expenditure ratio. Expenditure ratio is the ratio of the food expenditure to the total basic expenditures. Basic expenditures include those for clothing, footwear, light, fuel, water, housing (e.g., maintenance, minor repair, and rental of the occupied dwelling units), medical care, education, transportation and communication, nondurable furnishings, household operation, and personal care and effects. *Poverty incidence* is the proportion of families with incomes below the poverty threshold to the total number of families.

An alternative method of identifying the poor was presented by Tabunda and de Jesus (1996). They classified all households in Metro Manila according

to the socioeconomic classification rule used by market research agencies, with data from the 1990 Census of Population and Housing (CPH). They used the following variables in the socioeconomic classification rule:

- educational attainment of household head,
- construction material of roof of dwelling unit,
- construction material of outer walls,
- floor area of dwelling unit,
- presence of household conveniences,
- status of repair,
- tenure status of housing unit, and
- tenure status of lot.

Based on the rule, approximately 31 percent of households in Metro Manila belonged to the E, the lowest socioeconomic class in the scale. While Tabunda and de Jesus (1996) demonstrated how the proposed method can be used to identify the poorest segment, the method has yet to be validated and refined. Moreover, poverty measures based on the proposed classification rule are still not generally available for use.

Balisacan (undated monograph) has identified and tested various indicators that can be used as proxy indicators in a poverty monitoring system. He points out that locational attributes provide strong indicators in creating spatial profiles of poverty. In a recent paper, Balisacan (2001) evaluated the current poverty monitoring system in the Philippines. He concluded that existing poverty measures are not quite robust in the sense that these measures do not provide consistent evaluation of regions because poverty norms are not fixed in terms of a given living standard.

The two official measures of poverty, namely, food threshold and poverty threshold, necessitate the availability of income data. However, it is worthwhile to note that official income estimates are only provided at the city or municipal level. On the other hand, the methodology proposed by Tabunda and de Jesus (1996) relies heavily on the socioeconomic and housing-related variables contained in the CPH data. However, the Census suffers from severe non-response in housing-related variables which restricts the use of such variables.

### **Identifying Informal Households in Metro Manila**

There is great scope in identifying informal households "on the ground." First, it is vital in providing effective targeting mechanisms for social and housing programs and essential in formulating new policies. Secondly, proper identification of informal households supports the need for a more robust poverty monitoring system.

The urgent need for more reliable information on urban poverty and housing need is echoed in the following statements by housing and urban poverty experts:

Identifying the proper beneficiaries of socialized housing constitutes a major problem, but is an essential requirement to effective and responsive policy formulation and program implementation. Limited government resources should be channeled to rightful beneficiaries. However, data sources have been found to be inadequate. The various estimates of the size and scope of urbanization have used different criteria and have produced incomparable results (Rebullida in Rebullida et al. 1999: 17).

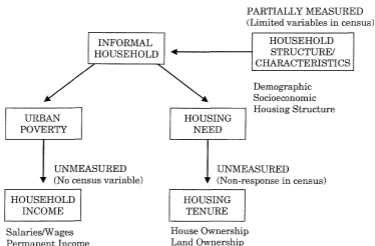
It should be pointed out that a clear identification of Metro Manila's urban poor is but a prerequisite to more realistic data collection. This, in turn, should lead to better policy formulation and program implementation. Distinguishing the urban poor from and identifying their spatial distribution vis-à-vis non-poor should also lead to finer distinction between and among groups comprising the urban poor sector for purposes of ascertaining differences in their housing and other basic needs (Endriga in Rebullida et al. 1999: 33).

In a recent study on Philippine housing programs, the serious weakness on the current state of knowledge on urban poverty and housing is highlighted:

First, weak or flawed targeting mechanisms allow the unintended beneficiaries to capture the subsidies that the state offers. Typically, the unintended beneficiaries are better educated (and sometimes, better connected politically), and can present themselves as worthy beneficiaries of government subsidy programs to the prejudice of the intended beneficiaries. This has happened not only in the housing subsidy programs but also in other government subsidy programs (Llanto and Orbeta 2001: 9).

Figure 1 presents the process of identifying informal households adopted in this study. The existing practice identifies informal households using household and housing characteristics. However, these variables are only partially measured in CPH due to non-response. The proposed system identifies informal households using direct measures along two dimensions, namely, urban poverty and housing need. Urban poverty is characterized by household income while housing need is characterized by housing tenure. In order to identify informal households, the two indicators, namely, household income and housing tenure, should be made available at fine geographic details. More specifically, the *barangay* is considered the most ideal reference zone as it is the basic unit of administration.

The National Statistics Office (NSO) does not provide household income estimates for domains below the city and/or municipality levels. Household incomes are also not incorporated in the Census because of cost limitations and the likelihood of non-response. This study proposes simulation to obtain household income distributions. Elsewhere in the world, the estimation of

**Figure 1. Identifying Informal Households**

Source: Tiglao 2002.

household incomes constitutes a major research area (Bramley and Smart 1996; Bramley et al. 2000). As previously mentioned, housing tenure variables suffer from non-response in the Census. However, there is a need to establish estimates at the *barangay* level. Again, since primary surveys are costly to undertake, simulation provides a cost-effective alternative to derive estimates.

Table 2 shows the available data set used. Each data set is available under a specified zoning system and sampling scheme. It is further noted that data are contained in various surveys that were undertaken with specific purposes in mind. Since data are very costly to obtain, there is great benefit in utilizing existing data. The challenge therefore is how to integrate disparate data and produce a richer data set that would allow the identification of informal households. The main source of household income and expenditure data is the Family Income and Expenditure Survey (FIES). The FIES has been conducted every three years since 1988. It contains very detailed information of sources of household income and expenditure, however, only for a very limited sample. The subset of the data for Metro Manila consists of about 4,030 samples. Through the FIES data, household income profiles are officially published at the city and/or municipality level. The next source of household income data is the 1996 Metro Manila Urban Transportation Integration Study

**Table 2. Available Data Set**

<i>Zone System</i>	<i>Data Set</i>	<i>Description / Coverage</i>
City	1997 Family Income and Expenditure Survey (FIES)	<ul style="list-style-type: none"> <li>• Household demographics, some housing variable</li> <li>• Detailed household incomes and expenditures</li> <li>• 4,030 samples for Metro Manila</li> </ul>
Traffic Zone	1996 Metro Manila Urban Transportation Integration Study (MMUTIS)	<ul style="list-style-type: none"> <li>• Selected household demographics</li> <li>• Member/household income</li> <li>• 50,000 samples for Metro Manila</li> </ul>
Barangay	1990 Census of Population and Housing (CPH)	<ul style="list-style-type: none"> <li>• Detailed household and housing characteristics</li> <li>• No income/employment variable</li> <li>• Non-response on housing variables</li> <li>• All households in 1990 (1,567,665 households)</li> </ul>
GIS	1996 MMUTIS Land Use GIS 1997 Building Footprint Data	<ul style="list-style-type: none"> <li>• Urban land use zoning map for entire Metro Manila</li> <li>• Building footprints for most cities</li> </ul>

(MMUTIS). The primary source of detailed socio-demographic data used in the study is the 1990 CPH. The CPH does not contain income-related variables. The study also utilized geographic information system (GIS) data sets from MMUTIS. A recent spatial data set used is the building footprint for Metro Manila. The data set contains the plan projection of roof of individual dwelling units and buildings.

### **Spatial Microsimulation Approach**

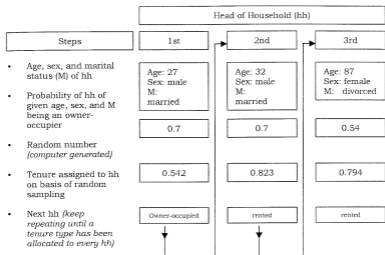
Microsimulation models in economic applications may be divided into static, dynamic and longitudinal types. All these models work with cross-section data. A static microsimulation model treats a fixed number of microunits and the attributes of this same set of microunits are re-weighted to account for changes in demographic structure over time. A dynamic microsimulation model, on the other hand, ages each microunit individually by an empirical survival probability. The main difference between a dynamic microsimulation and a static one is the aging procedure. A static aging procedure is relatively well-suited to short- and medium-range forecasts, provided it can be assumed that the characteristics of the population under examination do not change rapidly. A third type of microsimulation model

found in economic literature is dynamic longitudinal model which creates synthetic microunits and forecasts a microunit's whole lifecycle from birth to death. Thus, a dynamic microsimulation model does not forecast the characteristics of real sample units but the assigned characteristics of synthetic microunits. Presently, a major dynamic microsimulation model in the U.S. is CORSIM<sup>1</sup> developed at Cornell University.

Clarke and Holm (1987) provide a thorough presentation on how microsimulation methods can be applied in regional science and planning analysis. Clarke (1996) points out that there are two major works involved in applying microsimulation methods in spatial analysis. The first involves the creation of a microdata set using conditional probabilities and contingency tables. A method called iterative proportional fitting is also used to create probabilities using data sets which have different spatial scale. The next step involves the creation of a sample of individuals or households based on the set of probabilities. Moreover, Clarke (1996) identifies three factors why application of microsimulation method to regional science has not received wide attention in the past. The first pertains to the immense computational problems and costs required in actual simulation work. The computational problems are also substantially increased when the spatial dimension is considered. Presently, however, computer technologies in both hardware and software offer considerable opportunities and flexibility for large-scale simulations. Another stumbling block has been the lack of microdata sets to calibrate or test results of simulations. This is certainly changing as more and better data sets are becoming available. A third reason relates to the lack of sustained efforts by those involved in spatial microsimulation.

Clarke (1996) illustrates how microsimulation can be employed for the creation of a micro-level population with the population characteristics: age, sex, marital status and household tenure as shown in Figure 2. Supposing that age, sex, and marital status of the household head are available from the census, it is then possible to estimate probabilities of household tenure. In Figure 2, the first synthetic household has the following characteristics: male household head, aged 27, married. The estimated probability that a household of this type would be owner-occupied is 70. The next step in the procedure is to generate a random number to see if the synthetic household gets allocated to the owner-occupier category. The random number in this example is 0.542 which falls within the 0.001 to 0.700 range needed to qualify as owner-occupied. The same procedure is then carried out sequentially for the tenure allocation of all synthetic households. It should be noted that the difficult task in microsimulation is to specify which variables are independent of others and to determine the ordering of probabilities.

It is noted that a large number of microsimulation models in existence are inherently aspatial. This means that existing microsimulation models do not incorporate sufficient geographic detail so as to allow richer analysis at

**Figure 2. Example of Spatial Microsimulation Process**

Source: Clarke 1996.

fine spatial levels. Microsimulation models would potentially find relevant applications to policy simulations at neighborhood levels, and even voting and school districts. At present, there are two prominent large-scale microsimulation models in existence, namely, SimLeeds and the SVERIGE Spatial Microsimulation Model. SimLeeds is spatial microsimulation model developed at the University of Leeds (Ballas et al. 1999; Ballas and Clarke 2000, 2001). SVERIGE or System for Visualizing Economic and Regional Influences in Governing the Environment is a spatial dynamic microsimulation model constructed by the Spatial Modelling Centre<sup>22</sup> (<http://www.smc.kiruna.se>) in Kiruna, Sweden. It is the first national level spatial model capable of analyzing the spatial consequences of public policies. The treatment of space is achieved by incorporating regional attributes in modelling the various socioeconomic modules of the model and constructing from scratch a model for modeling internal migration in Sweden.

### Spatial Microsimulation of Informal Households

In this part, the development of InformalSim or Spatial Microsimulation of Informal Households is discussed (Tiglaio 2002). This embodies the first

application of spatial microsimulation approach to informal households in Metro Manila and elsewhere. At present, InformalSim covers the City of Manila only. However, the model can be easily extended to cover other cities and municipalities in Metro Manila. Manila consists of 54 traffic analysis zones, 900 *barangays* and around 1.65 million persons in 1990.

Figure 3 shows the spatial microsimulation process of InformalSim. The object of the microsimulation is to estimate characteristics of households in the microdata that would allow identification of informal households. First, a baseline population consisting of all households in the 1990 CPH is initialized. Then, the economic activity of household head is estimated using conditional probabilities from the 1996 MMUTIS data. Assignments of economic activity are done using Monte Carlo sampling based on the characteristics of the household head, namely, sex, age, and location. Next, occupation and employment sector probabilities are computed and assignments are done using Monte Carlo sampling. The occupation and employment sector probabilities are estimated using multinomial logit models which are calibrated using the 1997 FIES data set. The next stage involves the estimation of household incomes based on the characteristics of the household head. To achieve this, the employment status of the household head is first determined. The employment status of the household head is estimated using a probit model, that is, a binary choice model of being a wage earner (i.e., formal sector) or self-employed (i.e., informal sector). Then, conditional on employment status, the household income is computed using a regression model with correction for selectivity in the lines of Lee (1978).

The next step involves the estimation of permanent income of the household. Permanent income is needed to estimate the value. Housing values is estimated using two steps. First, housing tenure choice is estimated using a probit model of whether the household is under formal or informal housing. Formal housing consists of owner-occupiers and renters. On the other hand, informal housing is attributed to households who own the house but rent (with or without consent of owner) the land. Then, housing value is computed using a regression model conditional on the tenure status with the appropriate correction for selectivity bias in the lines of Lee and Trost (1978). Simulated values can then be visualized using GIS and the output can be analyzed in a "complete-data" setting.

Figure 4 presents the object representation of household microdata. The object-oriented approach to spatial microsimulation modeling is proposed by Ballas et al. (1999). Object-oriented programming offers a very flexible platform for estimation and handling of very large data sets. InformalSim is implemented in Java.

There are two major objects in InformalSim, namely, the member object and the household object. These two objects contain variables and methods.



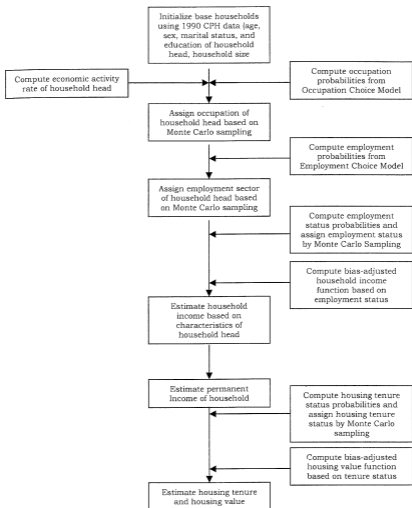
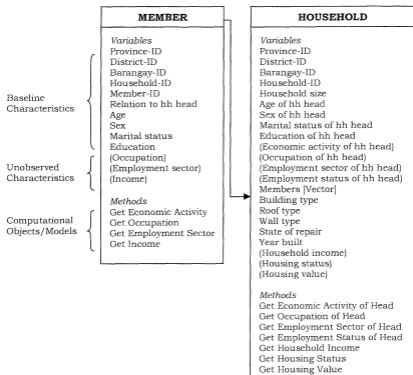
**Figure 3. Spatial Microsimulation of Informal Households**

Figure 4. Object Representation of Household Microdata



Variables correspond to the actual characteristics of the respective objects. Variables are of two types—baseline (i.e., observed) and unobserved. Methods contain computational codes or models that operate on the variables. Each household object contains a vector (or collection) of member objects as would be true in the physical sense. This representation is completely convenient as the characteristics of the household are entirely dependent on the members that comprise it. Moreover, the approach allows limitless flexibility as future implementations may be conveniently incorporated into the structure.

The current implementation of InformalSim consists of ten modules. The modules are executed sequentially as outlined in the microsimulation process shown in Figure 3. The modules are:

- (1) Economic activity
- (2) Occupational choice
- (3) Employment sector choice
- (4) Employment status
- (5) Household income
- (6) Permanent income
- (7) Housing tenure status
- (8) Housing value
- (9) Inequality measures
- (10) Mapping and visualization.

Economic activity rates are computed as the conditional probability of an economically active individual of a given age, sex and location using the 1996 MMUTIS data. MMUTIS contains employment data of household heads with a 2.5 percent sampling for each of the traffic analysis zone. The estimated rates for each zone are applied to all households in the *barangays* that are located with each particular zone.

The occupational and employment sector choices are formulated as multinomial logit models as follows:

$$\log_e \left[ \frac{P_{it}}{P_{jt}} \right] = X_{it} \beta_j \quad j = 2, 3, \dots, N; t = 1, 2, 3, \dots, T$$

$$P_{it} = \frac{1}{1 + \sum_{j=2}^N e^{X_{it} \beta_j}} \quad P_{jt} = \frac{e^{X_{it} \beta_j}}{1 + \sum_{j=2}^N e^{X_{it} \beta_j}}$$

where  $i$  and  $j$  are choices,  $t$  is the observation index,  $X_{it}$  is the vector of characteristics of individual  $t$ , and  $\beta$  are parameters to be estimated. Tables 3 and 4 show the parameter estimates for male and female samples, respectively.

The occupational choice model covers seven occupational groups. Education is a categorical variable with larger values corresponding to higher education. The preponderance of negative coefficients for education indicates that higher education makes it more likely for the household head to be in a lower-numbered occupation group. As might be expected, higher education enables one to move up the job scale.

Tables 5 and 6 show the parameter estimates for employment sector choice. There are six employment sectors. The parameters indicate that education makes it more likely for the household head to be out of the primary sector and towards the service sector.

**Table 3. Occupational Choice Model (Male Samples)**

<i>Dependent Variable</i>	<i>Constant</i>	<i>Age</i>	<i>Education</i>
$\log_e (P_2/P_1)$	2.19964 (2.80)	0.03299 (3.55)	-0.56933 (-5.21)
$\log_e (P_3/P_1)$	5.73023 (7.10)	-0.01963 (-1.90)	-0.80484 (-7.19)
$\log_e (P_4/P_1)$	6.74246 (9.38)	0.01746 (2.02)	-1.13837 (-11.35)
$\log_e (P_5/P_1)$	9.27353 (12.93)	-0.01619 (-1.85)	-1.31615 (-13.17)
$\log_e (P_6/P_1)$	8.83468 (8.98)	0.00114 (0.08)	-1.82601 (-13.45)
$\log_e (P_7/P_1)$	11.70120 (16.99)	-0.02711 (-3.36)	-1.49805 (-15.53)

Number of samples = 2,782  
 Log likelihood = 3,910.89  
 Occupation groups: 1 - Professional, 2 - Administrative, 3 - Clerical, 4 - Sales,  
 5 - Services, 6 - Agriculture, 7 - Production

**Table 4. Occupational Choice Model (Female Samples)**

<i>Dependent Variable</i>	<i>Constant</i>	<i>Age</i>	<i>Education</i>
$\log_e (P_2/P_1)$ Administrative	-3.28201 (-1.54)	0.04599 (2.29)	0.09137 (0.32)
$\log_e (P_3/P_1)$ Clerical	1.91185 (1.07)	-0.03428 (-1.78)	-0.08785 (-0.36)
$\log_e (P_4/P_1)$ Sales	8.15741 (5.60)	0.01268 (0.84)	-1.3016 (-6.51)
$\log_e (P_5/P_1)$ Services	9.40614 (6.04)	0.00086 (0.05)	-1.58440 (-7.50)
$\log_e (P_6/P_1)$ Agriculture	2.30222 (0.48)	0.06049 (0.96)	-1.57401 (-2.88)
$\log_e (P_7/P_1)$ Production	9.51814 (5.99)	-0.03491 (-1.89)	-1.32354 (-6.25)

Number of samples = 457  
 Log likelihood = -638.35  
 Occupation groups: 1 - Professional, 2 - Administrative, 3 - Clerical, 4 - Sales,  
 5 - Services, 6 - Agriculture, 7 - Production

**Table 5. Employment Sector Choice Model (Male Samples)**

<i>Dependent Variable</i>	<i>Constant</i>	<i>Age</i>	<i>Education</i>
$\log_c(P_2/P_1)$	2.68336 (4.31)	-0.03011 (-3.00)	0.19582 (2.43)
$\log_c(P_3/P_1)$	0.24130 (0.37)	0.00053 (0.05)	0.29745 (3.55)
$\log_c(P_4/P_1)$	1.52469 (2.38)	-0.01635 (-1.58)	0.20948 (2.52)
$\log_c(P_5/P_1)$	-2.4167 (-3.28)	-8.38E-03 (-0.73)	0.71486 (7.37)
$\log_c(P_6/P_1)$	-0.03647 (-0.06)	-0.00210 (-0.21)	0.45899 (5.59)

Number of samples = 2,807  
 Log likelihood = -4,419.81  
 Occupation groups: 1 - Agriculture, 2 - Manufacturing, 3 - Wholesale/Retail, 4 - Transportation,  
 5 - Financing, 6 - Community Services

**Table 6. Employment Sector Choice Model (Female Samples)**

<i>Dependent Variable</i>	<i>Constant</i>	<i>Age</i>	<i>Education</i>
$\log_c(P_2/P_1)$	6.86490 (1.51)	-0.09258 (-1.54)	0.29546 (0.60)
$\log_c(P_3/P_1)$	6.24433 (1.39)	-0.04996 (-0.84)	0.20742 (0.43)
$\log_c(P_4/P_1)$	0.12557 (0.03)	-0.054891 (-0.88)	0.94319 (1.78)
$\log_c(P_5/P_1)$	-0.42337 (-0.09)	-0.05421 (-0.89)	1.14472 (2.22)
$\log_c(P_6/P_1)$	4.94025 (1.10)	-0.04064 (-0.68)	0.36853 (0.76)

Number of samples = 459  
 Log likelihood = -595.07  
 Occupation groups: 1 - Agriculture, 2 - Manufacturing, 3 - Wholesale/Retail, 4 - Transportation,  
 5 - Financing, 6 - Community Services

Table 7 shows the parameter estimates for the probit model of employment status. Employment status (whether a wage-earner or self-employed) is explained by sex, age, marital status, education, household size,

occupation, and employment sector. With choice 1 as self-employed and 0 as wage-earner, the model indicates that higher education makes it more likely for one to be a wage-earner.

**Table 7. Probit Model of Employment Status**

<i>Dependent Variable</i>	<i>Constant</i>	<i>Age</i>	<i>Education</i>
$\log_e (P_0/P_1)$	6.86490 (1.51)	-0.09258 (-1.54)	0.29546 (0.60)
$\log_e (P_2/P_1)$	6.24433 (1.39)	-0.04996 (-0.84)	0.20742 (0.43)
$\log_e (P_3/P_1)$	0.12557 (0.03)	-0.054891 (-0.88)	0.94319 (1.78)
$\log_e (P_4/P_1)$	-0.42337 (-0.09)	-0.05421 (-0.89)	1.14472 (2.22)
$\log_e (P_5/P_1)$	4.94025 (1.10)	-0.04064 (-0.68)	0.36853 (0.76)
Number of samples = 459 Log likelihood = -595.07 Occupation groups: 1 - Agriculture, 2 - Manufacturing, 3 - Wholesale/Retail, 4 - Transportation, 5 - Financing, 6 - Community Services			

Tables 8 and 9 show the parameter estimates of OLS regression models for household income conditional on employment status. The regression models account for selectivity bias. The estimation follows the 3-stage estimation procedure proposed by Lee et al. (1978) for effect of union membership on wage rates, and, more recently, by Rees and Shah (1986) for self-employment in the United Kingdom.

Table 10 shows the parameter estimates for the permanent income model. The explanatory variables for permanent income include human and non-human wealth. Age, education and household type denotes human wealth while household income is taken as a proxy for non-human wealth. The model indicates that permanent income increases with age and education level.

Table 11 shows the parameter estimates for the housing tenure choice model. The model is formulated as a probit model and incorporates education of the household head, household size and permanent income as explanatory variables. As expected, the higher the education of the household head and the higher the permanent income, the higher the probability to be in formal housing.

**Table 8. Household Income Model (Self-Employed)**

	<i>Estimated Coefficient</i>	<i>Standard Error</i>	<i>t-statistic</i>	<i>P-value</i>
C	7.20424	0.76581	9.41	0.000
HHSEX	-1.02470	0.31477	-3.26	0.001
HHAGE	-0.00858	0.02975	-0.29	0.773
HHAGE2	-0.00003	0.00025	-0.14	0.892
HHSTAT	-0.04287	0.12344	-0.47	0.729
HHEDUC	0.24917	0.06492	3.84	0.000
MEMBERS	0.00141	0.02778	0.05	0.960
HHOCC	0.08912	0.04702	2.89	0.059
HHIND	0.09008	0.05549	2.04	0.042
SEL	-3.26608	1.19332	-2.74	0.007

Dependent variable: LWAGEING (SELF-EMPLOYED)

Number of observations: 346

R-squared = 0.107    Adjusted R-squared = 0.082

**Table 9. Household Income Model (Wage-Earner)**

	<i>Estimated Coefficient</i>	<i>Standard Error</i>	<i>t-statistic</i>	<i>P-value</i>
C	7.99318	0.27178	29.41	0.000
HHSEX	-0.16622	0.05854	-2.84	0.005
HHAGE	0.02353	0.01217	1.93	0.053
HHAGE2	-0.00013	0.00012	-1.11	0.269
HHSTAT	-0.07688	0.03266	-2.35	0.019
HHEDUC	0.17533	0.01389	12.62	0.000
MEMBERS	0.07398	0.00737	10.04	0.000
HHOCC	-0.08084	0.01106	-7.31	0.000
HHIND	-0.01791	0.01261	-1.42	0.156
SEL	0.06198	0.85883	0.07	0.942

Dependent variable: LWAGEING (WAGE EARNERS)

Number of observations: 2176

R-squared = 0.290    Adjusted R-squared = 0.287

**Table 10. Permanent Income Model**

	<i>Estimated Coefficient</i>	<i>Standard Error</i>	<i>t-statistic</i>	<i>P-value</i>
C	4.58910	0.17408	26.36	0.000
HHSEX	0.02026	0.00487	4.16	0.000
HHAGE	-0.00018	0.00005	-1.12	0.129
HHEDUC	-0.24477	0.03722	-6.58	0.000
HHEDUC2	0.03879	0.00385	10.08	0.000
HHLDTYPE	0.18657	0.02041	9.14	0.000
LHHINC	0.46506	0.01253	37.10	0.000

Dependent variable: LOG (TOTINC)

Number of observations: 2522

R-squared = 0.597    Adjusted R-squared = 0.593

**Table 11. Housing Tenure Status Model**

	<i>Estimated Coefficient</i>	<i>Standard Error</i>	<i>t-statistic</i>	<i>P-value</i>
C	-2.23073	0.40986	-5.44	0.000
HHEDUC	0.09740	0.02150	4.53	0.000
HHEDUC2	-0.0422	0.01258	-3.35	0.001
HHLDSIZE	0.27398	0.04804	5.70	0.000

Dependent variable: TENURE

Number of observations: 2522

Log likelihood = -1399.48

Fraction of Correct Predictions = 0.738

Tables 12 and 13 show the OLS regression models for households in formal and informal housing tenure, respectively. The models indicate that higher education of the household head and higher permanent income increases housing value. Household size has an opposite effect on housing value. Both models incorporated corrections for selectivity bias. The bias corrections are found to be statistically significant.

Figures 5 through 9 depict the spatial pattern of simulated values. Figure 5 shows the spatial distribution of mean household incomes. Manila City can be roughly divided into income clusters with low-income areas located along the port and concentrated in the area of Sta. Ana and Pandacan. A high-income cluster is located on the western and southern portions of the city.



**Table 12. Housing Value Model (Formal Tenure)**

	<i>Estimated Coefficient</i>	<i>Standard Error</i>	<i>t-statistic</i>	<i>P-value</i>
C	-5.80280	0.17408	26.36	0.000
HHEDUC	0.15966	0.03722	-6.58	0.000
HHLDSIZE	-0.08032	0.00385	10.08	0.000
HHTOTINIC	1.24664	0.02041	9.14	0.000
SEL	-2.10730	0.01253	37.10	0.000

Dependent variable: HVALUE (FORMAL TENURE)

Number of observations: 1861

R-squared = 0.600 Adjusted R-squared = 0.599

**Table 13. Housing Value Model (Informal Tenure)**

	<i>Estimated Coefficient</i>	<i>Standard Error</i>	<i>t-statistic</i>	<i>P-value</i>
C	0.72809	1.33387	0.54	0.585
HHEDUC	0.01062	0.01871	0.57	0.571
HHLDSIZE	-0.06616	0.01053	-6.28	0.000
HHTOTINIC	0.99019	0.05176	19.13	0.156
SEL	-5.01102	2.03424	-2.46	0.014

Dependent variable: HVALUE (INFORMAL TENURE)

Number of observations: 661

R-squared = 0.529 Adjusted R-squared = 0.526

Figure 6 shows the incidence of informal employment with darker areas representing areas with high proportion of households with household heads engaged in informal employment. Compared with distribution of mean household incomes, it is observed that there is relatively high incidence of informal employment in both low- and high-income areas. This is a clear indication that individuals on both ends of the income spectrum engage in self-employment.

Figure 7 shows the distribution of informal housing tenure. It is quite clear that area with very low incomes has high incidence of informal housing. Figure 8 shows the distribution of mean housing values. It is observed that areas with high incidence of informal housing also have low housing values.

Figure 5. Mean Household Incomes

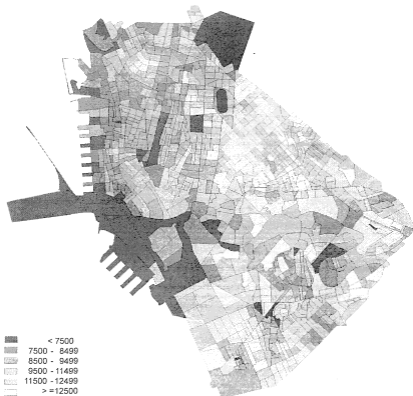
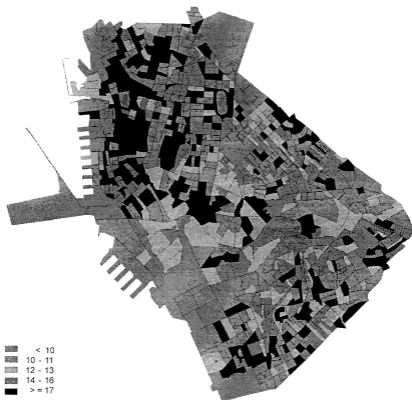


Figure 9 shows the Gini coefficients based on simulated household incomes for each of the *barangay* in Manila City. It is interesting to note that areas with relatively low incomes have lower coefficients which signify that such areas tend to be more equal. This has direct implications on the formulation and targeting of social and housing programs. Since low-income neighborhoods tend to be more cohesive, there is a need to upgrade the quality of life for majority of the households for the particular program to be effective.

One work that needs to be pursued in great detail is to validate the outputs of microsimulation. If spatial microsimulation approach is to be

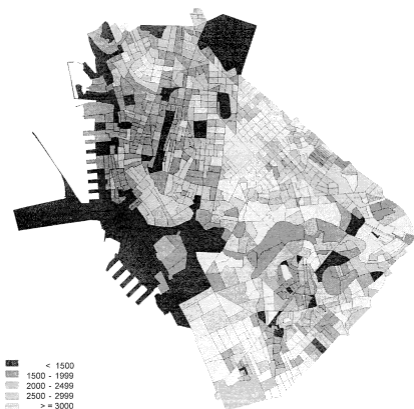
**Figure 6. Informal Employment (% of Household)**

effectively applied to policy simulation, then calibration and validation are vital in the modeling process. Figure 10 shows the proposed validation process. The process has been implemented in Tiglaó (2002). The validation involves a rather sophisticated small area estimation model using spatial data. The small area model provides reliable estimates of mean household income that can be used as benchmark values.

**Figure 7. Informal Housing Tenure (% of Household)**

### **Implications of Spatial Microsimulation to Urban and Housing Policy**

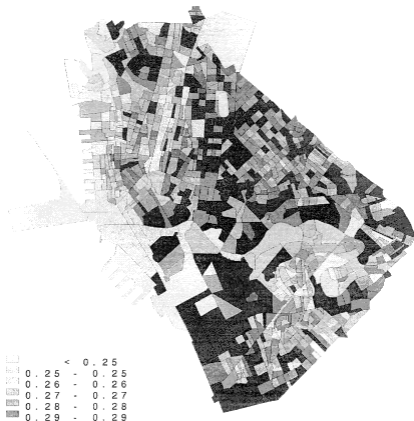
It is demonstrated that the spatial microsimulation provides a flexible and powerful platform to identify informal settlements in Metro Manila. As opposed to the current practice of using proxy indicators, the approach adopted in this study provides tools for the estimation of “missing” variables in the household microdata. The approach also treats the spatial nature informal housing by providing spatially-disaggregate measures at the *barangay* level. Moreover, the spatial microsimulation model presented in this study covers

**Figure 8. Mean Housing Values**

actual households in Metro Manila. Microsimulation provides a richer data set by integrating existing but disparate data sources.

The spatial microsimulation of informal settlements in Metro Manila presents clear implications to urban and housing policy. First, microsimulation allows the estimation of hard-to-find data regarding informal housing and urban poverty. Thus, for the first time, there is strong opportunity to

Figure 9. Gini Coefficient



surmount the data problems common in policy analysis. Secondly, microsimulation enables researchers to analyze the distributional impacts of various social and housing policies. Furthermore, the explicit treatment of space allows researchers to visualize impacts through tools like GIS and to undertake further processing and subsequent analyses. Finally, spatial microsimulation supports an overall system of poverty monitoring which would allow for well-targeted social and housing programs.

There is a need, therefore, to utilize existing data infrastructure and integrate them in the model presented in this study. This surely provides a cost-effective way of establishing reliable data for policy analysis and simulation.

### Concluding Comments

There is great scope in identifying informal households 'on the ground.' Microsimulation modeling methodologies have recently become accepted tools in the evaluation of economic and social policy. Moreover, they offer great potential in modeling complex urban systems in developing countries.

In this study, the spatial microsimulation approach is adopted in estimating the magnitude and spatial distribution of informal households. InformalSim was presented. Informal households are explicitly identified using direct measures along two dimensions, namely, urban poverty and housing need. The spatial microsimulation model integrates existing but disparate data sources and provides spatially-disaggregate measures. An operational process for validating the model outputs using statistical small area estimation was presented. Finally, the implications of spatial microsimulation in informing urban and housing policy were discussed.

It is envisioned that spatial microsimulation will become an indispensable tool in policy analysis in the Philippines. This study represents the first of its kind in the Philippines. It is hoped that researchers will pursue active work in this field.

### References

- Asian Development Bank (ADB)  
1999 *Philippine Urban Sector Profile*. Manila: Asian Development Bank.
- Ballas, D. and G. Clarke  
2001 The Local Implications of Major Job Transformation in the City: A Spatial Microsimulation Approach. *Geographical Analysis*, 33(4): 291-311.  
2000 GIS and Microsimulation for Local Labour Market Analysis. *Computers, Environment and Urban Systems*, 24, 305-330.
- Ballas, D., G. Clarke and I. Turton  
1999 *Exploring Microsimulation Methodologies for the Estimation of Household Attributes*. Paper presented during the 4<sup>th</sup> International Conference on GeoComputation. Fredericksburg, Virginia. 25-28 July.
- Balisacan, A. M.  
n.d. *In Search of Proxy Indicators for Poverty Targeting: Toward a Framework for a Poverty Indicator and Monitoring System* (Monograph).

- 2001 *Poverty Comparison in the Philippines: Is What We Know About the Poor Robust?* Paper presented at the Asia and Pacific Forum on Poverty: Reforming Policies and Institutions for Poverty Reduction. Manila: Asian Development Bank. 6-9 February.
- Battese, G. E., R. M. Harter and W. A. Fuller  
1988 An Error-Components Model for Prediction of County Crop Areas Using Survey and Satellite Data. *Journal of the American Statistical Association*, 83(401): 28-36.
- Boskin, M. J.  
1974 A Conditional Logit Model of Occupational Choice. *The Journal of Political Economy*, 82(2): 389-398.
- Boyce, J. K.  
1993 *The Political Economy of Growth and Impoverishment in the Marcos Era*. Manila, Philippines: Ateneo de Manila Press.
- Bramley, G. and G. Smart  
1996 Modelling Local Income Distributions. *Regional Studies*, 30(3): 239-255.
- Bramley, G., S. Lancaster and D. Gordon  
2000 Benefit Take-up and the Geography of Poverty in Scotland. *Regional Studies*, 34(6):507-519.
- Clarke, G.  
1996 *Microsimulation for Urban and Regional Policy Analysis*. London: Pion Ltd.
- Clarke, G. and E. Holm  
1987 Microsimulation Methods in Spatial Analysis and Planning. *Geografiska Annaler B*, 69(2): 145-164.
- Endriga, D. A., N. R. Marquez, and L. S. Velmonte  
1996 *Characteristics of Makeshift Dwellers in Metro Manila*. Monograph No. 9. National Statistics Office. April.
- Fay, R. E. and R. A. Herriott  
1979 Estimates of Income for Small Places: An Application of James-Stein Procedures to Census Data. *Journal of the American Statistical Association*, 74(366): 269-277.
- Fotheringham, A. S. and M. Wegener  
2000 *Spatial Models and GIS: New Potentials and New Models*. London: Taylor & Francis.
- Lee, L. F.  
1978 Unionism and Wage Rates: A Simultaneous Equations Model with Qualitative and Limited Dependent Variables. *International Economic Review*, 19(2): 415-433.
- Lee, L. F. and R. P. Trost  
1978 Estimation of Some Limited Dependent Variable Models with Application to Housing Demand. *Journal of Econometrics*, 8: 357-383.
- Llanto, G. M. and J. A. C. Orbeta  
2001 *The State of Philippine Housing Programs: A Critical Look at How Philippine Housing Subsidies Work*. Makati, Philippines: Philippine Institute for Development Studies.



- McGee, T. G.  
1971 *The Urbanization Process in the Third World: Explorations in Search of a Theory*. London: G. Bell and Sons Ltd.
- Merz, J.  
1991 Microsimulation – A Survey of Principles, Developments and Applications. *International Journal of Forecasting*, 7: 77-104.
- Mohan, R.  
1979 *Urban Economic and Planning Models: Assessing the Potential for Cities in Developing Countries*. Johns Hopkins University Press, The World Bank.
- Rebullida, Ma. Lourdes G., D.A. Endriga, and G. M. Santos  
1999 *Housing the Urban Poor: Policies, Approaches, Issues*. Quezon City, Philippines: Center for Integrative and Development Studies, University of the Philippines.
- Rees, P.  
1984 Estimating and Projecting the Populations of Urban Communities. *Environment and Planning A*, 26: 1671-1697.
- Rees, H. and A. Shah  
1986 An Empirical Analysis of Self-Employment in the U.K. *Journal of Applied Econometrics*, 1(1): 95-108.
- Schmidt, P. and R. P. Strauss  
1975 The Prediction of Occupation Using Multiple Logit Models. *International Economic Review*, 16(2): 471-486.
- Stahl, K.  
1985 *Microeconomic Models of Housing Markets*. Germany: Springer-Verlag.
- Tabunda, A. M. L. and G V. de Jesus  
1996 *Identifying the Poorest in Metro Manila*. Monograph No. 16. National Statistics Office. September.
- The Urban Research Consortium and the Manila Observatory  
2000 *Urban Poverty Morphology: Phase 1-RS-GIS Applications, 1<sup>st</sup> Draft of Terminal Report*. 14 September.
- Tiglaio, N. C.  
2002 Small Area Estimation and Spatial Microsimulation of Household Characteristics in Developing Countries with Focus on Informal Settlements in Metro Manila. Unpublished Ph.D. Dissertation. September.
- Tiglaio, N. C. and M. Tsutsumi  
2001 Towards the Development of Empirical Urban Development Models for Large Metropolitan Regions in Developing Countries. Paper presented during the 9<sup>th</sup> World Conference on Transport Research (WCTR). Seoul, Korea. 22-27 July.
- Williamson, P., M. Birkin and P. Rees  
1998 The Estimation of Population Microdata by Using Data from Small Area Statistics and Samples of Anonymised Records. *Environment and Planning A*, 30: 785-816.

# **Is There Water After Privatization? The Case of the Metropolitan Waterworks and Sewerage System**

JOCELYN C. CUARESMA\*

*The efficient delivery of water has long eluded the Filipino people. This setback is in large part attributed to the administration of the public sector. Under the auspices of the government's Metropolitan Waterworks and Sewerage System, the Philippine government registered one of the highest non-revenue water (NRW) rate in the Asian region. As an attempt to troubleshoot this problem, the government entered into a concessions agreement with two private companies. The privatization of water delivery in the Philippines is seen within the broad framework that water is a public good that has vital economic, social and ecological roles to play, particularly in its impact of privatization on the pricing and availability of water. The performance of the MWSS as the monitoring agency and of the concessionaires is evaluated.*

Water is needed in all aspects of life. The general objective is to make certain that adequate supplies of water of good quality are maintained for the entire population of this planet, while preserving the hydrological, biological and chemical functions of ecosystems, adapting human activities within the capacity limits of nature and combating vectors of water-related diseases...

Agenda 21, United Nations Conference  
on Environment and Development (UNCED)  
held in Rio de Janeiro, Brazil, 3-14 June 1992.

## **Introduction**

Water is fundamental to life. While humanity need not be reminded and told of the importance of water, it is to be the content of a provision in the Agenda 21 document, a document subscribed to by 178 Governments represented in the UNCED in 1992. After a decade of concern for potable water and the environment, bigger and greater concerns are being raised by governments, funding institutions, and water companies, on the one hand, and

---

\*Associate Professor, National College of Public Administration and Governance, University of the Philippines Diliman.

industrial labor and civil society, on the other hand. These entities do not necessarily espouse conflicting objectives, but they do take varying stands on the issue of how the poor and rich population can have equal access to clean water.

In the Philippines, fighting poverty and enabling the poor to have equal access to potable water have been primordial goals. Yet the efficient provision of water and sanitation services has long eluded water utility companies, and their inefficiency is partly attributed to the fact that they are in the hands of the public sector. The Metropolitan Waterworks and Sewerage System (MWSS), a government-owned and controlled corporation mandated to provide water and sewerage services in Metro Manila and nearby areas, has been described as inefficient, debt-ridden and corrupt with a gargantuan bureaucracy and non-revenue water (NRW) of 60 percent, which is one of the highest in the Asian region.

The MWSS privatization deal was consummated when it entered into 25-year Concession Agreements (CA) with two private companies, the Manila Water Company, Inc. (MWCI) and Maynilad Water Services, Inc (MAYNILAD). The Agreement was signed on 1 August 1997, formally handing over the operations of the service area to the concessionaires. It provided for the creation of the government-owned MWSS Corporate Office and its Regulatory Office (RO). It has been more than five years and many parts of Metro Manila remain without access to safe drinking water. Water rates have been increasing, contrary to commitments of lower water tariffs after privatization.

The study evaluates the performance of the now MWSS Corporate Offices, the RO and the concessionaires, and examines current privatization issues. It has five parts. Part 1 presents the framework, objectives and relevance of the study. Part 2 describes the corporate structure of MWSS, the state of water services delivery prior to privatization, and the arguments for and against privatization. Part 3 discusses the regulatory framework after privatization as well as the mandate and obligations of the MWSS Corporate Office, the Regulatory Office and the private concessionaires. Part 4 assesses the operational performance of the MWSS offices and the concessionaires. Finally, Part 5 contains the study recommendations and conclusions.

#### *Study Framework and Objectives*

The study looks into the privatization of MWSS within the broad framework that water is, and remains a public good. As a public good, water has vital economic, social, and ecological roles to play that cannot be promoted by purely market forces. The provision of water, whether in public or private hands, remains a monopoly. Therefore, monopolistic markets must be met with appropriate government regulation to ensure efficient provision, with

protection to the most vulnerable sectors of society and assurance of conservation of the environment.

The study hopes to shed light on current questions and issues raised in relation to the privatization and performance of the MWSS, the RO and the two concessionaires. Specifically, the study seeks to:

- (1) examine the impact of privatization on water pricing, water availability, and reduction of non-revenue water;
- (2) determine regulatory policies and monitoring standards that were put in place to ensure operational efficiency;
- (3) evaluate the performance of the MWSS as the regulatory and monitoring agency;
- (4) evaluate the performance of the concessionaires in relation to their mandate; and
- (5) recommend measures for evaluating performance of the regulatory office and the private water companies.

### *Relevance of the Study*

Existing literature on water privatization, in general, and on the MWSS privatization, in particular, have in varying details and sometimes opposing views, analyzed the benefits as well as the perils of water privatization. This study would like to make a contribution by looking into the experience of the MWSS privatization and examine the impact of privatization on the MWSS organization and on service delivery during the initial five years.

## **From Creation to Privatization**

### *Creation of MWSS*

The MWSS originated from the water system founded in Manila on 8 February 1898. Supervision and control of the system became the official responsibility of the Metropolitan Water District (MWD) created on 6 March 1919. When Republic Act (RA) 1383 was passed on 18 June 1955, the National Waterworks and Sewerage Authority (NWSA) was established, which then assumed the ownership, jurisdiction, supervision and control of the service area covered by the MWD.

On 19 June 1971, RA 6234 was passed creating the Metropolitan Waterworks and Sewerage System (MWSS) and abolishing the NWSA. RA 6234 transferred to the MWSS all waterworks and sewerage systems under NWSA control and supervision and mandated MWSS "to ensure an uninterrupted and adequate supply and distribution of potable water for domestic and other purposes at just and equitable rates." Among the corporate objectives of the MWSS, two were directly related to water supply, distribution and sanitation<sup>1</sup>: (1) to provide adequate, potable and safe water to the service areas at just and equitable rates; and (2) to provide adequate, dependable and sanitary waste disposal to the MWSS clientele at just and equitable rates.

*MWSS Territorial Jurisdiction.* The MWSS service area covers 37 cities and municipalities. This includes all thirteen cities and four municipalities in the National Capital Region (NCR), a city and five municipalities in the province of Cavite (Cavite City, Bacoor, Imus, Kawit, Noveleta and Rosario) and all fourteen municipalities in the province of Rizal, covering a total geographic area of 1,940 sq. km.

Prior to privatization, MWSS had a service population of eleven million people. The System was producing 3,000 million liters per day (MLD) through 825,000 connections using approximately 4,500 km. of pipelines. The service population has an average consumption of 133 liters per capita per day (lcd) (Dumol 2000).

*Organizational Structure.* The corporate powers of the MWSS are vested in and exercised by the Board of Trustees (Board). The Board has nine members, with the Secretary of Public Works and Highways as ex-officio Chairman (unless another person is appointed by the President), the MWSS Administrator as Vice-Chairman, six presidential appointees and the Government Corporate Counsel as ex-officio member and legal adviser (Section 4, RA 6234, as amended by Executive Order (EO) 1036 dated 27 June 1985, and EO 197 dated 17 June 1987).

*Capitalization.* The MWSS was initially created as a non-stock corporation, as RA 6234 was silent on the equity base of the System. However, from 1974 to 1985, its capitalization and fiscal powers were expanded by virtue of three issuances:

- (1) Presidential Decree (PD) 425 (28 March 1974), which converted the MWSS into a stock corporation and authorized an initial capital stock of one billion pesos, divided into ten million shares at a par value of one hundred pesos each;
- (2) PD 1406 (7 June 1978), which increased capital stock to three billion pesos, divided into thirty million shares; and

- (3) EO 1063 (12 November 1985), which increased capitalization to eight billion pesos, divided into eighty million shares, retaining the constant par value of one hundred pesos per share.

*Fiscal Powers and Incentives.* The System had two main sources of income: capital investment and revenues from operations. Being a corporation, it could retain its revenues and spend these as needed, without the obligation to turn to Congress yearly for budget allocation (Dumol 2000).

The MWSS has the power to fix rates and fees as it may deem just and equitable. Section 12 of RA 6234 provided that the rates and fees fixed by the Board shall be such that the MWSS' rate of return does not exceed twelve percent, on a rate base composed of the value of its assets in operation and two months' operating capital. The same Act exempted MWSS from taxes on all articles that it may import for use in the waterworks and sewerage systems within its jurisdiction, from all taxes, duties, fees, and other charges.

The MWSS was authorized to borrow from domestic and foreign creditors. PD 1406 (1978) set a total principal domestic indebtedness ceiling of not more than three billion pesos. Payment of the principal and interest on bonds issued by the MWSS is guaranteed by the Philippine Republic. In the case of foreign debt, PD 425 mandated a debt ceiling of two hundred million dollars, or its equivalent in other currencies. The President of the Republic or his duly authorized representative is authorized to negotiate with foreign fund sources on behalf of the MWSS and guarantee, as primary obligor, the payment of such loans.

### *Rationale for Privatization*

*Privatization as the Solution.* Like most government corporations, the MWSS was experiencing operational problems. In 1994, the MWSS was supplying water to only two-thirds of its coverage population, compared to 100 percent service coverage in Singapore and Kuala Lumpur. Water availability was intermittent, averaging only 16 hours per day and water pressure was undesirably low (Dumol 2000).

Similarly, about 56 to 60 percent of water production constituted the "non-revenue water" (NRW) or the unbilled or lost portion of water produced or supplied caused by meter tampering, illegal connections, pipeline leaks and the illegal use of fire hydrants. The MWSS had the highest NRW rate among water providers in major cities in Asia.

In terms of sewerage, the System covered only about eight percent of its service population and less than seven percent of households in its service area. Sewerage facilities can only be found in some areas in the cities of Manila

and Makati, where most establishments either have their own septic tanks or connected to a communal septic tank.

Dumol (2000: 5, 17) argues in favor of privatization. He said that "the MWSS had largely failed in its mission to provide water and sewerage to its coverage population" (Dumol 2000: 5). He raised the problems of MWSS to justify the decision to privatize.

First, MWSS is subject to obsolete government rules and procedures on key corporate operations such as procurement, personnel and financing. In terms of procurement, government-prescribed procedures tend to be rigid. Government auditors focused more on the means, rather than the ends, or on the procedure rather than the project itself. The result is the approval and acquisition of substandard and overpriced materials or equipment and disapproval of contracts more advantageous to the government.

Second, MWSS has a bloated workforce, with thirteen employees per one thousand connections, or two to five times more employees than what similar water utilities in the region had.

Lastly, the System is subjected to stiff competition whether for national government funds or foreign funds for capital expenditure financing since the government is the sole stockholder. In addition, officials and employees perceive the "publicness" of MWSS as its biggest stumbling block. As a government corporation, it is associated with corruption and inefficiency, and personal indiscretion of officials and employees.

*Issues Raised Against Privatization.* The policy of privatization, as in many developed and developing countries was strongly opposed by many sectors of Philippine society (Orwin 1999). Civil society, NGOs and the academe raised the issue of weak regulation and monitoring of the operations of a public utility once in private hands. The argument was that a water utility in the hands of the private sector is no assurance of efficiency. It was further argued that privatization would only lead to higher consumer costs and inequitable access to services. Concerns were raised about the expansion of so-called "old oligarchs" into strategic public utilities and the rise of new predatory cartels as a result of privatization of basic services, starting with water (Doronila in FDC 2001).

The issue of equity in service allocation was also articulated, primarily in defense of the poor, who are the first ones to bear the brunt of privatization's woes. The fear was that private firms would prioritize service provision to the more affluent sections of the service area because of their ability to pay. Investment in physical infrastructure for service expansion in poor areas might take a backseat when profit is threatened.

Another argument raised against privatization involved its perceived negative impact on labor. Privatization is seen as a direct attack on the workers' source of livelihood and workers' rights. The many instances of privatization worldwide attest to its detrimental effects on industrial workers and on the poor who remain at the far end of beneficiaries of privatization. Privatization deals have called for mass lay-offs, inciting workers to take it in their hands to defend themselves against unfair policies and decisions of government (David 2000; Pascual 2000).

Transparency in the operations of a private company was another concern. Once privately operated, public access to information about the water utility's operations would become limited and the real state or condition of the water services sector may not be divulged accurately (PCJ 2002; David 2000).

In terms of regulation, the MWSS was criticized for not fully exercising its regulatory powers in the past, particularly the monitoring and regulation of non-connected non-system deep wells and privately-owned water systems within the MWSS jurisdiction. Likewise, MWSS has not monitored nor kept information on the number of privately-owned and independent water systems and deep wells, rate of water extraction and sewerage disposal within the MWSS service area.

Finally, opposition to the MWSS privatization extends to the fast-tracked privatization process, which to many was conceptualized and implemented with little, if any, public consultation. The refusal of government to consider other alternatives to privatization, coupled with the non-transparent and non-consultative process of developing the strategy led to suspicions that the deal was designed to accommodate the interests of certain parties. Moreover, the CA was viewed as flawed and biased, and that it was a product of government's collusion with foreign business (Courage-Philippines 1999).

#### *Legal Bases of Water Privatization*

The initial legal foundation for privatization of MWSS was Republic Act No. 8041, also known as the Water Crisis Act of 1995. The Act authorized the President to negotiate contracts under Build-Operate and Transfer (BOT) scheme for the improvement of water facilities and services. It also provided for the reorganization of the MWSS<sup>2</sup>, which made it possible to introduce an early retirement program to reduce MWSS staff complement. The same Act defined water pilferage as a criminal act and set corresponding penalties for violators.

The legal basis for privatizing MWSS was reinforced by the issuance of two Executive Orders to execute the provisions of the Water Crisis Act. EO 286, issued on 6 December 1995, set out the reorganization plan for MWSS (as



well as the Local Water Utilities Administration). The Order cited the aim of the reorganization, that is "to enable these agencies to become more effective, efficient and responsive to the country's needs for potable water, as well as to *prepare the groundwork for their eventual privatization, where feasible.*" (Italics mine.)

EO 311, issued on 30 March 1996, was explicit in encouraging private sector participation in the operations and facilities of the MWSS. Specifically, the Order provided that:

- (1) The MWSS shall enter into arrangements that will result in the involvement or participation of the private sector in any or all the segments, operations, and/or facilities of the MWSS; and
- (2) The involvement or participation of the private sector may include, but shall not be limited to (a) franchising, concession, management, or other arrangements; (b) privatization; or (c) contracts for projects to be implemented under BOT and/or other related schemes for the financing, construction, repair, rehabilitation, improvement, and operation of water facilities and projects related to consumers.

The Philippine President had direct control over the process of privatizing MWSS. In fact, all actions of the MWSS pertaining to the above-cited provisions were subject to the approval of the President.

Prior to the issuance of EOs 286 and 311, the MWSS hired in 1995 the services of International Finance Corporation (IFC), a privatization advisory arm of the World Bank, to advise on privatization strategy. MWSS and the IFC entered into a "Letter of Agreement for Advisory Services" on 10 November 1995, where the IFC was to act as the principal advisor to the MWSS.

On advice of the IFC, the modality chosen for privatization was the award of concessions.<sup>3</sup> A concession is an arrangement by which the private partner is given responsibility not only for the operation and maintenance of a utility's assets but also for investments. Asset ownership remains with the government. Full use rights to all the assets, including those created by the private partner, revert to the government when the contract ends. Subsequently, the MWSS service area was divided into two zones, East and West, with roughly equal service populations (40:60) but with higher tariffs anticipated in the East because it required higher per capita investment and included the largely rural Rizal province. In order to balance the bids, repayment of debt was skewed toward the West Zone (Dumol 2000: 46).

In view of constitutional limitations on foreign ownership, it was decided to award the concessions to consortia of lead local firms with international water operators to provide the necessary capacity. Four consortia formed from

four local and seven international pre-qualified bidders were invited to tender for both concessions in January 1997. The existing tariff<sup>8</sup> was used as a bid-cap, requiring the bidding parties to submit lower tariff rate proposals.

In the bidding of 23 January 1997, the consortium of Ayala and International Water submitted the lowest bid for both concession areas (see Table 1). In line with the bidding rules which forbids one consortium to operate both zones, Ayala chose to operate the East Zone due to their numerous real estate projects in the area. The West zone was awarded to the second-lowest bidder, the consortium of Lopez-owned Benpres and the French company Lyonnaise des Eaux.

**Table 1. Bids for the East and West Concession Areas**

Consortium	West		East	
	Percentage Bid	Peso Bid	Percentage Bid	Peso Bid
Aboitiz – Compagne Generale des Eaux	56.8800	P 4.9941	62.8800	P5.5209
Ayala – International Water	28.6333	2.5140	26.3886	2.3169
Benpres – Lyonnaise des Eaux	56.5922	4.9688	69.7888	6.1275
Metro-Pacific – Anglian Water International	66.8998	5.8738	64.5080	5.6638

Source: Dumol 2000: 131.

Note: The percentage bid is computed as the percentage of the prevailing average water tariff (P8.78) prior to privatization.

The Concession Agreements were signed on 21 February 1997. By 1 August 1997, the Ayala-International Water consortium, known as Manila Water Company, Incorporated (MWCI), took over the operations in the East Zone and Maynilad Water Services, Incorporated (MAYNILAD), the Benpres-Lyonnaise consortium, took over the operations in the West Zone.

## Institutional Framework After Privatization

### *Streamlined MWSS Corporate Offices*

*MWSS Corporate office.* The corporate powers of the MWSS remain vested in the Board of Trustees. As a result of privatization, the management of MWSS was lodged with the MWSS Corporate Office, and the Regulatory Office was created by virtue of Article 11 of the Concession Agreement. The Corporate Office was tasked to: (1) facilitate the exercise by the Concessionaire of its agency powers; (2) manage and operate the *Umiray-Angat* Transbasin Project (UATP), (3) provide bulk water and develop new water sources; and (4) monitor, report and administer MWSS loans, among others.

*The Regulatory Office (RO).* The RO was created under Article 11 of the CA with the functions to:

- (1) monitor (provisions in) the awarded Concession Agreements;
- (2) review and monitor water supply and sewerage rates;
- (3) implement Extraordinary Price Adjustment provisions;
- (4) implement the Rate Rebased provisions;
- (5) monitor contracts between the concessionaire(s) and customers for the provision of water and sewerage services;
- (6) arrange for the regular, independent technical and financial audit of the activities of the concessionaire(s), and the public dissemination of such information;
- (7) monitor and enforce standards of service to customers, and any agreed improvement in these standards, or extensions in the coverage customers for the provision of water and sewerage services;
- (8) arrange for the regular, independent technical and financial audit of the activities of the concessionaire(s), and the public dissemination of such information;
- (9) monitor the production of audited financial information, ruling on cost allocation and other accounting practices appropriate for rate-setting methodology;
- (10) monitor the reported, audited condition of water and sewerage service infrastructure assets, and enforce the Concession Agreement with respect to these; and
- (11) respond to complaints or representations received from customers and other interested groups.

The overall administration and operation of the RO is the responsibility of the Director or Chief Regulator. The Chief Regulator is assisted by four Regulators. Both the RO and the Corporate Office are under the supervision and control of the MWSS Board of Trustees. As of the end of 2000, the MWSS had a personnel complement of 234, 64 percent of whom were regular staff and

36 percent temporary or casual. The Residual Office had 162 staff (96 permanent and 66 contractual officials and employees), while the RO had 72 (54 permanent and 18 contractual officials and employees).

#### *Profile of the Private Water Concessionaires*

*Manila Water Company, Inc.* The MWCI was formed "specifically to offer a superior solution to the Metropolitan Waterworks and Sewerage System in the smooth transition of the agency's water, wastewater and sanitation functions to the private sector," according to MWCI's annual financial report.

The MWCI is a consortium composed of Ayala Corporation (60 percent), United Utilities (20 percent) and Bechtel (20 percent). In year 2002, MWCI's assets totaled 7.902 billion pesos, a significant increase from the 1.516 billion pesos assets when the consortium started in 1997. It had a total liability of 5.108 billion pesos and stockholders' equity of 2.794 billion pesos in 2002. MWCI supplies 1.6 billion liters of water everyday to more than 4.7 million residents in the East Zone of Metro Manila.

*Maynilad Water Services, Inc.* MAYNILAD stated in its annual report its objective as follows: "to transform the operation of the 119-year old water utility into an efficient and modern water distribution system, (while) setting up sanitation and sewerage services." The consortium was initially a 60-40 percent partnership between Benpres Holdings Corporation and Suez Lyonnaise des Eaux. The Metrobank and Trust Company recently became the third partner by acquiring one percent of Benpres' share, leaving the latter with its current share of 59 percent.

MAYNILAD's total assets in 2002 amounted to 21.195 billion pesos, also a dramatic increase from the 1997 total assets value of 2.555 billion pesos. Liabilities totaled 15.892 billion pesos, and Stockholders Equity was 5.302 billion pesos in the same year.

#### *Obligations Under the Concession Agreement*

The grant of concession to the MWCI and MAYNILAD is covered by Concession Agreements (CA) that set out the main performance targets, performance standards, arrangements for capital investment, and mechanisms for water tariff adjustment. The other salient provisions of the CA are the transitional arrangements for the concessionaires' takeover, the respective obligations of the MWSS and the concessionaires, the creation of a Regulatory Office (RO) and the procedure for dispute resolution. The two CAs cover a 25-year concession period in both service areas that would end in August 2022, unless earlier terminated.

*Water Services Obligations.* The obligations of the concessionaires are basically divided into two: service obligations and other obligations. Each concessionaire is mandated to:

- (1) Offer water supply services to all existing customers in the Service Area;
- (2) Make at least sufficient connections (net of any disconnection) to meet the coverage target percentages of the population in a target municipality;
- (3) Ensure the availability of an uninterrupted 24-hour supply of water;
- (4) Supply water at a level of positive pressure sufficient to secure the system against the ingress of untreated water or other contaminants, provided that such pressure shall be at a minimum of eleven meters (16 psi or pound per square inch) for all areas connected by new primary or secondary conveyance pipelines and, from 2007, the 10th anniversary of the commencement date, for all pipelines;
- (5) Respond as soon as reasonably practicable to requests for a water supply connection;
- (6) Ensure at all times that the water supplied complies with the Philippine National Drinking Water Standards set by the DOH;
- (7) Make available an adequate supply of water for firefighting at no cost, and for other public purposes as the covered municipalities may reasonably request at standard rates;
- (8) Make available, at standard rates, water supply to customers other than through a water main in circumstances where (a) supplies through a water main have been or will be interrupted for more than 24 hours, or (b) supplies through a water main have been or will be subject to contamination;
- (9) May make water supply available to customers other than through a water main at a fee equal to the costs reasonably and efficiently incurred by the concessionaire in supplying raw water; and
- (10) Make alternative water supplies available for planned interruptions in service to schools, hospitals and key public buildings, and to all customers for interruptions in service of more than 24 hours.

Each concessionaire has set definite service coverage targets for water supply, sanitation and sewerage. Under the CA, service targets are set from the year 2001 to 2021 on five-year increments and are expressed as percentages of the total projected service population (except those connected to a piped source of water other than the MWSS) for the particular year. The total water supply targets for both the East and the West Service Zone are summarized in Table 2.

The targets are noticeably higher for the West Zone as it is more densely populated than the East Zone. Based on the coverage targets, the major and

**Table 2. Water Supply Coverage Targets, MWSS, 2001-2021**

<i>Zone/Year</i>	<i>2001</i>	<i>2006</i>	<i>2011</i>	<i>2016</i>	<i>2021</i>
East	77.1%	94.1%	94.1%	94.1%	94.6%
West	87.4%	97.1%	97.4%	97.7%	98.4%

Source: MWSS 1977.

most heavily and densely-populated cities in Metro Manila, namely, Manila, Pasay, and Caloocan in the West Zone, and Mandaluyong in the East Zone, along with the entirety of Quezon City should be 100-percent covered by 2001. The same applies for Cavite City, which lies outside the Metropolitan Manila area.

It is expected that by 2006, all cities in both concession areas, except Las Piñas, Muntinlupa and Antipolo, will be fully covered along with the municipalities of Taytay and San Mateo in Rizal Province, and Kawit and Noveleta in Cavite Province. By the year 2021, the population of 21 out of the 37 cities/municipalities listed in the CA should be able to enjoy 100-percent water supply coverage in their respective areas.

*Sewerage and Sanitation Commitments.* Targets for sewerage and sanitation are expressed as percentages of the population connected to the water system for the target year. The concessionaires' obligations regarding the provision of sewerage services within the service area are as follows:

- (1) Supply sewerage services to all customers who have existing sewerage connections for domestic sewage and industrial effluents compatible with available treatment processes;
- (2) Meet the coverage target percentages of the total population in a target municipality connected to the concessionaire's water system as per Schedule set in the CA;
- (3) Respond as soon as reasonably practicable to requests for connection to a public sewer;
- (4) Comply with all national and local environmental laws and standards relating to treated wastewater in accordance with a schedule of compliance provided by the RO; and
- (5) Offer septic and sanitation cleaning services, and meet the coverage target percentages of the total population in the target municipality.

In the earlier stages of the concession period, sewer coverage targets were relatively modest, as the necessary infrastructure was yet to be put in place. Domestic sewerage needs would be addressed in the meantime by desludging of septic tanks for every five to seven year period (this activity is labeled "sanitation"). The target for sanitation is expected to decrease over time while sewer coverage targets are expected to increase as infrastructure is developed. Table 3 shows the sewerage and sanitation targets for each service area, and the combined targets for the whole concession area.

**Table 3. Sewer Coverage and Sanitation Targets, MWSS, 2001-2021 by Concessionaire**

<i>Zone/Year</i>	<i>2001</i>	<i>2006</i>	<i>2011</i>	<i>2016</i>	<i>2021</i>
MWCI (East Zone)					
- Sewer	3%	16%	51%	52%	55%
- Sanitation	38%	32%	27%	24%	19%
Total	41%	48%	78%	76%	74%
MAYNILAD (West Zone)					
- Sewer	16%	20%	21%	31%	55%
- Sanitation	43%	46%	43%	39%	27%
Total	59%	66%	64%	70%	82%
Combined targets for the whole concession area					
Water services	87	98	98	98	98
Sanitation	39	40	36	33	29
Sewerage	7	15	26	38	54
Sanitation and Sewerage	46	55	62	71	83

Source: MWSS 1997; Dumol 2000: 121.

The capital and operational costs of sewerage and sanitation expansion shall be passed on to the customers through increases in sewerage charges from 50 percent to 150 percent of the water bill, and the addition of sanitation charges (75 percent of water bill), which would replace the ten percent environmental fee by January 2003.

By 2021, it is expected that the cities of Makati, Mandaluyong, Taguig and San Juan will be fully covered in terms of sewerage service, while the cities/municipalities of Manila, Malabon, Pasay, Pateros, Navotas and the part of Quezon City in the East service area will at least be 90 percent serviced.

*Obligation to Pay Concession Fees.* In addition to the above obligations, each concessionaire shall:

- (1) assume the MWSS' outstanding local and foreign debts. In this regard, concession fees shall be collected annually from the two concessionaires in order to pay for the amortization of these debts. The West Zone was charged a substantially larger proportion (90%) of the total amortization payments;
- (2) not, without prior approval of MWSS, incur any debt or liability that would mature after the Expiration Date;
- (3) pay for the cost of operations of the MWSS Corporate Office and RO; and
- (4) post a performance bond in favor of MWSS to ensure compliance with obligations.

*Other Commitments.* The other commitments of the concessionaires pertain to their commitments to personnel, commitment to safeguard assets, and commitment to financial and project obligations.<sup>9</sup> The Concessionaires are required to provide data and supporting evidence to the RO to support or demonstrate compliance with their obligations and commitment targets.

To summarize, MAYNILAD and MWCI have the service obligations and commitment to:

- (1) have 100 percent water coverage within ten years;
- (2) have no real increase in water rates within the first ten years;
- (3) invest a total of US\$7.5 billion in new investments over 25 years;
- (4) provide uninterrupted, 24 hours per day water service to all connected customers within three years, meeting standards set by the Department of Health;
- (5) reduce the NRW from 56 percent to 32 percent over the first ten years; and
- (6) put in place a waste water program to dramatically improve public health and environmental conditions with 80 percent coverage within 25 years.

The problem with the 90:10 sharing of the foreign debt of MWSS, with 90 percent of the debt going to MAYNILAD was not readily apparent in August 1997. The trouble that currency devaluation would bring was not anticipated and how it will impact the privatized companies. As history would have it, the



Asian financial crisis of September 1997 had caused the Philippine peso to depreciate from P26.30 to P40 to the US dollar. Subsequent devaluations in September 2001 (P51.4=1\$) and October 2003 (1\$=P54) effectively doubled the book value of the MWSS foreign debt, which had just been assumed by the concessionaires. The problem for the government is the fact that the concession fees are denominated in Philippine peso, but which have to be paid in foreign currency. This raises the question of who is going to shoulder the difference between the peso-denominated concession fees and the actual value of the foreign debt denominated in dollars.

**Table 4. Annual Amount of Concession Fees by Zone  
(in Million Pesos)**

<i>Year</i>	<i>West</i>	<i>East</i>	<i>Total</i>
1997	1,693	298	1,991
1998	2,492	446	2,938
1999	2,121	432	2,553
2000	1,802	373	2,175
2001	1,520	332	1,852
2002	1,521	419	1,940
2003	1,436	375	1,811
2004	1,235	350	1,585
2005	1,193	344	1,537
2006	1,080	293	1,373
2007	975	282	1,257
2008	914	274	1,188
2009	881	270	1,151
2010	812	262	1,074
2011	817	262	1,079
2012	829	263	1,092
2013	753	254	1,007
2014	769	274	1,043
2015	449	176	625
2016	450	173	623
2017	200	70	270
2018	189	72	261
2019	193	73	266
2020	197	74	271
2021	6.3	0.7	7

Source: MWSS 1997.

If we are to identify what the concession fees cover, they actually include concessionaire payment for the cost of operation of the MWSS Corporate Offices and the RO. Initially, each concessionaire was required to pay 50 million pesos for the establishment of the RO, including its budget for 1997. In the succeeding years of the concession, the concessionaires will equally pay or cover the budget of the MWSS and the RO of not more than 200 million pesos, subject to annual Consumer Price Index (CPI) adjustments.

To ensure compliance with the CA obligations, a performance bond for each concessionaire was established. For the first two rate rebasing periods (first ten years of concession), a performance bond of \$120 million and \$70 million must be maintained by MAYNILAD and MWCL, respectively, after which the bond amount declines for the successive rebasing dates. Any cost arising from non-compliance on the part of concessionaires shall be withdrawn automatically from the performance bond. The aggregate amount drawable under each performance bond is set out in Table 5. Each concessionaire is likewise obligated to pay MWSS a commencement fee of \$5 million on the commencement date.

**Table 5. Aggregate Drawable Amount from Performance Bond by Rebasing Period, MWSS**

<i>Rate Rebasing Period</i>	<i>Aggregate Amount Drawable Under Performance Bond (in million US\$)</i>
First (31 December 2002)	120
Second (31 December 2007)	120
Third (31 December 2012)	90
Fourth (31 December 2017)	80
Fifth (31 December 2022)	60

Source: MWSS 1997.

Finally, in terms of equity capital/investments, the local and international companies that make up both private operators are required to each own at least 20 percent of the outstanding capital stock of their respective consortia for the first five years of the concession period, and at least 10 percent thereafter until the termination of the contract. Each should have an equity paid-in cash capital of not less than 1.5 million pesos at the commencement date, and an equity paid-in cash capital of not less than three billion pesos by the first anniversary of the commencement date.

MWSS retains ownership of existing assets. Any asset that will be created during the concession period shall be turned over to the MWSS. The operations, maintenance and capital investment shall be the responsibility of the concessionaires for the duration of the concession period of 25 years.

### **Assessment of Performance**

The MWSS celebrated its fifth year of privatization on 1 August 2002. Are there reasons for the eleven million coverage population in Metro Manila to celebrate? What percentage of the population is now reached by the concessionaires? How have the MWSS and the two concessionaires performed after five years? These and many other questions are the focus of this part of the study. The water tariff structure prior to and after privatization is examined. This is followed by an analysis of the service and financial performance of the concessionaires.

#### *Adjusting the Water Tariff Structure*

Article 9 (Rates and Connection Charges) of the CA spelled out in five sections and 17 sub-sections how tariff may be changed, the conditions for water rate changes, and the process to be followed. Specifically, water tariff levels can be adjusted by using three factors:

- (1) Annual inflation adjustment, or the "C" factor;
- (2) Extraordinary Price Adjustment (EPA) or the "E" factor; and
- (3) Rate Rebasing or the "R" factor.

A detailed analysis of the three factors opens a lot more possibilities by which water rates can be raised. The annual inflation adjustment, or the "C" factor is based on the percentage change in the Consumer Price Index (CPI) published by the National Statistics Office between the month of July of the weighting year and July of the prior year.

The Extraordinary Price Adjustment (EPA), or the "E" factor generally accounts for the financial consequences of unforeseen (hence extraordinary) events beyond the control of the concessionaires. The EPA, a much loaded criterion, is actually composed of eleven Grounds for Extraordinary Price Adjustments (GEAs). These are<sup>6</sup>:

- (1) The Regulatory Office, following consultation with the concessionaire(s), determines that amendments should be made to the service obligations;

- (2) There is any change in law, government regulation, rule or order, or interpretation thereof, that affects or is likely to affect the cash flow of the concessionaire;
- (3) The Regulatory Office determines that a breach of the Concession Agreement has occurred and an appropriate remedy has not been made or will not be made;
- (4) The concessionaire has been or will be in receipt of a grant or below-market financing from any multilateral or bilateral source that may be used to finance or offset any expenditures, where such grant or below-market financing was not known or anticipated at the commencement date, or at the last rebasing date, whichever is the most recent;
- (5) In the reasonable opinion of the Regulatory Office, a material change has been made to the basis of calculation or definition of the Consumer Price Index or replacement index, which would render that index inappropriate;
- (6) A greater than two percent change in the rate of exchange between the Philippine peso and the currency in which a concessionaire/MWSS loan is denominated, wherein such change has not been the subject of a previous Extraordinary Price Adjustment;
- (7) There exists an unpaid penalty amount owed by a concessionaire to the Regulatory Office;
- (8) In the reasonable opinion of the Regulatory Office, the bidding assumptions distributed to the concessionaire(s) prior to the bid have proven to be incorrect in a material way during any period prior to the first general rate rebasing;
- (9) An increase has occurred in the concession fee as a result of cost overruns for the *Umiray-Angat* Transbasin Project (UATP);
- (10) The financial performance of the concessionaire has been materially affected as a result of delay in completion of the UATP beyond 30 June 1999; or
- (11) The concessionaire(s) has(have) incurred significant additional costs as a result of an event of *force majeure* which are not covered by insurance.

Either upon notification by the concessionaire/s or through its own initiative, the RO may consider and/or review certain circumstances or events

that may constitute a GEA. Upon determination that such a valid ground for an EPA has occurred or is expected to occur, the RO then determines the financial consequences of the event or series of events. The "E" value is computed as the percentage ratio of the Net Present Value (NPV) of the financial consequences of the GEA to the NPV of the revenues that would have accrued to the concessionaires during the remainder of the concession reckoned from the charging year<sup>7</sup>. The "E" factor shall be computed annually at most, as long as valid grounds are established and verified by the RO.

The "R" factor or Rate Rebasing is done every five years, where water and sewerage tariff rates may be rebased with the basic intention of allowing the concessionaires to set tariff levels that will permit them to recover operating, capital maintenance and investment expenditures, Philippine business tax expenditures and debt service payments on MWSS and concessionaire loans over the 25-year concession period. At the same time, it allows them to earn a rate of return (or Appropriate Discount Rate) comparable to such rates on infrastructure concessions in countries with similar credit standing as the Philippines.

The rate adjustment limit for any particular charging year is computed as the sum of the "C", "E" and "R" factors, such that:

$$\text{Rate Adjustment Limit \%} = C + E + R$$

*More than Three Ways to Raise Water Tariffs.* A closer examination of the eleven grounds for extraordinary price adjustment reveals that these are highly disadvantageous to the government. GEA #2, #6 and #11 above, in particular, offer more ways to raise water tariffs, these being open-ended and can be subject to many interpretations. GEA #7 is vague or generally stated, rendering it unfair to the government and water consumers. For why should customers be made to pay higher rates if the concessionaire has unpaid penalty amounts in favor of the RO? What are the acceptable reasons for the unpaid amounts in the first place? Why should the burden be passed on to consumers?

Given the almost unlimited ways to adjust water tariffs, introducing new mechanisms for rate adjustments are unnecessary. Unfortunately, the government acceded to amending the CA even before the first rate rebasing could take place.

*Amendment to the CA.* Barely six months from the date of actual takeover, the two concessionaires actually petitioned the MWSS for tariff rate increases. The first tariff increase happened in 1999 followed by a second one in 2000. The second increase was approved on grounds of inflation.

MAYNILAD, which assumed 80 percent of the MWSS \$800 Million foreign-denominated debt, pressured the government for a rate increase to enable it to recover losses due to the peso devaluation. No amount of peso devaluation, however, could justify the devious decision of MWSS to enter into a Memorandum of Cooperation (MOC) with MAYNILAD on 8 June 2001. The sneaky passage of the MOC is an insult to the 11 million customers of MWSS, who are bound to shoulder the burden of any tariff increase. Without any public consultation, the MOC was signed in favor of MAYNILAD to enable it to address the "direct and indirect consequences of extraordinary foreign exchange loss problems arising from Maynilad's payment of Concession Fees and Concessionaire Loans" (MWSS Board Resolution No. 487-2001). Civil society groups denounced the government's decision for lack of public consultation, and because it contained onerous provisions, in violation of provisions of the CA (Akbayan Citizens' Action Party 15 October 2001).

Among others, the MOC authorized MAYNILAD to recover its foreign exchange losses within 18 months instead of 22 years (as stated in the CA), and to recover future foreign exchange losses starting January 2002 via the Foreign Currency Differential Adjustment (FCDA). The MOC provisions are deemed unnecessary since the FCDA would have the same effect as an Automatic Currency Exchange Rate Adjustment (Auto-CERA), where every peso devaluated is automatically reflected in the price of water. Moreover, MAYNILAD had earlier (on 20 July 2001) been granted in a public consultation an Extraordinary Price Adjustment (EPA) of P0.50 per cubic meter.

MWCI filed its own petition for EPA on 31 March 2001 and got approval for rate increases outside the limits set by the CA. MWCI petitioned for an increase of P1.00 per cubic meter, lower than MAYNILAD's petition of P4.71 per cubic meter. The RO concurred with the proposed increase, and recommended the amendment of the CA.

The contents of the MWSS Board of Trustees Resolution No. 487-2001 approved on its 9<sup>th</sup> Special Meeting on 1 October 2001 are highlighted below. Said resolution granted MAYNILAD a Foreign Currency Differential Adjustment (FCDA) mechanism over and above the three mechanisms for tariff increases already spelled out in the CA.<sup>8</sup> The resolution superseded the MOC of 8 June 2001. Specifically, the resolution allowed MAYNILAD to:

- (1) Implement a rate adjustment of P4.21 per cubic meter for the period starting 15 October 2001 to 31 December 2002 to recover the FOREX losses incurred from 1 August 1997 up to 31 December 2000;
- (2) Implement a special transitory mechanism to enable MAYNILAD to recover FOREX losses for the period beginning 1 January 2001 up

to 31 December 2001, including FOREX losses arising from the repayment of the US\$100 million bridge loan and short term loans and other payments relating thereto; payment of the amount of concession fees suspended; and past FOREX losses incurred from 1 August 1997 to 31 December 2000 which are unrecovered as of 31 December 2002. The special transitory mechanism shall commence in July 2002 at the latest for a period of two to four years; and

- (3) Implement a rate adjustment with respect to present and future FOREX losses or gains, including all accruals and carrying costs thereof, from the period 1 January 2002 until the Expiration Date in year 2022 on a quarterly basis.

The MWSS Board of Trustees also signed Board Resolution No. 512-2001 on its 10<sup>th</sup> Special Meeting on 12 October 2001, granting the one peso increase petitioned by MWCI, and allowing it to:

- (1) Implement a rate adjustment of P1.00 per cubic meter during the period 25 October 2001 to 31 December 2002 or up to the next immediate Rate Rebasing period to recover the FOREX losses incurred from 1 August 1997 to 31 December 2000, with any unrecovered FOREX losses to be recovered through the special transitory mechanism under Section 1.2 below;
- (2) Implement a special transitory mechanism in accordance with paragraph 2.1 to enable MWCI to recover FOREX losses for the period beginning 1 January 2001 up to 31 December 2001 and past FOREX losses incurred 1 August 1997 to 31 December 2000 which are unrecovered as of 31 December 2002. Such transitory mechanism shall commence on 1 July 2002 up to the First Rate Rebasing, 1 January 2003, with the view to mitigating the overall tariff increase arising from the Rate Rebasing to take effect on 1 January 2003;
- (3) Implement a rate adjustment for foreign currency differentials<sup>9</sup> (FCDA) with respect to present and future FOREX losses or gains, including all accruals and carrying costs thereof, from the period 1 January 2002 until the Expiration Date on a quarterly basis.

*Implications of Amendment No. 1.* Through the two resolutions, the Concession Agreements between MWSS and MAYNILAD and MWCI were subsequently amended (Amendment No. 1 to the Concession Agreement) on 5 October 2001, and 26 October 2001, respectively.

Aside from the respective rate increases, there were several provisions expressed in both resolutions, designed to address present and future foreign

exchange difficulties and other concerns. First, the Regulatory Office, in consultation with MWCI and MWSI shall formulate a correction (or transitory) mechanism to avoid over-recovery or under-recovery of foreign exchange losses.

Second, the resolutions provide for the implementation of FCDAs with respect to present and future foreign exchange gains or losses on a quarterly basis beginning 1 January 2002 until the end of concession. MAYNILAD and MWCI were also required to coordinate with the RO in studying possible means of "improving cross-subsidy in favor of poor households, and accelerate delivery and provision of water services to the poorest barangays" in their respective concession areas.

Finally, both resolutions state that the MWSS will exercise its option to implement the first general rate rebasing on the first rebasing date, 1 January 2003, "for the purposes of attaining a water tariff adjustment which will be both adequate and reasonable, and attaining more realistic targets for the fulfillment of the concessionaires' service obligations with the end in view of providing better service to its customers, especially to the depressed communities."

The last provision practically mandated the MWSS to hold the first general rate rebasing on 1 January 2003, totally removing the option of holding it on the 10<sup>th</sup> year of the concession. In the original CA, the first rate rebasing was set for 2007 or ten years after commencement, although the Regulatory Office may exercise its discretion and implement the rebasing adjustment on the first rebasing date in January 2003. The CA itself weakened the position of the RO by giving the option to conduct the rate rebasing on the fifth year of the concession. The fact that the RO agreed to hold the first rate rebasing in January 2003 instead of 2007 is a sign of weak regulation. The decision is disadvantageous to the government and to customers of MWSS.

Under the rate rebasing, MAYNILAD actually demanded a rate of P34/cu.m., but the MWSS Board approved a lower rate of P26. Maynilad did not implement the new rate, and instead issued a notice of termination to MWSS on 9 December 2002 (Buenaventura 2003).

The two resolutions, in effect, secured the profit side of the bargain. Nothing is said in the resolution about how the customers of MWSS will be given better services, except for one provision where MAYNILAD and MWCI were required to study possible means of "improving cross-subsidy in favor of poor households, and accelerate delivery and provision of water services to the poorest barangays" in their respective concession areas. The resolutions are vague as to the time frame of the study, or time frame for improving cross-subsidy which depends on the study to be conducted.



The amendment made possible the adoption of the Automatic Currency Exchange Rate Adjustment (Auto-CERA), the accelerated Extraordinary Price Adjustment (EPA), and the implementation of the Foreign Currency Differential Adjustment (FCDA) for the recovery of Maynilad's past, current and future foreign exchange losses.

*Water Tariff Structure.* The old block tariff structure used by MWSS was basically kept by both concessionaires, although the CA provides that this may later be altered or modified subject to the approval of the RO. Under the said structure, customers are divided into four classes: Residential; Residential B (or semi-business); Commercial (or Business I); and Industrial (or Business II). Water tariffs are lowest for the residential households and highest for the large industrial or commercial consumers. There are nine tariff blocks for residential and semi-business customers depending on the water consumption levels, and 33 tariff blocks for commercial and industrial users.

Contrary to claims of promoting water conservation among users and cross-subsidy to poorer households, the increasing block tariff structure has inherent flaws stemming from the classification of customers. Residential customers include one family household living in one structure, apartment, multistorey building, subdivision where water is used for cooking, washing, bathing, flushing, laundry, swimming pool, lawn and garden. The semi-business group includes persons, establishments and institutions engaged in business such as sari-sari store, stand, vulcanizing/radiator shop, small repair shops and the like. The effect of such classification is that poorer households, e.g., households with a small sari-sari store, tend to pay more per cubic meter than households in a condominium or apartment.

Furthermore, the use of 'bulk water' as a customer classification is misleading. By definition, 'bulk water' refers to "water sold in bulk at some withdrawal point and is subject to rates applicable to the highest classification of customers, i.e., Business Group II." It does not define the customer, but classifies the kind of water bought or consumed. The inequity stems from classifying water sold through public faucets as bulk water. The result is that poorer households tend to pay more per cubic meter than high-income households.

*Increases in Water Tariffs since 1997.* The reduction in water tariff levels is one of the expected major benefits from privatization of MWSS. The assumption was that the private sector would be able to operate the water utility at a more efficient price level than the government. MWCI initially charged a rate of P2.32 per cubic meter, while MAYNILAD charged P4.96 per cubic meter. Being lower than the P8.78 per cubic meter rate of MWSS prior to August 1997, customers immediately felt a reduction in water bill. Those in the East Zone realized savings of P6.46 per cubic meter; West Zone consumers got a relatively modest reduction in water bill in the amount of P3.82 per cubic meter.

After more than five years, water tariffs have increased six times in the West Zone and eight times in the East Zone. This translates to an increase in water tariffs by more than 424 percent in the West Zone, and by 513 percent in the East Zone. Table 6 shows the increases in water tariffs under MAYNILAD and MWCI since 1997.

**Table 6. Increases in Water Tariffs, MAYNILAD and MWCI since 1997**

<i>Period</i>	<i>MAYNILAD Rate Adjustments</i>	<i>Period</i>	<i>MWCI Rate Adjustments</i>
Pre-privatization rate	P 8.78/cubic meter	Pre-privatization rate	P8.78/cubic meter
1997-1998 (bid rate)	P 4.96	1997-1998 (bid rate)	P 2.32
1999 (1 <sup>st</sup> increase)	P 5.80	1999 (1 <sup>st</sup> increase)	P 2.61
2000 (2 <sup>nd</sup> increase)	P 6.13 (on account of inflation)	2000 (2 <sup>nd</sup> increase)	P 2.76 (on account of inflation)
Jan-Oct 2001 (3 <sup>rd</sup> increase)	P 6.58 (on account of El Niño and foreign exchange fluctuations)	Jan-March 2000 (3 <sup>rd</sup> increase)	P 2.95
October 2001 Contract Amendment (4 <sup>th</sup> increase)	P 10.79	April-Nov 2001 (ADR adjustment, 4 <sup>th</sup> increase)	P 3.22
2002 with FCDA* (5 <sup>th</sup> increase)	P 15.46 (due to approval of the Auto CERA** and the Accelerated EPA***)	Nov 2001 Contract Agreement (5 <sup>th</sup> increase)	P 4.22
August 2002 Rate Rebasing (6 <sup>th</sup> increase)	P 26.00	2002 with FCDA* (6 <sup>th</sup> increase)	P 6.75 (due to approval of the Auto CERA** and the Accelerated EPA***)
		August 2002 Rate Rebasing (7 <sup>th</sup> increase)	P 14.22

Source: MWSS, RO.

\*FCDA = Foreign Currency Differential Adjustment

\*\*Auto CERA = Automatic Currency Exchange Rate Adjustment

\*\*\*EPA = Extraordinary Price Adjustment

Applicable exchange rate in August 2002: 1\$ = P52; P = Philippine peso.

*Missing the Concession Targets.* As of year-end 2001, the MWSS Corporate Office estimated that about 55 percent of households in the East Zone would enjoy a 24-hour water supply; and about 56 percent of households in the West Zone. Data from MAYNILAD and MWCI, however, are inconsistent with these figures, where it is reported that 82 percent and 83 percent of all connections in the West Zone and East Zone, respectively, are enjoying round-the-clock water supply.

As Table 7 shows, MAYNILAD did not meet the coverage targets for water and sewer in 2001. In terms of water supply coverage, MAYNILAD reported 84 percent coverage for the year. The figure is lower than the 87.4 percent coverage target for the West zone. The same can be said for sewer coverage, wherein MAYNILAD only achieved 14 percent coverage which is two percent lower than the 16 percent target.

**Table 7. Service Performance Targets Vs. Actual Performance (2001), MWSS**

	<i>Water Supply Coverage</i>		<i>Sewer Coverage</i>	
	<i>East</i>	<i>West</i>	<i>East</i>	<i>West</i>
Targets in CA	77.1%	87.4%	3%	16%
Actual Coverage	80%	83-84%	No data	14%

Note: Data were obtained from the MWSS Corporate Offices, Office of the Administrator

MWCI performed better, having exceeded the 77.1 percent target coverage in 2001, attaining an 80 percent coverage based on the figures provided by the MWSS Corporate Offices. MWCI, however, reported a higher water supply coverage of 89 percent.

*Non-Revenue Water (NRW).* Another major problem encountered by the pre-privatized MWSS was the perennially high rate of non-revenue water (NRW). More than half of the water produced by the System was not being billed, resulting in considerable loss of potential revenue. In the decade of the 1990s, the NRW reached 60.12 percent, meaning that less than 40 percent of water production was actually billed and the rest was lost to leaks and illegal connections.

As of 31 December 2001, MWCI reported an NRW of only 48.28 percent, while MAYNILAD reported 65.99 percent NRW. These figures are lower than the NRW figures reported by the RO.

**Table 8. Non-Revenue Water (% of Total Water Production)**

Year	CA Target (%)	MAYNILAD (%)	CA Target (%)	MWCI (%)
1997	54.4	63.3	44.0	45.2
1998	47.9	60.5	31.0	38.8
1999	42.0	67.0	22.0	39.8
2000	30.8	65.5	17.0	45.0
2001	29.8	65.99	16.0	48.28
2002		68.1 (February)		
2003		70.0 (December)		

Source: MWSS Annual Reports, MWSS Regulatory Office.

In the West Zone, the *Maynilad Lahad* (Vol. 2, No 1 April 2002), MAYNILAD's official publication, reported that its NRW for February was down to 68.1 percent compared to January NRW of 68.5 percent. MAYNILAD admits in its official publication that it was not able to achieve the target base for supply and billed volume. Of the 2,361.7 million liters per day (mld) water supply, its billed volume was only 753.2 mld. The South Business Area has an NRW of 62.8 percent; 60.1 percent in the Northwest, and 73.2 percent in the Central Business Area. The Inspectorate and Anti-Fraud Department of MAYNILAD closed 241 illegal connections in February 2002 alone.

#### *Assessment of Financial Performance*

*MAYNILAD Revenues and Expenditures* (See Tables 9 and 10). The water rates charged by MAYNILAD translated to an average of 72 percent of total company revenues from 1997 to 2000. It was the biggest income contributor to the coffers of MAYNILAD. Total revenues increased by 250.77 percent over the same period, or at an annual average of 83 percent. Revenues jumped significantly, reaching the one-billion peso mark in 1998 and more than two billion pesos in 1999.

Company expenses increased by an average of 429 percent over four years, or 81 percent per year. Payroll and other personnel costs grew by an aggregate of 630 percent over the period or an annual rate of 210 percent. Its share to total expenses was an average of 11.35 percent.

The big items in Total Direct Costs in 2000 were light and power with 3.1 percent of total direct costs, 2.1 percent for water service connections; and 15.9 percent for payment of Amortization-Concession Fee. It is important to note that MAYNILAD has two classifications of operating costs: Direct Operating Costs or "Direct Costs" and Business Operating Costs or "Other Costs," as the

**Table 9. MAYNILAD Revenue Sources (in Million Pesos)**

<i>Revenue</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001*</i>	<i>2002*</i>
Basic water service charge	517.736	1,271.518	1,750.029	1,950.390	2,324.867	2,122.688
Maintenance service charge	3.341	10.118	11.625	13.974		
Basic sewer service charge	67.443	63.115	229.980	235.279	447.494	420.432
Environmental charge	51.386	125.263	174.490	191.868		
Revenue from unbilled water and sewer	67.009	6.065	34.347	(1.168)		
Revenue from legalized water	8.821	16.065	22.537	23.091		
Other water service charges	15.563	63.651	142.883	212.427		
Other sewer service charges	0.485	1.062	0.319	0.788		
Other operating income	19.244	(29.766)	0.340	0.912		
Other revenues	--	--	12.615	6.901	91.736	309.429
PCDA					226.198	2,722
<b>Total Revenues</b>	<b>751.028</b>	<b>1,627.091</b>	<b>2,379.091</b>	<b>2,634.362</b>	<b>3,090.295</b>	<b>5,575.490</b>

Source: Sycip, Gorres & Velayo audited MAYNILAD Annual Reports, 1997, 1998, 1999 and 2000.

\*Only these four categories were identified in the 2001 and 2002 Annual Audited Reports.

**Table 10. MAYNILAD Operating Expenses (in Million Pesos)**

<i>Operating Expenses</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001*</i>	<i>2002*</i>
Payroll and other personnel cost	63.367	336.310	475.063	462.690	908.104	1,004.516
Water treatment chemicals	12.724	53.724	61.774	73.249		
Supplies and materials	1.268	---	---	---	128.316	110.180
Fuel and lubricants	0.121	1.554	4.748	8.078		
Cost of water from East	81.588	179.207	241.065	212.960	142.307	77.950
Overhead	99.088	754.227	988.440	1,417.207		
<b>Total direct costs</b>	<b>258.156</b>	<b>1,325.022</b>	<b>1,771.090</b>	<b>2,174.184</b>		
Other costs	701.099	1,083.523	1,246.450	2,901.139		
<b>Total operating costs</b>	<b>959.255</b>	<b>2,408.545</b>	<b>3,017.540</b>	<b>5,075.323</b>	<b>4,207.024</b>	<b>7,523.106</b>
Excess of expenses over revenues capitalized as development costs	(202.227)	(781.454)	(698.522)	(2,440.961)	(1,734.880)	(3,682.496)

Source: Sycip, Gorres & Velayo audited MAYNILAD Annual Reports, 1997, 1998, 1999 and 2000.

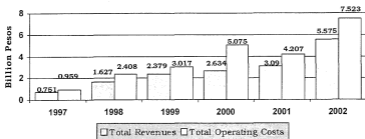
\*Only these categories were identified in the 2001 and 2002 Annual Audited Reports.

Annual Audit Reports of MAYNILAD show. Another item, "Expenses for payroll and other personnel costs" adds 8.9 percent to "Other Costs," raising expenses for personnel to 20.25 percent of overall expenses. This item excludes payment for contractual services, seminars, training, personnel improvement, per diems, among others.

The increase in overhead was due to the amortization of concession fee (53,357,000 pesos in 1997; 387,091,000 pesos in 1998; 512,295,000 pesos in 1999; and 806,119,000 pesos in 2000). As of July 2001, its debt was at 1.2 billion pesos. Under Board Resolution No. 487-2001, MAYNILAD was to resume payment of concession fees in February 2002 (it unilaterally stopped payment in March 2001).

On balance, MAYNILAD incurred more expenses than revenues, with the widest difference of 2.441 billion pesos occurring in year 2000. Cracks in its financial position were already apparent as early as 1998 with personnel and management costs getting a significant share of total operating costs, and became more and more insufficiently covered by total revenues.

**Chart 1. MAYNILAD Revenues and Operating Costs, 1997 to 2002, in Billion Pesos**



*MAYNILAD Assets and Liabilities.* A look at some items in its Statement of Assets and Liabilities (see Table 11) reveals that its total current assets amounted to 1.789 billion pesos, 107.13 percent higher than its start-up current assets in 1997. Materials and supplies increased by more than 37 percent over the period. Cash dwindled but was still positive in 2000, while receivables continued to increase.

The significant growth in fixed assets augured well for MAYNILAD as it reflected increasing investments and capital outlay. The value of Property, Plant and Equipment (PPE) increased by more than 14 times during the

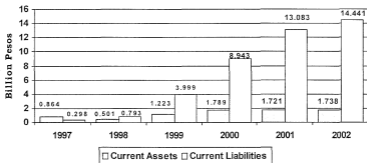
period, and comprised 18.3 percent of total assets in 2000, higher than 6.9 percent in 1997. Rehabilitation work for the West Zone was expected to take 3 years. Notwithstanding the increase in fixed assets, MAYNILAD still fell short of its targeted new capital investments. If the US\$7.5 billion in expected new capital investments was divided equally between the two concessionaires and spread equally over 25 years, the expected annual new capital investment would be US\$150 million per year. For year 2002, this translated to 8.25 billion pesos (at P55 to 1\$). MAYNILAD's total PPE from 1997 to 2002 amounted to 12,003 billion pesos, with actual PPE in 2002 amounting to only 3,601 billion pesos.

**Table 11. MAYNILAD Assets, Liabilities and Stockholders' Equity (in Million Pesos)**

<i>Assets, Liabilities &amp; Stockholders' Equity</i>	1997	1998	1999	2000	2001*	2002*
Property, Plant Equipment (PPE)	175.845	701.207	1,504.366	2,723.472	3,296.536	3,601.409
Total Assets	2,554.878	5,251.819	9,149.773	14,900.383	19,408.069	21,194.956
Total Liabilities	1,003.663	2,200.604	4,458.558	9,602.838	14,105.564	15,892.451
Stockholders' Equity	1,551.215	3,015.215	4,691.215	5,297.545	5,302.505	5,302.505
Total Liabilities and Equity	2,554.878	5,251.819	9,149.773	14,900.383	19,408.069	21,194.956

Source: Sycp, Gorres & Velayo audited MAYNILAD Annual Reports, 1997, 1998, 1999 and 2000.

**Chart 2. MAYNILAD Current Assets and Current Liabilities, 1997 to 2002, in Billion Pesos**



Development costs/right, which pertains to capitalized losses during the rehabilitation phase, interest on advances related to the payment of concession

fees, bidding and start-up expenses, and deferred charges come up to 31.9 percent of total assets. Total assets itself grew by 483 percent from 1997 to 2000 or at an annual average of 161 percent.

Total current liabilities rose at a staggering 2904 percent from 297 million pesos in 1997 to 8.942 billion pesos in 2000. Its bulk was in loans payable, which is 34.9 percent of total current liabilities and 52.5 percent of total liabilities. The amount of loans payable jumped over the next two years to a level of 7.823 billion pesos in 2000. MAYNILAD started amortizing the current portion of its assumed debt in 1998. Total liabilities increased by almost 9 times over a four-year period. In comparison, stockholders' equity registered slower growth of 2.4 times during the same period.

To summarize, MAYNILAD's operating expenses exceeded total revenues during the first five years of operation. By 2000, the operating deficit had reached 2.44 billion pesos. Likewise, current liabilities surpassed current assets during the period.

#### *MWCI Financial Performance*

*MWCI Revenues.* The impressive growth of the total revenues of MWCI attests to the profitability of the water business. Immediately after 1997, total revenues grew by 151 percent, and by almost 256 percent from 1997 to 2000.

**Table 12. MWCI Revenue Sources (in Million Pesos)**

<i>Revenues</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Water revenue	256.029	658.384	858.165	971.949	1,180.034	2,111.001
Interconnection revenue	95.447	165.334	246.918	214.560	141.801	41.852
Environmental charges	25.404	61.638	84.841	96.910	118.051	209.499
Sewer revenue	13.296	37.458	55.011	59.537	78.376	121.307
Others	31.413	67.121	64.599	156.633	140.290	199.036
Total Revenues	421.413	1,056.589	1,209.068	1,499.628	1,658.551	2,682.694

Source: Sycip, Gorres & Velayo audited MAYNILAD Annual Reports, 1997, 1998, 1999, 2000, 2001 and 2002.

*MWCI Operating Costs.* MWCI started commercial operations on 1 January 2000. The pattern and trend of MWCI expenses seem reasonable in terms of the decreasing share of salaries and wages to total expenses (see Table 13). However, this item doubled in amount from 1997 to 2000, and registered an annual average growth rate of 35 percent. Similarly, the cost of power, light and water more than quadrupled, management and professional fees almost tripled, and the regulatory cost more than doubled over the same period.

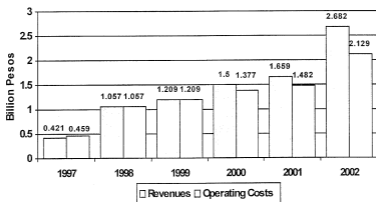


**Table 13. MWCI Operating Costs and Expenses (in Million Pesos)**

<i>Operating Costs and Expenses</i>	1997	1998	1999	2000	2001	2002
Salaries and wages	226.990	385.632	446.088	466.149	459.598	544.365
Power, light and water	55.381	156.204	200.999	231.045	299.386	312.727
Management and professional fees	48.079	121.280	149.065	142.110	161.606	172.566
Regulatory cost	50.000	106.000	116.282	123.849	129.644	137.434
Depreciation and amortization	0.691	10.077	85.377	154.671	180.838	344.763
Total Expenses	459.421	1,056.589	1,209.068	1,376.942	1,482.470	2,129.315
Operating Income (Loss)	(38.421)	(66.654)	100.465	122.687	176.081	553.380

Source: SGV Audited MWCI Annual Reports, 1997, 1998, 1999 and 2000.

\*Includes Expenses representing FOREX losses = P198,532, and Interest = P101,721. Smaller costs and expenses are omitted.

**Chart 3. MWCI Revenues and Operating Costs, 1997 to 2002 (in Billion Pesos)**

MWCI is registered with the Board of Investments as a new operator of water supply and sewerage system for the East Zone Service Area on a pioneer status under the Omnibus Investments Code of 1987. It enjoys an income tax holiday for six years with 1 January 2000 as the date of reckoning, and tax credit on domestic capital equipment. The tax incentives given to MWCI translates of course into forgone revenues for the government.

**Table 14. MWCI Assets, Liabilities and Stockholders' Equity  
(in Million Pesos)**

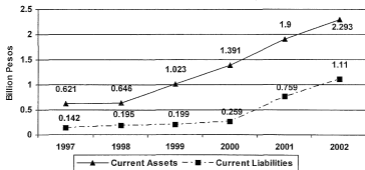
<i>Assets, Liabilities &amp; Stockholders' Equity</i>	1997	1998	1999	2000	2001	2002
Property, Plant Equipment (PPE)	252.544	819.741	1,097.874	1,340.763	1,177.125	1,745.535
Total Current Assets	621.096	646.012	1,022.596	1,390.810	1,900.470	2,293.177
Total Fixed Assets	894.584	1,880.591	2,319.885	3,170.272	4,066.116	5,608.729
Total Assets	1,515.680	2,526.603	3,343.598	4,561.082	5,966.586	7,901.907
Total Current Liabilities	142.281	195.227	198.815	259.208	759.025	1,110.887
Total Non-Current Liabilities					2,721.773	3,997.413
Total Liabilities	480.952	466.030	1,249.415	2,346.211	3,480.798	5,108.300
Stockholders' Equity	1,034.728	2,060.573	2,092.183	2,214.870	2,485.788	2,793.607
Total Liabilities and Equity	1,515.680	2,526.603	3,343.598	4,561.081	5,966.586	7,901.907

Source: Sycip, Gorres & Velayo audited MWCI Annual Reports, 1997, 1998, 1999 and 2000.

On balance, MWCI incurred operating losses during the first two years following privatization. However, its recovery was remarkable having been able to generate an operating income of more than 100 million pesos immediately thereafter.

*MWCI Assets and Liabilities.* Manila Water's total current assets came mainly from cash and cash equivalents. This item had a rising share to total current assets from 62 to 71.3 percent. Receivables rose by 133 percent over the 4-year period. In terms of fixed assets, 42.3 percent was in the form of Property, Plant and Equipment in 2000, which grew by 431 percent over the 4-year period.

**Chart 4. MWCI Current Assets and Current Liabilities, 1997 to 2002 (in Billion Pesos)**



Stockholders' equity was initially at 62.3 percent of total liabilities and equity (in 1997). The share declined to its 2000 share level of 48.6 percent. In effect, total liabilities' share to total gained by 16.9 percent from 1997 to its present level of 51.4 percent of total.

In sum, MWCI showed a better financial performance than its counterpart in the West Zone during the first five years of operations. It seems to have kept personnel and other costs at reasonable levels, while revenues from water and sewerage services gradually increased. Current assets sufficiently covered current liabilities throughout the period. However, MWCI's investment in new capital assets still fell short of target and could be improved to meet service coverage in water and sewerage.

#### *Assessment of the Regulatory Framework*

In the aftermath of privatization, an independent agency is needed specifically to regulate the operations of the concessionaires and protect the interests of the government and consumers. It is argued in this study that the Regulatory Office (RO) needs to be independent of both the concessionaires and the MWSS since the RO has to judge on matters of dispute in a disinterested manner.

The Philippines' primary mechanism for regulating the activities and operations of the private concessionaires engaged in the provision of water and sewerage services comes in the form of the MWSS Regulatory Office. The RO was specifically created by the CA to enforce the latter's provisions and to ensure that the actions of the private companies shall not compromise public interests. However, the RO is confronted with significant issues and challenges that need to be addressed in order to improve the Office's organizational capabilities and enable it to implement meaningful and effective regulation.

The first issue is the need for an independent regulatory body. Ideally, a regulator should be independent of the entities it regulates. The lack of independence of the RO stems from the circumstances of its creation. It was created through the CA, not by an act of Congress. Under Philippine jurisprudence, any agency created by means other than legislation does not have a legal character or legal personality. Since the RO was created by a contract between the government and private companies, it does not have such legal character and cannot own property and may not enter into official agreements and/or contracts. This arrangement limits the discretion of the RO, which has to rely on the MWSS Board of Trustees when entering into agreements and contracts. All decisions made by the RO are subject to the approval of the Board. Even petitions for water rate hikes are validated and/or reviewed by the RO; approving authority remains with the Board.

Second issue is that "to regulate" is not in the list of RO's functions, with the implication that, at best, it possesses recommendatory powers only. The relatively weak position of the RO is captured in Article 11 of the CA, wherein it states that:

Decisions of the Regulatory Office requiring action by the MWSS Board of Trustees, including decisions affecting the level of Standard Rates, shall promptly be submitted to the Board in accordance with Section 7.1 hereof.

The RO's mandated powers in the CA imply a passive role in "monitoring and review." The terms "regulation" or "regulate" were never used. However, the CA recognizes that the RO's functions will change over time as the regulatory regime is established and developed, although it is unclear how these functions can be amended and/or modified and what constitutes an "established and developed" regulatory regime.

The RO is also financially dependent on the concessionaires, upon whom the office is totally financially reliant under the terms of the CA. Under the CA, the RO's annual operating budget during the entire concession period shall be equally financed by the private operators through concession fees thus making the Office totally financially reliant on the concessionaires. At the very least, this practice does not convey an image of a strong and independent regulatory body, and may in fact lead to suspicions of corruption and collusion between the RO and the concessionaire(s). However, this could have been addressed had there been provisions in the CA that make the budgetary allocation mandatory, otherwise the subject offices shall be penalized.

The CA also expressly provides that the RO should be situated in a "suitable office space in Metro Manila at a location separate from any other office or establishment of the MWSS or either concessionaire." At present, the RO is still located at the old MWSS Building in Diliman, Quezon City. The Office is situated on the third floor of the building, the MWSS Corporate Offices occupy the fourth floor; MWCI occupies the first and second floors, while Maynilad is located in an adjacent wing.

The present physical arrangement has advantages as well as disadvantages. Physical distance of the regulator is necessary and can help in preventing, or at least limiting, the opportunities for anomalous or illegal interactions with the parties to the Agreement. Physical separation of the Office will help promote a public perception of independence on the part of the regulators and also diffuse suspicions of collusion and underhanded transactions. The RO's current location violates all aspects of the CA's provisions for physical separation from the parties concerned.

In terms of personnel independence, the CA explicitly states that all employees of the RO should not have been affiliated with either

concessionaire, as well as the MWSS in any capacity for at least five years prior to employment in the RO. This is highly recommended for the RO, but the term "employees" should mean "officials and employees." This provision draws from the lessons of the Argentinean experience, wherein the employees of the new regulatory agency who were former employees of the public water utility, had difficulty accepting their new roles as regulators.

The RO has a limited number of technical people as gathered from interview with RO officials. As of February 2002, the RO had a personnel complement of 69 employees.<sup>7</sup> This problem is related to the limited amount of experience that may be drawn upon in the Philippines in terms of regulating private provision of basic goods and services.

Based on interview with RO officials, they are prompted to say that the RO is practically "toothless and spineless," since they are limited in powers to even impose penalties and sanctions for violations of the provisions in the Concession Agreement. Further, the RO is also prone to 'regulatory capture' as the concessionaires have a tendency to provide misleading information thereby making effective regulation difficult because of the RO's dependence on the accuracy and truthfulness of the information provided them.

In relation to the above discussion, the national government's influence on the RO/Board decisions, particularly on rate adjustment, is clearly felt in favor of the concessionaires.

### Conclusion

... in the end it is the desires—real and perceived—  
of the people whom government is supposed to serve  
that will determine both the scope of government  
and its ability to be a positive and creative force.  
Khurram Baig 1997.

The privatization of the MWSS is the first of its kind in the history of Philippine public administration. The governments from Marcos to Arroyo had their share of policies to build the policy environment for privatization. The essence of the MWSS privatization is that the government has conferred long-term monopoly to the concessionaires to deliver water services to a defined geographic area. The privatization of the MWSS is polemical considering the monopolistic nature of the industry and the public good nature of water, sewer and sanitation services.

Privatization is definitely not the key nor the only way to solve the woes of the giant water utility. Like the creation of huge government-owned and controlled corporations in the 1970s and their nationalization in the 1980s, privatization can get out of hand in exactly the way that nationalization did (Baig 1997).

Privatization has its advantages, as well as drawbacks, in solving the ills of the economy. It certainly is not a cure-all medicine for all the problems of MWSS. Unless regulation is strong, the private sector is as prone as a public corporation to commit unethical corporate behavior (Baig 1997).

In the case of the MWSS privatization, the following conclusions can be drawn:

- (1) The MWSS concessionaires had different levels of performance in their first four years of operations, where better results were achieved in the East Zone based on gathered information. It is evident that ownership (i.e., public or private) is not the main factor that determines efficiency and effectiveness. The wide gap between the performance levels of the two concessionaires proves that private companies also differ in terms of effectiveness and efficiency and that the private sector is not necessarily more efficient than government in terms of service delivery. Both efficiency and effectiveness are dependent on a number of relevant variables other than ownership, perhaps, the most important of which is organizational commitment to public service.
- (2) Due to the public nature of water, government must maintain some form of control over supply and provision of this basic good to ensure equitable access on the part of consumers. This may be through direct provision, as the case prior to privatization of MWSS, or regulation of private operators. However, for the latter setup to be effective, regulation has to be strong and independent. Unfortunately, this cannot be said of the current regulatory framework that was established after the privatization of MWSS.
- (3) The West Zone concessionaire was not able to meet any of the water supply and sewer coverage targets. Water supply coverage for the East Zone of 80 percent as of 2001 was higher than the 77.1 percent target.
- (4) NRW in the West Zone remains high at the rate of 68.1 percent as of February 2002. The East Zone concessionaire achieved a much lower NRW of 47 percent as of December 2001.
- (5) The Concession Agreement has inherent flaws. What may be considered an innocent provision in the CA whose potential impact has not yet caught the attention that it should get is the provision that after the 10<sup>th</sup> year, the rates for water and sewerage services shall be set at a level that will permit the two concessionaires to recover over the remaining years of the Concession, their investments and expenses and to earn a rate of return on these

expenditures in line with the rates of return being allowed from time to time to operators of long-term infrastructure concession arrangements in other countries having a credit standing similar to that of the Philippines.

- (6) The amendment to the CA to provide for raising the water tariffs due to the peso devaluation opened the door for the concessionaires to raise other issues that may allow them to push for amending any provision of the CA. The act of amending the CA is a test of the regulatory powers of the government. "Giving in" very easily and granting all, perhaps more than what the petitioners have requested indicates a weakness to argue on the side of consumers who will bear the brunt of water tariff increases. The basis of the recommendation to raise water prices was one-sided, and did not have balancing provisions to soften the impact of high water rates on consumers.
- (7) Downsizing the huge MWSS bureaucracy was successful. The total number of staff of the MWSS Corporate Office and the RO was down to 234 as of end of 2000. In 1992, MWSS employees totaled 8,294. This was reduced to 5,734 by 1996 as a result of reorganization and offer of early retirement packages. Thus by 1996, MWSS had achieved an employee ratio of 7 per 1,000 connections (from a very high level of 13 employees per 1,000 connections). The ratio is still relatively high compared to the ratio of employees per 1000 connections in Bangkok 4.6, Jakarta 7.7, Singapore 2.0, and Kuala Lumpur 1.1 (David 2000: 6). Six months after turnover, MWCI had absorbed 1,643 former MWSS employees, while MAYNILAD employed 2,663.
- (8) The MWSS regulatory framework is found to be weak. The RO performs only technical functions for the MWSS Corporate Offices and possesses at most recommendatory authority. The current regulatory structure is due to the fact that: (a) It was not created by an act of Congress. Its legal basis is Article 11 of the CA, a document that can be amended by the Board of Trustees. (b) It is lodged within the MWSS structure, and placed under the supervision and control of the Board of Trustees and therefore not independent of the entity it is supposed to regulate. (c) "To regulate" is not among its functions. (d) It is financially dependent on the entities it is supposed to regulate.
- (9) The RO is practically "toothless and spineless" being clothed with only monitoring and recommendatory authority. It does not have authority even in imposing penalties and sanctions for violations of the provisions in the CA.

- (10) There is no full regulation by MWSS of water extraction and wastewater discharge within the MWSS coverage area. The MWSS monitors only those households and business establishments connected to the MWSS system. The MWSS itself does not fully monitor compliance by the concessionaires with standards in wastewater treatment before wastewater is discharged into Pasig River and Manila Bay.

### **Recommendations**

Passing on the task of public service delivery to the private sector is only the start of more improved governance. After discussing the lack of performance, it is the intent of the study to come up with some suggestions to constructively contribute to an improved administration of water services in Metro Manila.

There is a need to cloth the Regulatory Office with the necessary and important powers and authority, and provided with reasonable budget and skilled staff. Due to the public nature of water, government must maintain effective control over water supply and provision of this basic good to ensure equitable access on the part of consumers. This may be through direct provision, as the case was prior to the privatization of MWSS, or regulation of private operators. However, for the latter setup to be effective, regulation has to be strong and independent. The current regulatory framework needs overhauling to truly serve its purpose.

The independent regulatory office should be able to plan for the whole period of the concession. To be able to arm itself, it must systematically gather baseline information for purposes of evaluating the performance of concessionaires in anticipation of the review, renewal, renegotiation or adoption of alternative water and sanitation services delivery options including possible eventual takeover of the utility at the end or even before the end of the concession period.

This baseline information should be able to provide a basis for an informed assessment of the economic, social, environmental, financial, physical, and other costs and benefits of service provision by the private sector, and provide directions for future water and sanitation services provision. The baseline information will also form the basis for negotiations or renegotiations with key stakeholders in arriving at realistic performance standards, asset rehabilitation plans, service enhancement programs, possible government subsidies and other aspects of the service.

Water rates are threatening to rise to previously unmanageable levels and targets for service obligations have not been met with regularity. There is



a need to strengthen government's regulatory capacity and review, and if necessary, amend or nullify the Concession Agreement.

Government must also strictly enforce environmental safety measures and standards on groundwater extraction and wastewater treatment.

Criteria should be developed to assess performance based on the following:

- (1) System performance indicators—to cover existing performance targets in the CA;
- (2) Water quality indicators—other than the current requirement of compliance with the Drinking Water Quality Standards of the DOH, other criteria may also be used including risk minimization in terms of possible contamination of water supply.
- (3) Total area coverage—the Regulatory office must fully exercise its regulatory mandate of monitoring and regulating private extraction of groundwater within the MWSS coverage area. Pumping charge for groundwater should be imposed to compel more responsible use of raw water. Privately operated sewerage systems should also be monitored. Guidelines and standards on this should be strictly implemented. Fees and penalties can be charged for non-compliance.
- (4) Social indicators—this set primarily involves ensuring universal access to clean and safe drinking water, with particular consideration for the disenfranchised and/or low-income classes. An obvious indicator is the price of water. Water tariffs should be at a reasonable level to permit access by everyone, even the poorest families. Cross-subsidization programs for low-income households should also be encouraged and a review of the current block tariff system is in order.
- (5) Customer service—the MWSS RO should strengthen its PPA (Public Performance Assessment) Project. Getting the perception and measuring consumer satisfaction is a practical way of assessing overall performance and identifying areas for improvement. The RO can also look into the response rate of the concessionaires to customer complaints. This would be a good measure of the service-orientation of the concessionaires in the conduct of their day-to-day operations.
- (6) Financial performance—the relevant indicators already identified in the CA are fairly comprehensive and are good starting points in

assessing performance. Appropriate measures of profitability, liquidity and debt-service capacity should also be developed and used for a more meaningful and deeper analysis of financial position.

- (7) Water conservation—the foremost criterion in this set is non-revenue water (NRW) reduction. Another possible indicator of water conservation is the quality of water actually supplied or drawn from all sources. A water demand management strategy may be formulated to properly assess demand and correspondingly manage quantity supplied. Moreover, means of non-potable reuse of discharges should be developed in order to conserve potable drinking water supply.
- (8) Environmental indicators—foremost among these is the prevention of sewer overflows and the quality of treated sewer effluents. Other environmental indicators include quantity of water supplied (to show level of water conservation), energy use/conservation and environment-friendly office practices by the agencies concerned. An overall environmental management and preservation plan should also be conceptualized and implemented to highlight the important environmental aspects of water and wastewater management.
- (9) The performance indicators outlined above may be used for a more comprehensive evaluation and assessment of performance, with the end in view of effecting improvements in the overall quality of service in the water and sewerage sectors of Metro Manila and adjoining areas within the MWSS service area.

On top of the above suggestions, the policy environment should point towards a strong, independent and credible regulatory body to complement the government's privatization strategy.

An independent regulatory office to regulate the water sector in the MWSS coverage area should also be mandated to regulate households and private firms which are not connected to the MWSS water and sewerage system, but have their own privately sourced water from deepwells and private waterworks, including as well the water sources of vendors of bottled water. The regulatory structure should regulate and monitor all water extraction, selling and distribution within the coverage area of MWSS.

Finally, clean piped water is still a luxury for many residents of Metro Manila. The number of residents with access to piped water has increased, but more than 3.4 million residents remain without access. Although some parts of Metro Manila do enjoy a 24-hour water supply, majority has water for 12 to 16 hours a day only. Water in Metro Manila is definitely more expensive at

present. Water rates have increased more than seven times since 1997. From P4.96 per cubic meter, the current rate (as of August 2002) is now P26 per cubic meter in the West Zone. In the East Zone, the rate is now P14.22 per cubic meter, 500 times higher than the 1997 level of P2.32 per cubic meter. Most of the concession targets were not met by the concessionaires. Both companies failed to meet the target NRW and have yet to fulfill their part of the bargain in infusing the expected amount of capital to replace and improve the old pipe network in the West Zone, and expand access to water over the whole service area.

### Endnotes

<sup>1</sup> The other three corporate objectives relate to manpower and organization; viability (to generate sufficient revenue to sustain operations); and consumer and community relations.

<sup>2</sup> RA 8041 provided also for the reorganization of the Local Water Utilities Administration.

<sup>3</sup> This is similar to the approach adopted in Argentina for the privatization of *Agua Argentina* (Dumol, 2000).

<sup>4</sup> In August 1996, about five months before the bid submission, water tariffs were increased by about 38 percent. Dumol (2000: 42) justified that the tariff increase was long overdue.

<sup>5</sup> On personnel matters, the concessionaires are obligated to: (1) offer to employ each employee at a salary or pay scale and with benefits at least equal to those enjoyed by such employee on the date of separation from MWSS; (2) effect a new compensation structure comparable to those prevailing in the utilities/infrastructure industry nationwide; (3) pay to those who do not accept the offer of employment the difference between the severance pay and severance benefits offered by MWSS pursuant to the Early Retirement Incentive Package (ERIP); (4) recognize the *Kapatiran ng Mga Manggagawa at Kawani sa MWSS or KKKM* and the MWSS Supervisors Association or MWSSSA as the representative of the rank and file and supervisory employees, respectively, until such time that an appropriate union is formed and certified as a bargaining agent; and (5) adopt within a period of six months an Employee Stock Option Plan (ESOP) that over time shall ensure the ownership by its regular employees equal to 6 percent of the total outstanding capital stock of the Concessionaires. Among the obligations to safeguard assets are the requirement for them to (a) manage and maintain in good condition MWSS assets and facilities over the duration of the concession period; (b) operate, maintain, renew and, as appropriate, decommission facilities consistent with the National Building Standards and best industrial practices; (c) submit to the MWSS Regulatory Office, at most once a year, reports detailing the condition of infrastructure facilities used in the provision of water and sewerage services in their respective service areas; and (d) turn over legal title or ownership of new assets to the MWSS at the expiration of the concession period.

<sup>6</sup> As listed in the Concession Agreement.

<sup>7</sup> Tantiongco, R., "Regulation of Water and Sewerage Services: The Philippine Experience." [www.arts.monash.edu.au](http://www.arts.monash.edu.au).

<sup>8</sup> Pending the approval of their petition, MWSS petitioned the Court of Appeals to prevent MWSS from taking MWSS's performance bond of \$200 million and won. This kept MWSS from touching the bond. As of August 2001, unpaid concession fees of Maynilad had reached P133

billion. The MWSS and DBM advanced the loan payments to Asian Development Bank and other foreign creditors (*Philippine Daily Inquirer*, 14 September 2001). As of October 2003, MAYNILAD had not resumed payment of the concession fees.

<sup>6</sup> The FCDA mechanism refers to the rate adjustment mechanism for the recovery or compensation on a current basis, subject to quarterly review and adjustment by MWSS, when necessary, of accrued FOREX losses/gains beginning 1 January 2002, arising from MWSS loans and any Concessionaire loans in accordance with paragraph 2.3 used for capital expenditures and concession fee payments only, in accordance with paragraph 3 hereof, in lieu of the EPA recovery mechanism for FOREX losses under Article 9.3 of the CA.

<sup>7</sup> Data on the profile of the RO staff, were not made available, thus, no valid assessment can be made of the RO's technical capability relevant to their job.

### References

- Alcázar, Lorena, Manuel A. Abdala and Mary M. Shirley  
2000. *The Buenos Aires Water Concession*. World Bank Policy Research Working Paper No. 2311. The World Bank. April.
- Buenaventura, Mae  
2003. *Water Privatization in the Philippines*. Freedom From Debt Coalition. Paper prepared for the Helvetas Water Conference. Zurich. 15 March.
- Clemente, Roberto S., Guillermo Q. Tabios, Ramon P. Abracosa,  
Cristina C. David and Arlene B. Inocencio  
1996. *Groundwater Supply in Metro Manila: Distribution, Environmental and Economic Assessment*. Philippine Institute for Development Studies Discussion Paper Series No. 2001-06.
- Commission on Audit  
1992. Annual Audit Report on the Metropolitan Waterworks and Sewerage System. 2000 Annual Audit Report on the Metropolitan Waterworks and Sewerage System, 1991-2000.
- Confederation for Unity, Recognition and Advancement of Government Employees (Courage)  
1999. *MWSS: A Done Deal, A Model in Privatization*. Copy downloaded from [www.telusplanet.net](http://www.telusplanet.net).
- Crampe, Claude and Antonio Estache  
1996. *Regulating Water Concessions*. In Public Policy for the Private Sector Note No. 91, The World Bank Group.
- David, Cristina C.  
2000. *MWSS Privatization: Implications on the Price of Water, the Poor and the Environment*. Makati: Philippine Institute for Development Studies (Discussion Paper Series No. 2000-14).
- David, Cristina C. and Arlene B. Inocencio  
1996. *Understanding Household Demand and Supply of Water: The Metro Manila Case*. Makati: Philippine Institute for Development Studies (Policy Notes PN-9604).

- Dumol, Mark  
2000 *The Manila Water Concession: A Key Government Official's Diary of the World's Largest Water Privatization*. World Bank. (Copy was obtained from the World Bank website: [www.worldbank.org](http://www.worldbank.org)).
- Esguerra, Jude  
*The Corporate Muddle of Manila's Water Concessions. How the World's Biggest and Most Successful Privatization Turned into a Failure*. A study commissioned by the Water Aid.
- Freedom From Debt Coalition  
2003 Press Statement. 12 November.
- Ghana National Coalition Against Privatization of Water and the International Water Working Group  
2001 *Water Privatization in Ghana: Government and World Bank Policies*. Online paper from [www.bicusa.org](http://www.bicusa.org).
- Gleick, Peter H., Gary Wolff, Elizabeth L. Chalecki and Rachel Reyes  
2002 *The Risks and Benefits of Globalization and Privatization of Fresh Water*. Pacific Institute for Studies in Development, Environment and Security, Oakland, California. February.
- Inocencio, Arlene B.  
2002 *Public-Private Partnerships in Metro Manila, Philippines*.
- Juhasz, Antonia  
2001 *After the Energy Debacle, is Water Next?* Unpublished article from the International Forum on Globalization (IFG) website [www.ifg.org](http://www.ifg.org).
- Khurram, Baig  
1997 *Nationalization to Privatization*. 17-23 November.
- Landingin, Roel  
2004 *Loaves, Fishes and Dirty Dishes: Manila's Privatized Water Can't Handle the Pressure*. The Center for Public Integrity. 31 March.
- Manila Water Company, Inc.  
Service Performance Report, 1 August 1999-1 August 2000.  
Audited Financial Statements, 1997-2000
- Metropolitan Waterworks and Sewerage System (MWSS)  
2001 Amendment No. 1 to the Concession Agreement based on MWSS Board of Trustees Resolution No. 457-2001 as amended by Resolution No. 487-2001.  
1997 Concession Agreement between the MWSS and the Maynilad Water Services Inc., 1 August.
- Orwin, Alexander  
1999 *The Privatization of Water and Wastewater Utilities: An International Survey*. August 1999 or see [www.environmentprobe.org/environmentprobe/pubs/ev542.html](http://www.environmentprobe.org/environmentprobe/pubs/ev542.html).
- Paddon, Michael  
1998 *Privatisation of Water and Sewerage System in Manila, Philippines*. Under Contract: Restructuring and Privatisation with Government Undertakings on

Employment. In de Luca, ed. *Labor and Social Dimensions of Privatisation and Restructuring*. ILO, Geneva.

- Pascual, Clarence G.  
2000 *Privatization and Labor: A Case Study of the Metropolitan Waterworks and Sewerage Systems (MWSS)*. Philippine Center for Policy Studies. 13 April.
- Philippine Center for Investigative Journalism  
2000 *Water Thieves Operate with Impunity*. 6-7 March or [www.pcij.org/stories/2000/water2.html](http://www.pcij.org/stories/2000/water2.html).
- Presidential Decree No. 1406  
1978 An Act Creating the Metropolitan Waterworks and Sewerage System and for other Purposes. Manila. 7 June.
- Republic Act No. 8041  
1995 An Act to Address the National Water Crisis and For Other Purposes. 7 June.
- Republic Act No. 6234  
1971 An Act Creating the Metropolitan Waterworks and Sewerage System and Dissolving the National Waterworks and Sewerage Authority; and For Other Purposes. 19 June.
- Republic Act No. 1383  
1955 An Act Creating a Public Corporation to be Known as the National Waterworks and Sewerage Authority. 18 June.
- Solon, Orville and Steven Jon Pamintuan  
1999 Opportunities and Risks in the Privatization-Regulation of the Metropolitan Water (sic) and Sewerage System. In Canlas, Dante and Fujisaki, eds., *Studies in Regulation and Governance: The Philippines*. Institute of Developing Economics.
- Tantiongco, Rex  
n.d. *Regulation of Water and Sewerage Services: The Philippine Experience*. Paper downloaded from [www.arts.maresh.edu.au](http://www.arts.maresh.edu.au).
- Victa-Labajo, Marie  
2001 AKBAYAN Citizens' Action party. 11 June, 14 June, 15 October.
- Villareal, Wilfredo  
2000 Water Can be Cheap and Safe.
- Wijayanti, Asti  
2000 Non-Revenue Water Problems in Metro Manila.
- Yaron, Gil  
2000 *The Final Frontier*. A Working Paper on the Big 10 Global Water Corporations and the Privatization and Corporatization of the World's Last Public Resource. Polaris Institute and the Council of Canadians, 15 March.

#### Government Documents

*MWCI Annual Reports, 1997 to 2002*. Quezon City, Philippines.

*MWSS Annual Reports, 1997 to 2002*. MWSS Regulatory Office: Quezon City, Philippines.

# **Regulation (and Competition) in the Philippine Electricity Industry**

MARIA FE VILLAMEJOR-MENDOZA\*

*The regulation of the public utilities sector has been practiced by the government to promote public interest in the context of non-competition. With the entry of new service providers, however, new forms of regulations are reconfigured to prepare the industry for a deregulated environment that will remain committed to promoting public welfare. In the Philippine electric industry, for instance, it has been observed that economic regulation is gradually evolving from a command-control type to one which is facilitative of competition. The circumstances surrounding this evolution and its prospective future are discussed in this article. The article reviews the changing patterns in regulation as well as the changing ownership profile of the electric industry. It is argued that the emerging nature of regulation is taking the right direction as it promotes competition, enhance the quality of service and makes the regulatory agency more responsive and effective.*

## **Introduction**

In the utilities sector, regulation has been resorted to by governments ideally to set the rules of the game, level the playing field, and in the end, further public interest and welfare. During the past decades, with the trend toward reforms encouraging freer markets, regulations are being reconfigured, if not discarded, for competition to flourish and at the same time, ensure that even in an envisioned deregulated regime, public interest and welfare are still promoted and assured. In the Philippine electricity industry (PEI), economic regulation in the industry has evolved from a command-control type of economic regulation to one envisioned to be positive, facilitative and promotive of competition. The century old orientation in regulating the PEI has, however, remained to set power rates and prescribe standards of service provision, using the "cost-of-service" (COS) or the return on rate base regulatory regime.

---

\*Associate Professor, National College of Public Administration and Governance, University of the Philippines Diliman (UP-NCPAG).

This article is excerpted from Chapter 3 of the author's dissertation entitled, "An Analysis of Regulation in the Philippine Electricity Industry: Lessons of the Past and Options for Future Governance," in fulfillment of the final requirements for the degree of Doctor of Public Administration at the UP-NCPAG. The author acknowledges with gratitude the guidance and support of her adviser, Dr. Ledivina V. Cariño, University Professor, UP, and her critic, Prof. Romeo B. Ocampo, Professor, UP.

The COS regulation is part of a fundamental regulatory compact of cost-recovery and reasonable return. The monopoly/utility gives up its right to charge prices based on current supply and demand conditions and thereby, perhaps acquire scarcity rents or monopoly profits. In return, the regulated firm receives the right to charge a set of lawful prices for its services that will give it a fair chance to recover its costs and earn a reasonable return on its invested capital. Such return should be sufficient to allow the regulated firm to attract capital, and not result in a windfall in excess of the investors' cost of capital. This has been done in order to prevent market abuse, sanction "erring" industry players, and control utilities for public service. A collective of public regulatory agencies also exists supposedly to promote public interest.

This study attempts to chronicle this paradigm shift, from command-control economic regulation to an envisioned regulation for competition in the PEI. Specifically, it reviews the changing patterns of regulation and the recent developments in introducing competition in the industry. Furthermore, it aims to draw some conclusions on important lessons learned as well as reflect on the future of regulation and competition in the PEI.

### **The Changing Patterns of Regulation in the Philippine Electricity Industry**

#### *Regulatory Periods in the Philippine Electricity Industry*

Although there is no categorical delineation of the regulatory periods in the country, as inferred from the major laws, policies and jurisprudence in the PEI, these could be classified into two: the "nationalization" period, roughly from 1903-1987; and the era of "restructuring and opening up of the PEI," from 1987 to present.

The *nationalization* period is generally characterized by the predominant national or state involvement in the provision, transmission, and regulation of electricity. It spans from the political period of the American colonial rule and Commonwealth government (1901-1946), to the republican years until the administration of and martial rule by Ferdinand E. Marcos (1965-1986) and early years of Corazon C. Aquino (1986-1987).

The *restructuring* period, on the other hand, is generally distinguished by efforts of the state to open the PEI for competition and involve the private sector and other stakeholders in the provision and regulation of electricity. It spans from the later years of the Aquino administration (1987-1992) to the succeeding political administrations of Fidel V. Ramos (1992-1998), Joseph E. Estrada (1998-2001), and Gloria M. Arroyo (2001-present).



Table 1 summarizes the important and relevant laws that have shaped the regulation of the electricity industry since the 1900s. To reiterate, it chronologically starts from 1903 with the enactment of the Municipal Franchises Act, and ends in 2001, with the enactment of the Electric Power Industry Reform Act (EPIRA) of 2001, also known as Republic Act (RA) No. 9136.

The "nationalization" period covers policies, laws, and jurisprudence spanning almost eight decades until the late 1980s. The era of "restructuring and opening up of the PEI" starts in the mid-1980s with the issuance of Executive Order (EO) No. 215. Figure 1 is an attempt at illustrating the milestones in PEI regulation in a timeline chart. It plots the chronology of events as the laws and policies were crafted.

### *The Period of "Nationalization"*

Before the aggressive restructuring policy and other reforms opening the industry for competition, the tradition in the country had been a continuous trend towards increasing government control of the electricity industry. This has been so because like other industries which are pioneering and strategic in nature, electricity has been deemed as one of the 'commanding heights' of the economy.

In this period of "nationalization," roughly from 1903 to 1987, where the prevailing state philosophy was a more active state participation in directing and controlling economic activities for development, regulation was manifest through various means, mainly through:

- (1) the ownership and operation (or as some countries call it, the 'nationalization') of a vertically integrated generating and transmission state company called the National Power Corporation (NPC);
- (2) the supervision of the distribution and supply backbone through the financing and organization of private rural electric cooperatives (REC) by the National Electrification Administration (NEA);
- (3) the policy determination and planning of the PEI by the Department of Energy (DOE);
- (4) the economic price setting and prescription of service quality standards among players in the PEI by the NPC until 1993, and by the Energy Regulatory Board (ERB), after 1993 to 2001. The ERB is a quasi-judicial industry regulator, which took over the functions of the abolished Public Service Commission (PSC, for all public

**Table 1. Major Laws, Policies and Jurisprudence on the Regulation of the Philippine Electricity Industry**

<i>Law or Jurisprudence and Date of Enactment</i>	<i>Title</i>
<b>The "Nationalization" Period (1903-1987)</b>	
1935, 1973, 1987	The Constitution of the Commonwealth and the Republic of the Philippines
Act 667, 6 March 1903	Municipal Franchises Act
Act 1459, 1 April 1906	Corporation Law
Act 2307, 9 December 1913	Creation of the Board of Utility Commissioners
Act 3108, 19 March 1923	An Act Creating the Public Service Commission (PSC)
Act 3636, 7 December 1929	Prescribing the Form for Bills for the Granting of Electric Light and Power Franchises
Act 3844, 9 November 1931	Amending the Public Service Act of 1923
CA 120, 3 November 1936	An Act Creating the National Power Corporation (NPC)
CA 146, 7 November 1936	An Act to Reorganize the PSC, Prescribe its Powers and Duties, Define and Regulate Public Services... and For Other Purposes
RA 358, 4 June 1949	An Act Amending Section 2(k) of CA 120
RA 6395, 10 September 1971	An Act Revising the Charter of the NPC
PD 40, 7 November 1972	Establishing Basic Policies for the Electric Power Industry
PD 269, 6 August 1973	An Act Creating the National Electrification Administration (NEA)
PD 984, 18 August 1976	Providing for the Revision of RA 3931, Commonly Known as "The Pollution Control Law"
PD 1151, 6 June 1977	Philippine Environmental Policy
PD 1152, 6 June 1977	Philippine Environment Code
PD 1206, 6 October 1977	A Decree Creating the Department of Energy
PD 1573, 11 June 1978	An Act Amending PD 1206
PD 1586, 11 June 1978	Establishing an Environmental Impact Assessment System
PD 1700, 10 July 1978	Granting the Board of Energy the Power to Regulate and Fix the Rates of Pipe-line Concessionaires and Amending for this Purpose Section 9 of PD 1206
RA 6173, 25 April 1977	An Act Establishing an Oil Industry Commission, and For Other Purposes
EO 172, 8 May 1987	Creating the Energy Regulatory Board
EO 193, 10 June 1987	An Act Providing for the Reorganization of the Office of Energy Affairs
ERB Rules and Regulations, 15 February 1988	Rules of Practice and Procedure Governing Hearings before the Energy Regulatory Board

Table 1 (continued)

The "Restructuring/Opening Up" Period (1987-2001)	
EO 215, 10 July 1987	Amending PD 40 and Allowing the Private Sector to Generate Electricity
EO 226, 27 July 1987	The Omnibus Investment Code of 1987
RA 6957, 1991	An Act Authorizing the Financing, Construction, Operation and Maintenance of Infrastructure Projects by the Private Sector (The Build-Operate-Transfer Law of 1991)
RA 7718, 14 April 1994	An Act Amending Certain Sections of RA 6957
RA 7638, 19 December 1992	An Act Creating the Department of Energy
DOE Regulations 1-94	Rules and Regulations Implementing Section 5(i) of RA 7638
DOE Circular 95-11-009, 8 November 1995	Guidelines and Procedures for the Granting of Financial Benefits under DOE Regulations 1-94
DOE Regulations 01-95, 1 February 1995	Rules and Regulations Implementing EO 215
DOE Circular 96-08-009, 9 August 1996	Providing Additional Guidelines for the Granting of Benefits under DOE Regulations 1-94
DOE Circular 97-01-001, 21 January 1997	Amending Certain Provisions of DOE Energy Regulations 01-95
DOE Regulation 1-97, 5 February 1997	Rules and Regulations Governing Bulk Power Supply of Industries from the National Power Corporation (NPC)
DOE Circular 98-04-006, 22 April 1998	Repealing DOE Regulation 1-97
DOE Circular 2000-03-003, 17 March 2000	Further Amending Provisions of ER 1-94
RA 7718, 27 April 1994	Act Amending Certain Provisions of RA 7648
RA 7832, 8 December 1994	Anti-Electricity Pilferage Act of 1994
EO 473, 17 April 1998	Providing for the Segregation and Unbundling of Electric Power Tariff Components of the NPC and Franchised Electric Utilities
ERB Resolution 95-21	Standard Operating Rules and Regulations Governing the Operation of Electric Power Services
ERB Case No. 96-118, 11 June 1997	Open Access Transmission Tariff
ERB Pricing Regulation, 6 September 1999	Existing Pricing Policy for Private Electric Distribution Utility
RA 9631, 8 May 2001	Electric Power Reform Act of 2001

Source: Various laws.

**Figure 1. The Milestones in the Regulation of the Philippine Electricity Industry, 1903-2001**

The Nationalization Period, 1900-1987				The Opening Up/Restructuring Period, 1987-2001		
American Period, 1900-1941	Japanese Period, 1942-1945	"Republican Period," 1945-1971	Martial Law Period, 1972-1986	People Power 1	Post-Martial Law Period, 1986-Present	
Municipal Franchise Act of 1903			PD 40 of 1972		EO 215 of 1987	
Corporation Law of 1906					Omnibus Investment Code of 1987	
Public Service Act of 1913, 1923, 1929, 1931, 1936	NPC Act of 1936	NPC Amendment of 1949, 1971	NEA Act of 1973		The BOT Law of 1991	
			Environmental Laws of 1977, 1978		Electric Power Crisis Act of 1993	
			DOE Act of 1977, 1978			DOE Act of 1992
			Oil Industry Commission Act of 1977	ERB Act of 1987/OEA Reorganization Act of 1987		DOE Regulations 94-2000
			BOE Act of 1976			Tariff Segregation and Unbundling of 1998 (EO 473)
			1972 Philippine Constitution	1987 Philippine Constitution		ERB Open Access Transmission 1997; Pricing Policy 1999
	1935 Philippine Constitution					RPIRA Act of 2001
1900	(Active Provision, Sale, and Regulation of Electricity by the National Government)			1986	(Opening of the PEI to Competition)	2001

utilities or public service organizations)<sup>1</sup> in 1972. It also took over the functions of the Oil Industry Commission (OIC, for the oil industry/sector only), and the Board of Energy (BOE, for the oil industry, electric power utilities, pipeline concessions, and shipping and transportation of petroleum products and coal). With the Electric Power Industry Restructuring Act (EPIRA), the ERB was abolished and replaced by Energy Regulatory Commission (ERC) in the second semester of 2001.

- (5) the grant of franchises to electric power utilities by the PSC, NEA, local government units, and/or the Legislature;
- (6) the arbitration of constitutional questions, particularly the nationalistic provisions of the Constitution by, and the recourse to judicial appeal from the Judiciary; and
- (7) the intermittent "intervention" by the President of the Republic on certain issues and public demands related to the PEI.

#### *The Restructuring Period*

The restructuring period saw the swift implementation of reforms not only in the PEI, but also in other sectors of the economy. As part of the policy of the State recognizing the importance of the private sector as the engine of (economic) growth in the country, the Aquino and succeeding administrations implemented a number of policies to encourage private sector participation even in areas reserved to the public sector. Among these were:

- (1) EO 215 (Amending PD 40 and Allowing the Private Sector to Generate Electricity, 1987)
- (2) EO 226 (The Omnibus Investment Code of 1987)
- (3) RA 6957 (The BOT Law of 1991) and RA 7718 (Amending Certain Sections of RA 6957)
- (4) RA 7638 (The DOE Act of 1992)
- (5) RA 7648 (The Electric Power Crisis Act of 1993)
- (6) RA 7837 (The Anti- Electricity Pilferage Act of 1994)
- (7) ERB Regulation 95-21 (Standard Rules and Regulations for the Operation of Electric Power Services)

- (8) EO 473 (Segregation and Unbundling of Electric Power Tariff Components of NPC and Franchised Utilities, 1998)
- (9) ERB Pricing Regulation for Private Electric Distribution Utilities (1999)
- (10) RA 9136 (The Electric Power Industry Restructuring Act of 2001).

As a consequence of the rethinking of the role of the State vis-à-vis the private sector, a number of pro-market policies were enacted. These policies opened up industries that used to be monopolies of the State, among them those in the electricity sector.

*Executive Order No. 215 (Amending Presidential Decree 40 and Allowing the Private Sector to Generate Electricity)*

As earlier noted, Presidential Decree No. 40 placed "the sole responsibility for setting up the transmission line grids and the construction of associated generation facilities in Luzon, Visayas, Mindanao and the major islands of the country to the NPC" (Section 2). The ultimate objective of the government during the martial law period was "for the NPC to own and operate as a single integrated system of generating facilities supplying electric power to the entire nation" (Section 5).

When Corazon C. Aquino became President in 1986, power generation by NPC was way below the demand. NPC was not in a position to supply all the system requirements for power. It was in financial difficulty and was funding its operations and even the construction of power plants through borrowings (Viray and Delgado 2004: 34). NPC's external debt was about 75 percent of the total external debt of the country because of its failed investments in infrastructure development, e.g., the mothballed Bataan Nuclear Plant (DBM figures as cited in Mendoza et al.: 2002).

Thus, EO 215 (s. 10 July 1987) opened up the power generation sector and allowed "private corporations, cooperatives, or similar associations to construct and operate the following types of electric generating plants... subject to the rules and regulations in Section 2 thereof:

- (1) *Cogeneration units*, defined as the production of electric energy and forms of useful thermal energy (such as heat or steam), used for industrial, commercial, heating or cooling purposes through sequential use of energy;
- (2) *Electric generating plants* intending to sell their production to the grids, consistent with the development plans formulated by the NPC;

- (3) *Electric generating plants* intended primarily for the internal use of the owner who also plans to sell excess production to the grids; and
- (4) *Electric generating plants* outside the NPC grids, intending to sell directly or indirectly to end-users" (Section 1, EO 215).

Section 2 of said executive order states that "rules and regulations to govern private sector involvement in power generation shall be formulated by the National Power Corporation for areas within the NPC grids, and the National Electrification Administration for areas outside the NPC grids. Such rules and regulations shall be made, subject to consultation with concerned agencies including the private sector, and approval of the Office of Energy Affairs (OEA)." (The OEA was the reconstituted DOE in 1987 by virtue of EO 193. It became the DOE again in 1992 under RA 7638.)

EO 215 opened the generation subsector of the PEI. However, it did not abandon the command-control type of regulating this sub-sector, as can be inferred in 3 above (Obligation). Penalties still awaited "erring" independent power producers (IPPs), although as experience in later years suggests, incentives in 4 (Terms and Conditions) appeared greater than the sanctions or penalties imposed.

The latter was in keeping with the spirit of the policy of the State to *promote competition in power generation and increase the responsibility of all utilities to perform their own planning, including the acquisition of an efficient portfolio of generation resources* (Section 1, Article 1, Statement of Policy, Scope and Definition of Terms, Implementing Rules and Regulations [IRR] of EO 215, Energy Regulations 1-1995, *emphasis supplied*).

In opening up the generation subsector, EO 215 ended the monopoly of NPC in power generation. It gave rise to a number of IPPs from multinational corporations, joint ventures, and other private companies in the country and abroad. It nevertheless retained the responsibility of NPC for setting up transmission line grids and the construction of associated generating facilities in the country. The latter maintained a (monopsony) situation whereby NPC remained the sole buyer of generated power. The NPC as owner of the transmission system has market power over the IPPs because it controls the transmission grid and refuses to put a price for the use of these grids openly. Moreover, the size of the private generating capacity that was allowed to IPPs was restricted to mere suppliers of peak-load demand. Thus, there was no sufficient private response (Sicat 2002).

*RA 6957 (The BOT Law of 1991) and  
RA 7718 (Amending Certain Sections of the BOT Law)*

The BOT laws (both the 1991 and 1994 versions) recognized "the indispensable role of the private sector as the main engine for national growth and development." These also stipulated the policy of the State "to provide the most appropriate incentives to mobilize private resources for the purpose of financing the construction, operation and maintenance of infrastructure and development projects normally financed and undertaken by Government. Such incentives, aside from financial incentives as provided for by law, *shall include providing a climate of minimum government regulations and procedures and specific government undertakings in support of the private sector*" (Section 1, RA 6957, *underscoring supplied*).

These laws also authorized all government infrastructure agencies, including government owned and/or controlled corporations (GOCCs) and local government units (LGUs) to enter into contract with any duly prequalified project proponent of a *private sector infrastructure or development project* (Section 3).

Thus, these opened most infrastructures or development projects, which used to be undertaken by government because the latter was cash-strapped and needed to free its limited resources so that it could use its resources on social projects and governance (Ramos 1997). The BOT laws provided the necessary policy framework and clear-cut guidelines for contractual arrangements of private sector infrastructure projects. These also authorized the financing, construction, operation and maintenance of these projects by the private sector.

The contractual arrangements or agreements, which the GOCCs, LGUs and other government infrastructure agencies may negotiate with the private sector, include any of the following:

- (1) *Build-operate-and-transfer (BOT)*—whereby the proponent undertakes the construction, including financing, operation and maintenance of a given infrastructure facility. The proponent operates the facility over a fixed term during which it is allowed to charge facility users appropriate tolls, fees, rentals, and charges to enable it to recover its investments. The project proponent then transfers the facility to the government agency unit concerned at the end of the fixed term, which shall not exceed fifty years.
- (2) *Build-and-transfer (BT)*—whereby the proponent undertakes the financing and construction of a given infrastructure or development facility and after its completion, turns it over to the government agency or unit concerned. The latter shall pay the former on an



agreed schedule its total investments on the project plus a reasonable rate of return thereon.

- (3) *Build-own-and-operate (BOO)*—whereby a proponent is authorized to finance, construct, own, operate and maintain an infrastructure or development facility from which it is allowed to receive its total investment, operating and maintenance costs plus a reasonable return thereon, by collecting fees, tolls, rentals and other charges from facility users; provided that such project, upon recommendation of the Investment Coordination Committee (ICC) of the National Economic and Development Authority (NEDA), shall be approved by the President of the Philippines.
- (4) *Build-lease-and-transfer (BLT)*—whereby a proponent is authorized to finance, and construct an infrastructure or development facility and upon its completion, turn it over to the LGU or agency concerned on a lease arrangement for a fixed period after which ownership is automatically transferred to the government agency concerned
- (5) *Build-transfer-operate (BTO)*—whereby the proponent constructs a facility on a turnkey basis and assumes cost overrun, delay and specified performance risks. Once the facility is commissioned satisfactorily, the title is transferred to the implementing LGU or national government concerned. The private entity, however, operates the facility on behalf of the latter under an agreement.
- (6) *Contract-add-and-operate (CAO)*—whereby the proponent adds to an existing infrastructure facility which it is renting from the government. It operates the project over an agreed franchise period.
- (7) *Develop-operate-and-transfer (DOT)*—whereby favorable conditions external to a new infrastructure project which is to be built by a private proponent are integrated into the arrangement by giving that entity the right to develop adjoining property, and thus enjoy some of the benefits the investment creates such as higher property or rent values.
- (8) *Rehabilitate-operate-and-transfer (ROT)*—whereby an existing facility is turned over to the private sector to refurbish, operate and maintain for a franchised period, at the expiry of which, the legal title to the facility is turned over to the government.
- (9) *Rehabilitate-own-and-operate (ROO)*—whereby an existing facility is turned over to the private sector to refurbish and operate with no time limitation imposed on ownership. As long as the operator is not

in violation of its franchise, it can continue to operate the facility in perpetuity (Section 2, RA 7718).

A number of IPPs had their contractual arrangements in these modes as can be gleaned from Table 2.

**Table 2. The Independent Power Producers (IPPs) as of 2001**

<i>Proponent (IPP)</i>	<i>Name of Power Plant</i>	<i>Type of Power Plant/Arrangement</i>	<i>Generation Capacity/ Commercial Operation</i>	<i>Electric Utility Client for MOA/PPA</i>
Hopewell Holdings (Hong Kong)	Navotas Gas; Pagbilao, Quezon	Turbine 1-3/BOT; Turbine 4/BOT; Coal-fired/BOT	210 MW / 1/15/91; 100 MW / 3/30/93; 350 MW / 4/96; 6/96	NPC
Hopewell Tileman Ltd. (HK)	Gas Turbine	Power Barges/ROM	270 MW / 1993	NPC
Enron Power Corp. (USA)	Subic, Zambales; Pinamucan, Batangas;	Diesel/ROL; Diesel Plant/BOT; Diesel Plant/BOT	28 MW / 1/18/93; 105 MW / 7/93; 108 MW / 3/94	NPC
Ormat/California Energy (USA)	MakBan Binary; Tongonan, Leyte; Tongonan, Leyte	Geothermal/BTO; Geothermal/BOT; Geothermal/BOT	15.73 MW / 3/94; 200 MW / 11/1997; 440 MW / 7/1998	NPC
ABB/Maruben/Kawasaki (Swiss/Japan)	Limay, Bataan Limay, Bataan	Combined Cycle GTTP Block A/BTO; Combined Cycle Gas Turbine Block B (simple cycle)/BTO	210 MW; 90 MW / 4/93; 10/94 210 MW; 90 MW / 11/93; 1/95	NPC
Maruben Corp./Oxbow Power (Swiss/Japan)	Kidapawan, North Cotabato	Geothermal-steam/BOT	47 MW / 2/1997	NPC
ALSONS/Tomen (RP/Japan)	Iligan Plant 1; Iligan Plant 2; Sangali, Zamboanga; Sarangani	Diesel Plant/BOT; Diesel/BOT; Bunker C/BOT; Bunker C/BOO	58 MW / 7/31/93; 40 MW / 12/93; 100 MW / 50 MW	NPC
Chiang Jiang Energy Corp. (China)	Bingo	Hydro Power / ROL	100 MW / 8-1993	NPC
Far East Livingston (Singapore)	Calaca, Batangas; North Harbor	Diesel Power Barges/OL; Diesel Power Barges/OL	90 MW / 9/93; 90 MW / 7/94	NPC
Mitsui/BWES (Japan/Denmark)	Mindanao Diesel	Diesel Power Barge/BTO	100 MW; 100 MW / 4/94; 7/94	NPC
Van Der Horst Ltd. (Singapore)	Navotas Diesel	Diesel Power Barge/OL	120 MW / 9/94	NPC
Sabah Shipyard SDN, BHD (Malaysia)	Engineering Island	Power Barge/OL	100 MW / 10/94	NPC

Table 2 (continued)

Proponent (IPP)	Name of Power Plant	Type of Power Plant/Arrangement	Generation Capacity/ Commercial Operation	Electric Utility Client for MOA/PPA
KEPCO (South Korea)	Malaya Thermal	Geothermal Plant/BOM	650 MW / 9/15/95	NPC
Edison Global (HK)	Bataan EPZA	Diesel Plant/BOO	58 MW / 6/30/94	NPC
National Irrigation Administration	Casencan, Nueva Ecija	Hydro/BOT	140 MW / 2003	NPC
San Pascual Co- generation	San Pascual, Batangas	LSWR/BOO	304 MW	NPC
Cavite Energy (RP 80%)	Cavite	Combined Cycle GT/BOT	830 MW / 1994	Meralco
MUDC (Magellan) (RP 65%)	Pinamucan, Batangas	Coal-fired/BOO	2 x 300 MW	Meralco
Ogden/PMR (USA)	Mauhan, Quezon	Coal-fired/BOO	434.4 MW / 1/2000	Meralco
First Gas Power Corp.	St. Rita, Batangas San Lorenzo, Batangas	Liquid fuel/natural gas/BOT Liquid fuel/natural gas/BOT	1000 MW / 2000 600 MW / 2002	Meralco
Duracom Mobile Power Corp.	Along Pasig River	Power barges/BOT	108 MW	Meralco
Mindanao Energy Systems (RP 55% and Canada)	Misamis Oriental	Oil-fired (Bunker C)/BOO	3 x 6.3 MW / 1994	Electrical Systems (Canada)
Mactan Power (RP 65%)	Mactan, Cebu	Diesel Fuel-fired Cogeneration/BOO	49.5 MW / 12/1993	Visayas Electric
Cebu Private Power	Ermita, Cebu	Bunker C Diesel Engine/BOT	71.1 MW	Visayas Electric
Angeles Power	Bacolor, Pampanga	Bunker-fired/BOO	12 MW / 8/1994	Angeles Electric Corp.
First Cabanatuan Ventures	Cabanatuan City	Bunker-fired/BOT	12.8 MW / 4/1996	Cabanatuan Electric Corp.
Tarlac Power	Tarlac, Tarlac	Bunker-fired/BOO	2.6 MW	Tarlac Ent. Inc.
Hydro Electric Dev. Corp.	Davao City	Hydro/EPSA	1.2 MW / 5/1992	Davao Light and Power
Panay Power	Iloilo	Diesel/Long term power off take	50 MW / 3/1999	Panay Electric Company
Bubunawan Power	Bukidnon	Hydro/BOT	7 MW / 8/1999	Cagayan Electric

Notes: BOT - build operate transfer  
BOM - rehabilitate own maintain  
BOO - rehabilitate operate lease

BOO - build operate own  
BTO - build transfer operate  
OL - operate lease

Source: Department of Energy Database 2001; National Power Corporation as cited in *Iloilo*, Vol. 21, No. 10, 30 May 1988.

The BOT contractual arrangements carried with them *direct government guarantees*, whereby the *government* or any of its agencies with contracts with private proponents *assumes responsibility for repayment of debt* directly incurred by the latter in implementing the project in case of a loan default (Section 2, RA 7718). Moreover, as earlier noted, aside from financial incentives as provided for by law, private proponents were also assured of *minimum government regulations and procedures and specific government undertakings in support of the private sector* (Section 1, RA 6957).

The generous incentives embodied in the power purchase contracts created a surge of entrants. The list of these private power producers is provided in Table 2. In a typical power purchase contract, the Philippine government shouldered the risk associated with market demand, exchange rate fluctuations, fuel cost, retail tariff and sovereign risks. In effect, IPPs were risk-less investments (Fabella 2002).

An example of an incentive for the private power producers under the BOT laws is the controversial "take or pay" provision in the IPP contracts. This provision is attached to the proponent's guarantees to make available for dispatch certain amount of capacity in exchange for NPC's regular payment of the fixed fees. Whether or not the capacity made available by the project proponent is actually utilized or dispatched, the obligation for NPC to pay still remains (DOE in Del Mundo 2002).

The rationale for this provision is that the cost of constructing power plants is financed through non-recourse project financing, i.e., involving the setting up of special purpose companies whose only assets are the power facilities themselves and the fees to be derived from the operation thereof. These assets are assigned to the project's lenders during the term of the project debt and a first lien is created in favor of the lenders for the purpose of guaranteeing the repayment of the debt. The revenues of such project companies must remain to be predictable for international financing institutions to continue extending loans to such undertakings (DOE in Del Mundo 2002).

Another explanation is that NPC has agreed to assume the market risk for the different BOT projects under the private power program. NPC takes the risk of being able to resell the capacity made available by power facilities operated by IPPs. Therefore, as long as the proponents are able to make available the capacity it has guaranteed in their agreements with NPC, it is no longer their concern whether or not NPC is able to find a market for the available capacity (DOE in del Mundo 2002),

Another incentive or enhancement to mitigate risks in the IPP contracts is the so-called government performance undertaking or PU. With PU, the IPPs are assured that NPC would be able to discharge all its obligations as they fall due, and if NPC should fail, the IPP would have the government as a recourse (Viray and Delgado 2002b).

The rationale for NPC taking the market risk may be explained by the fact that the IPPs are required under the agreements to sell their capacity exclusively to NPC.<sup>3</sup> They cannot sell their output and have no direct access to consumers since they have no franchises and, thus, cannot be considered public utilities. Only NPC has direct access to consumers and has control as to when these IPPs are dispatched and by how much each (power generating)

facility produces. According to Viray and Delgado (2002b: B4), "it is but fair for NPC to assume the demand or market risk. In addition, these are common arrangements in debt-financed infrastructure projects anywhere in the world."

On the contrary, Fabella (2002) believes that while the IPP-mediated power generation capacity effectively ended the power crisis in 1995, the contingent liabilities embodied in these contracts became a fiscal minefield in the next five years. The PPA has stipulated that NPC purchase power from IPPs regardless of level of dispatch (the "take or pay" feature). NPC must pay between 25 to 80 percent of the agreed-upon generated power even if it took up none of this. This resulted in power cost up to 25 percent more costly than the power NPC generated in its own facilities (Tuano 2001; Reside 2001).

When excess power capacity came on stream, this became a fiscal nightmare. NPC's loss was P5.9B in 1999 and P9.9B in 2000 and counting. When NPC tried to recoup the cost by raising NPC tariff, it stoked a political storm (Fabella 2002).

Nevertheless, the BOT laws generally eliminated the restrictions on the size of generating facilities. The self-generation by public electric utilities was allowed. Power consumers that had requirements of at least 100 Mw were allowed to directly connect to the NPC transmission grid. Thus, a major effect of the BOT laws was strong private sector response. This consequently led to the quick expansion of power capacity (Sicat 2002).

#### *RA 7638 (The DOE Act of 1992)*

The Department of Energy (DOE) was abolished during the early years of the Aquino Administration because of allegation that it had become one of the milking cows of Marcos and his cronies. It was later reconstituted by the same Administration, after five years of being relegated as the Office of Energy Affairs by virtue of EO 193 in 1987. The DOE retained its primary role in formulating policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of all forms of energy products and resources (Section 5a). In addition, and in recognition of the privatization philosophy of the government, it was tasked to:

- (1) Develop and update the existing Philippine energy program, which shall include among others, policy direction towards the privatization of government agencies related to energy, deregulation of the power and energy industry, and reduction of dependency on oil-fired plants;
- (2) Exercise supervision and control over all government activities relative to energy projects in order to attain the goals of this Act;

- (3) Regulate private sector activities relative to energy projects as provided for under existing laws. Provided that the DOE shall endeavor to create an environment conducive to free and active private sector participation and investment in all energy activities;
- (4) Devise ways and means of giving direct benefit to the LGU, especially the community and people affected and the equitable preferential benefit to the region that hosts the energy resource and/or the energy generating facility. Provided, however, that the host LGU/s shall not be deprived of their energy resources;
- (5) Encourage private enterprises engaged in energy projects, including corporations, cooperatives, and similar collective organizations, to broaden the base of their ownership and thereby encourage the widest public ownership of energy-oriented corporations; and
- (6) Formulate such rules and regulations and exercise such other powers as may be necessary or incidental to attain the objectives of this Act (Section 5, Chapter I, General provisions, RA 7638).

Under this Act, the reconstituted DOE would also be responsible for the country's power development program. It would also integrate IPP plants into the national electricity system (item 3 above).

The Philippine National Oil Company (PNOC), NPC and NEA would continue to be attached corporations, subject to the supervision of DOE. The Office of Energy Affairs (OEA) and the Energy Coordinating Council (ECC) were abolished, and their functions were transferred to the Department (Section 13, Chapter III, and Section 15, Chapter IV, RA 7638). The Energy Regulatory Board (ERB) became OEA by virtue of EO 193. Thus, this provision of the DOE law transferred the policymaking powers of the ERB to the Department.

In addition, the Board's non-price regulatory jurisdiction, powers and functions, as provided for in Section 3 of EO 172 (ERB law) were transferred to the DOE. These include, "when warranted and only when public necessity requires, (the Board may) regulate the business of importing, exporting, re-exporting, shipping, transporting, processing, refining, marketing, and distribution of energy resources" (Section 3).

As a seeming concession, on the other hand, the ERB got the price fixing powers of the NPC and the NEA/cooperatives as provided for in the latter's legal bases. Thus, this law is very important because in addition to reconstituting the DOE, RA 7638 also *segregated the regulator and operator roles of the NPC and NEA/rural cooperatives*. It retained the operator role of electric utilities in generation and distribution/supply. However, it transferred

their regulation/price fixing roles to the envisioned regulator of the energy sector, e.g., the ERB.

This reconfiguration fully mandated the ERB with regulating the electricity sector,<sup>3</sup> a task, which some sectors believed, it was not fully prepared to perform. The ERB did not have the experience or the expertise to regulate the industry (Hagler Bailly 1999, Chapter 2: 1).

Specific provisions also mandated the NPC and all franchised utilities with transmission and/or distribution facilities of 69 kilovolts (kV) or above to file with the ERB their standard interconnection policies and procedures, and wheeling tariffs for the Board's approval. *Wheeling tariffs* refers to the "cost or charge (regulated by ERB) for the use of a distribution system and/or availment of related services" (Section 4, RA 9136).

Subsequent legislation vested the ERB with additional responsibilities such as the enforcement of the Anti-Pilferage Act (RA 7832), and relieved the Board of oil industry regulation with the deregulation of the oil industry in 1998 (RA 8479).

The law also established a cap on the recoverable rate of system losses by phasing out pilferage losses as a component thereof. As earlier defined, system loss includes the technical loss in power lines, transformers and meters, and non-technical loss due to pilferage, theft, illegal connections and the like. The total system loss is equal to the difference between the net system energy input (in kWh) and total system energy sales (in kWh) (Hagler Bailly Services, Inc. 2000: 6). The ERB was authorized to determine at the end of the fourth and fifth years, respectively, following the effectivity of this Act, and as often as necessary, taking into account the viability of private electric utilities and rural electric cooperatives, and the interest of the consumers, whether the caps herein established shall be reduced further. The latter should not be lower than nine percent (Sections 9 and 10, RA 7832).

#### *RA 7648 (The Electric Power Crisis Act of 1993)*

In the early 1990s, there was an anticipated surge of electric power demand as industries were encouraged to use power to propel the nation to progress. However, the available system capacity was way below the demand, thus contributing to outages and brownouts. The latter lasted from eight to twenty-four hours a day and wrought havoc on the country. Electric interruptions and outages disrupted the wheels of progress and assumed the nature and magnitude of a public calamity (Section 2, RA 7648).

Thus, RA 7648, "An Act Prescribing Urgent Related Measures Necessary and Proper to Effectively Address the Electric Power Crisis, And For Other

Purposes," was signed on 5 April 1993. It gave emergency powers to the President of the Philippines (then President Fidel V. Ramos) for a one-year period to fast track the implementation of BOT power projects and negotiate insurance capacity projects to meet the peak load requirements at that time. Among others, it allowed the President to enter into negotiated contracts for the construction, repair, rehabilitation, improvement or maintenance of power plants, projects and facilities, *in the public interest and whenever it is advantageous to the Government.*

RA 7648 also reiterated the allowable return on rate base of the NPC to not more than 12 percent (Section 4). It likewise clarified that increase in power rates by NPC should take effect only upon approval of the ERB, but after due notice and hearing. Said increase in 1993 should not exceed an average of eighteen centavos (P0.18) per kilowatt-hour. It should not be passed on to households consuming not more than 100 kWh per month for five years following the effectivity of this Act. Furthermore, the existing subsidy enjoyed by households consuming less than 300 kWh per month should continue to be in effect. In addition, no power rate should be imposed in provinces producing geothermal power of not less than 100 MW of actual capacity for one year following the effectivity of this Act (Section 4).

The grant of emergency powers to speed up the implementation of BOT power contracts was instrumental in 23 out of 45 total power plants created between 1996-1998. This represents more than 51 percent of the total IPP power plants, which in turn led to the increase in system capacity for power generation of the country by as much as 2,600MW, thus ensuring buffer capacity for industrialization needs (see Table 3). These plants are large-scale IPPs in excess of 100 MW in scale. According to Sicat (2002), these are the more efficient power plants producing electricity at lower unit costs.

However, when the Asian currency crisis happened in 1997, there was slowdown in the economy, which in turn dampened the demand for power. Thus, at present we have excess system capacity, which the DOE predicts would service the country's industrialization and other needs only until 2005 (DOE 2001).

*ERB Regulation 95-21 (Standard Rules and Regulations for the Operation of Electric Power Services)*

The Energy Regulatory Board promulgated, on 3 August 1995, Resolution 95-21, entitled "Rules and Regulations Governing the Operation of Electric Power Services." This was predicated on the need to rework PSC Revised Order No. 1 (dated 27 November 1941), which governed the operations of public services under the jurisdiction of the PSC, since conditions had changed since then. It covers all electric power utilities, under the supervision, control and jurisdiction of the ERB, mainly the NPC, private and public electric



**Table 3. The NPC IPP Plants, 1986-1998**

<i>Year (with Milestones) Administration</i>	<i>Number of IPP Plants Contracted</i>	<i>Total Capacity</i>
1986 Aquino Administration (Mothballing of the PNPP)	Nine (9)	1,988.73 MW
30 June 1992 Start of Ramos Administration	Ten (10)	961.95 MW
3 April 1993 RA 7648 (Electric Power Crisis Act) (Start of 1 year-Effectivity Period)	Nine (9)	896.80 MW
30 June 1998 End of Ramos Administration (Start of Estrada Administration)	Three (3)	766.00 MW
TOTAL	Forty Five (45)	9,223.73 MW

Source: Department of Energy 2002.

utilities and rural electric cooperatives. The first and the last were previously not under its jurisdiction but were included by virtue of RA 7638 (DOE law). In addition, the resolution reiterates the authority vested in ERB as a quasi-judicial regulator of the electricity industry.

The Resolution enjoined all electric utilities to comply strictly with all the terms and conditions prescribed in their CPCN's, franchise rules and regulations, memoranda, orders and circulars, and other regulations issued by the Board (Section 3). It required them to operate, maintain, and provide safe, reliable, adequate, efficient and continuous electric service (Section 4), in accordance with the Philippine Electric Code, or when applicable, the provisions of the U.S. Bureau of Standard National Electrical Safety Code (Section 10).

*EO 473 (Segregation and Unbundling of Electric Power Tariff Components of NPC and Franchised Utilities, 1998)*

In addition to opening the sector to competition and private sector participation, particularly in the generation subsector, the government issued EO 473 on 17 April 1998 entitled, "Providing for the Segregation and Unbundling of Electrical Power Tariff Components of the NPC and the Franchised Electric Utilities." EO 473 ordered ERB to formulate and adopt the necessary guidelines to identify the unbundled tariffs and the different types

of services provided and the corresponding tariffs charged to customers by the NPC and all franchised utilities. Unbundled tariffs here should include, as applicable but not limited to, generation charges, transmission, sub-transmission and distribution charges, ancillary service charges and service cost for supply of electricity (EO 473: 2).

Unbundling, open access and the like were in preparation for the restructuring of the electricity industry and the privatization of the NPC, which among others, would require the delineation of the state corporation's generation and transmission functions.

#### *ERB Pricing Regulation for Private Electric Distribution Utilities (1999)*

In the meanwhile, the ERB reiterated the return on rate base (RORB) regulatory regime it had adopted to regulate electric utilities through a 1999 policy statement. The latter presents the rationale for the RORB regime and the legal bases for its use (e.g., *Meralco vs. Public Service Commission*, 18 SCRA 651, and *Republic of the Philippines vs. Medina*, 41 SCRA 643). It restates the statutory standard of "just and reasonable" RORB, which permits a utility to set rates, which (a) will cover operating costs, and (b) provide an opportunity to earn a reasonable rate of return on the property devoted to business. This return must enable the utility to maintain its financial credit as well as attract whatever capital may be required in the future for replacements, expansion and technological innovation. It must also be comparable to that earned by other businesses with corresponding risks (*Existing Pricing Policy for Private Electric Distribution Utility*, 6 September 1999).

#### *RA 9136 (The Electric Power Industry Restructuring Act of 2001)*

While the industry was gradually being restructured and opened to competition, an Omnibus Power Bill was filed in Congress in 1994. This was proposed to address the perceived problems of the PEI, which included among others:

- (1) The Philippines has one of the highest electricity prices in Asia, second only to Japan (see Table 4);
- (2) The liabilities of the National Power Corporation represent 25 percent of national debt and NPC continues to bleed the national coffers dry with subsidies of up to P16 billion a year; and
- (3) The electricity industry needs investments worth \$1 billion a year for the next ten years and the government is still cash-strapped and cannot answer for this (Makati Business Club 2001).

**Table 4. Average Rates of Asian Electric Utilities, 1997**  
(in Peso per kWh)

<i>Country</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial</i>	<i>Overall</i>
Japan	7.1704	5.0488	5.0488	5.6451
Singapore	3.5468	3.0920	2.7069	3.0076
Malaysia	2.3401	3.7779	2.8609	3.1177
Thailand	1.6909	-	1.2434	1.6505
Indonesia	1.6909	2.7949	1.6725	1.6505
Philippines (Meralco)	3.4600	3.4800	3.1800	3.3600
Philippines (NPC)			1.7047	1.7209
Luzon	-	-	1.9365	1.7662
Visayas	-	-	2.0704	1.9419
Mindanao	-	-	1.4067	1.3052
Taiwan	2.9416	3.6312	1.8674	1.9914
South Korea	3.8952	3.9209	2.1127	2.7435

Source: DOE as cited in *The Medium-Term Philippine Development Plan, 1999-2004*: 5-8.

Sicat (2002) opines that the high cost of electricity in the country could be a function of the following: (1) high generation costs; (2) monopoly power at (a) generating level and (b) retail level; (3) power losses; and (4) management inefficiency and high leverage of power companies, including the NPC (Sicat 2002: 5-9).

High generation costs can be partly due to technology of power generation, changes in raw material costs, and contractual obligations. Many observers, and even the NPC, identify the high cost of contracts signed during the power crisis years as the main culprit for high generation costs. This partly accounts for this problem. It has led NPC to buy out some of the very high cost power contracts and also to call for renegotiation of existing ones (Sicat 2002: 6).

The monopoly power is both with the NPC as the state generator and transmitter of electricity, and the private utilities, represented by MERALCO, Visayas Electric Cooperative (VECO), and Davao Light and Power. System losses from transmission to distribution, in the meanwhile, have been on the average of 19 percent.

The Omnibus Power Bill aims to address the complex sets of problems besetting the PEI. Generally, it would restructure the PEI, privatize NPC and institutionalize competition. The much-anticipated legislative fiat came about when RA 9136 or the Electric Power Industry Restructuring Act (EPIRA) of

2001 was enacted in June 2001 after many years of debates. The restructuring of the PEI (RA 9136 Sec. 4) is expected to introduce higher efficiency, greater innovation and end-user choice. It intends to introduce a range of alternatives or mechanisms that will enhance the exposure of the PEI to competitive market forces (Abrenica and Ables n.d.). Such mechanisms include a combination of market actions where competition can be introduced (generation and supply), and effective regulation in segments that remain natural monopoly (transmission and distribution) is ensured (Sicat 2002: 2).

The EPIRA introduces many features of recent international experience in regulatory and competition reform in the power industry (Fabella 2002). These are further discussed in the subsequent section. The idea behind EPIRA is to stimulate competition by allowing various mechanisms for the exercise of independent production of electricity. It also empowers the users by creating points of competition in the purchase of power. It also creates clear-cut regulatory mandates (NPC in Nuqui 1992: 14).

The mandated market safeguards of the EPIRA include the following:

- (1) *Cross-ownership Prohibition*. "No generation company, distribution utility or stockholder or official thereof shall be allowed to hold ownership in the Transmission Company or its concessionaire and vice versa" (Rule 11, Section 3, IRR of RA 9136);<sup>4</sup>
- (2) *Concentration of Ownership Limits*. "No company...can own or control more than thirty percent (30 percent) of the installed generating capacity of a Grid and/or twenty-five percent (25 percent) of the national installed generating capacity..." (Rule 11, Section 4);
- (3) *Bilateral Supply Contracts*. "No distribution utility shall be allowed to source from bilateral power supply contracts more than 50 percent of its total demand from its affiliate engaged in generation..." (Rule 11, Section 5).

These safeguards mean that cross-ownership between generation and distribution is allowed although transactions between affiliates are limited. Transmission, however, is insulated from cross-ownership. The ownership and affiliate contract limitation is to inhibit market power abuse, discriminatory access, transfer pricing and cross-subsidization (PDI 6 July 2002).

The EPIRA is considered a milestone in pushing the reform of the electricity sector. Major provisions are designed to improve the structure of the PEI, which include competition or threat of it through contestable markets. However, a number of issues remain, especially those pertaining to addressing the debts of the NPC when it is privatized.

### The Changing Object of Regulation: From a Nationalized to a Restructured Philippine Electricity Industry

#### Energy Generation Mix

Table 5 describes the energy generation mix of the country from 1990, projected to 2004. It reflects the increasing reliance on imported energy generation sources, e.g., imported oil and coal and conversely, a decreasing reliance on indigenous resources, particularly water and geothermal. This implies a possible overuse of the latter, the inefficiency of their operation, or the antiquity of the power plants of NPC, which generate indigenous resources, or a combination of all of the above and other factors. In terms of the age of NPC power plants, for example, the average was 10-15 years in 1992, hence 20-25 years as of today (see Table 6). The latter implies lower capacity and productivity for electricity generation.

**Table 5. The National Energy Generation Mix, 1990-2004**  
(in Percent)

Fuel Type	1990	1995	2000	2004
A. Imported	50	46	58	54
Oil	47	38	47	45
Coal	3	8	11	9
B. Indigenous	50	54	42	46
Hydro	24	18	4	4
Geothermal	22	25	7	7
Coal	4	11	3	3
New and Renewable	-	-	28	32

Source: For entries in 1990 and 1995: 1991 Power Development Program, NPC as cited in *Ibon*, Vol. 15, No. 7, 15 April 1992; for 2000 and 2004 entries, *The Medium Term Philippine Development Plan 1999-2004*.

**Table 6. The Age of NPC Generating Plants, 1992**

Age in Years	Hydro	Geothermal	Coal	Oil
< 5	0	0	0	4
5 - 10	6	5	2	4
10 - 15	7	4	1	9
15 - 20	0	0	0	1
> 20	8	0	0	2

Source: Philippine Power System Development Map, NPC as cited in *Ibon*, Vol. 15, No. 7, 15 April 1992.

In terms of electric generation by grid, 76 percent is in Luzon, 15 percent in Mindanao, and 9 percent in the Visayas (Abrenica and Ables n.d.). Power generating capacity is about 12,068MW in 1998 and 12,720MW in 2001. The total energized households, municipalities and *barangays* as of end-1997 was 4.4 million (60 percent), 1,450 (100 percent) and 24,719 (69 percent), respectively.

#### *The Philippine Electricity Industry Before Restructuring*

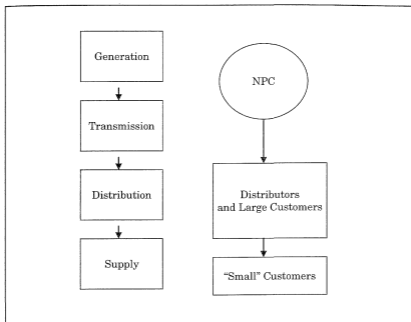
While not yet privatized and completely restructured, the PEI was still divided structurally into two major subsectors:

- (1) A vertically integrated generation/transmission subsector consisting of (a) the state-owned generation and transmission company (e.g., the National Power Corporation or NPC) and (b) a number of independent private generation companies or independent power producers (IPPs); and
- (2) A fragmented and inefficient distribution/supply subsector consisting of some 17 investor-owned utilities (IOUs), 199 rural electric cooperatives (RECs), and 10 municipal, city and provincial distribution systems (see Figure 1).

PD 40 consolidated *all* generating plants and transmission systems in NPC. This consolidation paved the way for government's takeover of all private generating companies in favor of NPC. PD 269 redefined public service distribution utilities and created the National Electrification Administration (NEA) to finance and supervise rural electric cooperatives. Consequently, what became of the industry were components where a) power generation and transmission were monopolized by and integrated in NPC; (b) the reclassification or segregation of (private generating and transmitting public utilities into distribution and supply public services; and (c) the refranchising of distribution utilities, which included RECs, municipal and other private utilities.

Thus, from the 1970s to the mid-1980s, the generation and transmission of electricity was largely a vertically integrated state monopoly in NPC (see Figure 2). The state through NPC owned (and took over) all generating plants and transmission networks in the country. NPC sold electricity at rates specified by its Board and was the overall orchestrator of activities and functions related to electricity generation and transmission.

**Figure 2. The Industry Structure During the "Nationalization" Years (Before late 1980s): Vertically Integrated State Monopoly in Generation and Transmission of Electricity**



**The Power Crisis Years and  
the Initial Opening-up of the Sector, 1980s-1990s**

The power crisis years (late 1980s to early 1990s) were characterized by sporadic brownouts in the country, some lasting to twenty-four hours. Some factors believed to have led to this crisis include delay in the construction of based load power plants, low hydropower generation, failure to raise the much needed capital for new power projects, breakdown of old plants, delay in project implementation due to environmental and social problems, and the abolition of the Department of Energy (del Mundo 2002).

## Generation and Transmission

### *Private Power Producers*

The government, in 1987 and 1991, enacted EO 215 and the BOT law, respectively. These laws paved the way for the opening up of power generation to the private IPPs through the BOT scheme and its variants, e.g., build-operate-own (BOO), rehabilitate own lease (ROL), etc. EO 215 amended P.D. 40. It allowed private corporations, cooperatives, or similar associations "to construct and operate the following types of electric generating plants... subject to the rules and regulations in Section 2 thereof." These include:

- (1) *Cogeneration units;*
- (2) *Electric generation plants* intending to sell their production to the grids, consistent with the development plans formulated by the NPC;
- (3) *Electric generating plants* intended primarily for the internal use of the owner, which also plans to sell excess production to the grids; and
- (4) *Electric generating plants* outside the NPC grids, intending to sell directly or indirectly to end-users (Section 1, E.O. 215, 1987).

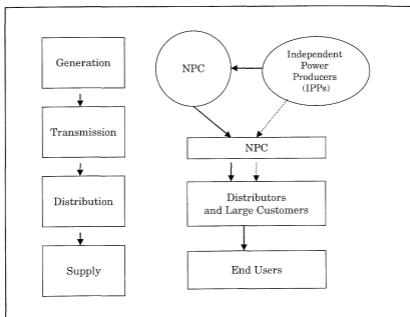
Section 2 of E.O. 215 vested in the NPC and NEA the authority to formulate rules and regulations to govern private sector involvement in power generation in their respective grids, subject to the approval of the Office of Energy Affairs.<sup>4</sup> Private participation was however nil and new incentive packages have to be worked out to lure private investment. E.O. 215 retained the sole responsibility of the NPC for the setting up of the transmission line grids in the country.

The Electricity Power Crisis Act of 1993 and RA 7718 or the Expanded BOT law further attracted private participation in power generation. These also allowed self-generation of power by big industries and the direct connection of consumers with power requirements of at least 100 MW to NPC transmission grids, activities that were both unauthorized in pre-1993 arrangements. Thus today, with the opening up of this subsector, generation is a 61 percent-IPP and 39 percent-NPC venture. Privately run power plants account for some 61 percent of the total capacity (12,716.99 MW) in 2001, overtaking NPC's generating capacity (39 percent) by six-fold. They are allowed to participate in the design and construction, procurement and project management of power plants (a function they did not perform in the past). Energy Conversion Agreements and Power Purchase Agreements (PPA) facilitate cooperation between the NPC (or other power facilities) and the IPPs.



The IPPs, which are mainly transnational companies (TNC) and joint local and foreign ventures, have ballooned because of the many incentives and guarantees, and the assurance of profits given them by the national government. The IPPs numbered around 30 as of 2001 (see Annex 1). Nevertheless, NPC still generates its own electricity even as it buys electricity from the IPPs. NPC then sells the electricity at ERB-regulated wholesale prices to some 271 large industry customers directly connected to its transmission lines. The latter include private electric utilities/cooperatives (126), large industries (93), and government institutions (52) (DOE Database 2001) (see Figure 3).

**Figure 3. Structure of the Industry with Initial Reforms to Open Up the Industry, 1987-2001**



Source: Adopted from Del Mundo 2002: 80.

Initially, the IPPs sold power solely to NPC. However, and through much lobbying, the IPPs were eventually allowed to generate and sell their electricity not only to NPC but also to other utilities.

As can be gleaned from Annex 1, the "early" IPPs (pre-1994) sold their generated power solely to NPC while the rest sold to other electric utilities, e.g., MERALCO, VECO, and Davao Light. Most of the TNC-IPPs have PPAs with NPC, while most of the predominantly local-private power producers generate electricity for (affiliate) distribution utilities, e.g., First Gas, a Lopez company, producing electricity for MERALCO, another Lopez company.

Since 1999 after the Asian financial crisis of 1997, however, the country has been experiencing an oversupply of power and a weakened demand for electricity. Secretary Vince Perez of the DOE, in a speech before the Makati Business Club on 24 June 2002, estimated the excess capacity of the system to be at 11 percent, or 1,235 megawatts. Of the total dependable capacity of 11,191 MW, slightly more than half are hydro (23 percent) and geothermal (30 percent). The reserve margin, the capacity needed to provide a secure supply of power, is given at 22-30 percent or at least 2,462 MW. The demand for electricity however decreased (as cited in Viray and Delgado 2002).

The combination of these factors resulted in the underutilization of power plants' generating capacity by industrial and commercial users, and ironically, an increase in the cost of electricity of all consumers because of the "take-or-pay" provisions in the IPP contracts. The IPPs have been assured of payments even if the power plants' generating capacity is not fully utilized. The "take-or-pay" provisions in the IPP contracts form part of the fixed liabilities, which the NPC and the distribution utilities owed to the IPPs. These, in turn, are reflected in the end users' electricity bills through the power purchase adjustment or PPA (DOE Electricity Power Watch 2002). The "take-or-pay" provision has been alleged as onerous and disadvantageous to the government and the consumers. The PPA meanwhile, comprises on the average, more than 60 percent of the electricity bill.

To address the problem, on 4 July 2002, President Arroyo announced the completion of the review of 35 IPP contracts negotiated in the 1990s. Of this, 19 passed the review, i.e., they were found to be valid both financially and legally. Sixteen (16) were found with both legal and financial issues for appropriate study, renegotiation, or possible legal action (DOE Electricity Power Watch 2002). Of the latter, five contracts were found to be defective and prejudicial to the government and the public. These include the Binga Hydroelectric Plant, Cavite EPZA Diesel Plant, Sual Coal-fired Thermal Plant, Casencan Multipurpose Project, and the San Roque Multipurpose Project (PDI 6 July 2002).

### **State Monopoly in Power Transmission**

The transmission of electricity or the conveyance of electric power through the high voltage backbone system remains the monopoly of NPC. NPC

is still the sole transmitter of bulk electricity to distributors and large industrial customers via its high-voltage wires located in Luzon, Visayas, and Mindanao grids, the three grids presently existing. NPC is still responsible for constructing a nationwide transmission grid highway interconnecting the main islands of the country.

In 1998, the Luzon-Visayas grid was unified through the cable linking Leyte (in the Visayas) to Luzon mainland. The Mindanao island grid, meanwhile, is programmed for connection to the Visayas grid between Leyte and Surigao (in Mindanao) in 2004, thereby creating a national transmission grid. Because of its archipelagic position and its isolation from other islands, the Philippines has no means of importing power from other countries, unlike countries that share a common land boundary or short waterway distance (Sicat 2004: 5).

At present, NPC's transmission systems require enormous rehabilitation and upgrading to sustain the quality, reliability, and security of power supply (DOE 2000).

#### *Distribution and Supply*

The distribution of electricity at its usable voltage to end-consumers is largely a private sector enterprise, but with government participation through the (private) rural electric cooperatives that it organized and funded. More specifically, it is undertaken by 17 private investor-owned electric utilities (PIOUs), 119 rural electric cooperatives (RECs), and ten local government owned or operated electric utilities.

#### *Private Distribution Utilities*

These public utilities sell electricity to some 4.5M residential, commercial and industrial customers nationwide. The RECs, meanwhile, provide some 4.7M interconnections in Luzon, Visayas, and Mindanao (DOE Database 2001). Table 7 shows the market share of the private utilities in terms of the number of customers, as of the third quarter of 2000. Three companies account for some 90 percent of the total customer base although the power requirements are not to this extent. These are Manila Electric Company (MERALCO), with 79.5 percent; Visayas Electric Cooperative (VECO), with 5.1 percent; and Davao Light, with 4.2 percent.

Among the private distribution PIOUs, the largest is the Lopez-owned MERALCO, which serves some 80 percent of the total customer base in the country. It also distributes 59 percent of the total electricity requirement of the country across a franchise area that covers only 23 percent of the

**Table 7. Customer Share<sup>5</sup> of Private Utilities**  
(as of the 3rd Quarter of 2000)

<i>Private Utilities</i>	<i>Number of Customers</i>	<i>% Share of Total</i>
<b>Luzon</b>		
Angeles Electric Corp	66,096	1.45
Bauan Electric Light System	-	-
Cabanatuan Electric Corp.	41,144	0.90
Dagupan Electric Corp.	63,781	1.40
Ibaan Electrical & Engineering Corp.	4,800	0.11
La Union Electric Co.	25,427	0.56
Manaoag Utility Inc.	-	-
Manila Electric Co.	3,623,798	79.54
Mansons Corp.	11,704	0.26
Pud-Olongapo	-	-
San Fernando Electric Light & Power	44,460	0.98
Tarlac Enterprises, Inc.	43,488	0.95
<b>Total</b>	<b>3,924,698</b>	<b>86.14</b>
<b>Visayas</b>		
Mactan Electric Co.	-	-
Panay Electric Co.	48,454	1.06
PPUD-Bohol	16,210	0.36
Visayas Electric Co.	234,273	5.14
<b>Total</b>	<b>298,937</b>	<b>6.56</b>
<b>Mindanao</b>		
Cagayan Electric Power & Light Co.	78,298	1.72
Cotabato Light & Power	23,383	0.51
Davao Light & Power	192,357	4.22
Iligan Electric Light & Power Co.	38,341	0.84
<b>Total</b>	<b>332,379</b>	<b>7.29</b>
<b>GRAND TOTAL</b>	<b>4,556,014</b>	<b>100.00</b>

Source: ERB 2001.

Note: The breakdown of customers by type, e.g., residential, commercial, industrial, street light, others, and by units, e.g., household, *barangay*, or municipality, was not available at the time of the research.

population. It buys 80 percent of NPC and IPP-generated power and sells the same to its 3.6 million customers ([www.npc.gov.ph/npcstrat.htm](http://www.npc.gov.ph/npcstrat.htm)). It holds exclusive franchise to distribute, supply, and market electricity through its own wires to its 9,328 sq. kms.-franchise area. The latter covers 15 cities and 96 municipalities in the whole of Metro Manila and portions of Regions 3 and 4, in Luzon (Villasenor 1999).

VECO is the second largest distributor but accounts for only 2.5 percent of the total electricity sales (Asian Utilities, Deutsche Bank 1999 and DOE Report 2000). It accounts for only five percent of the customer market, followed by Davao Light and Power. The Alcantaras are the major stockholders of VECO while the Aboitizes control Davao Light.

### *Cross Ownership*

Primarily a distribution utility, MERALCO is believed to have an *undue market power* because it owns and controls *both* generation and distribution facilities. Among the generation facilities it controls are the following: First Private Power, Panay Power, First Gas, FGP Corporation, Duracom, and Bauang Private Power. All have a combined installed capacity of 3800MW (DOE Database 2000).

Cross-ownership in generation and distribution poses undue information advantage, discriminatory self-dealing, cross-subsidization and cost shifting, which Meralco could capitalize on for its own and its affiliate companies' benefit. The likelihood of abuse of interlocking holdings of private power and distribution utilities such as MERALCO relates to the possibility of funneling profits from the retail distributor to the power generator. Such poses a challenge to regulation and competition in the PEI as monopoly power could be gained at the power generating end if it becomes relatively large for the grid or the relevant franchise area.

### *System Losses*

As earlier mentioned, the distribution system is highly fragmented with limited economies of scale. System losses and inefficiency are also prevalent. "System losses" refer to "the total amount of electricity lost in the power system. The total system energy loss includes the technical loss in the power lines, transformers and meters, and non-technical loss due to theft and pilferage. The total system loss is equal to the difference between the net system energy input (in kWh) and total system energy sales (in kWh)." Allowable system loss chargeable against revenues is 14 percent (ERB Resolution 91-22).

The average system loss of RECs for a four-year period from 1997-2000 was 17 percent. RECs in Luzon registered the highest system loss at 19 percent, followed by the RECs in Mindanao at 16 percent. For private utilities, the range of the average system loss for the same four year period was 6.9 percent in Cagayan Electric Power and Light to as high as 32.6 percent in Pud-Olongapo (see Tables 8 and 9).

**Table 8. Average System Loss of Electric Cooperatives, 1997-2000**

<i>Grid</i>	<i>Average</i>
Luzon	18.9
Visayas	13.2
Mindanao	15.9
Philippines	16.9

Source: ERB 2001.

**Table 9. Average System Loss of Private Utilities, 1997-2000**

<i>Private Utilities</i>	<i>Average</i>
<b>Luzon</b>	
Angeles Electric Corp	8.5
Bauan Electric Light System	30.2
Cabanatuan Electric Corp.	14.1
Dagupan Electric Corp.	11.5
Ibaan Electrical & Engineering Corp.	25.3
La Union Electric Co.	21.9
Mansanog Utility Inc.	22.9
Manila Electric Co.	11.4
Mansons Corp.	30.9
Pud-Olongapo	32.6
San Fernando Electric Light & Power	8.8
Tarlac Enterprises, Inc.	13.2
<b>Visayas</b>	
Mactan Electric Co.	12.6
Panay Electric Co.	11.3
PPUD-Bohol	18.0
Visayas Electric Co.	12.6
<b>Mindanao</b>	
Cagayan Electric Power & Light Co.	6.9
Cotabato Light & Power	10.4
Davao Light & Power	9.1
Iligan Electric Light & Power Co.	11.8

Source: ERB 2001.

System losses have however decreased from as high as 21 percent in RECs in the Luzon grid in 1997 to 34.95 percent in Mansons Corp., also in Luzon in the first quarter of 2000. Regardless of the decreasing trend, the high percentage of system losses has to be curbed and rationalized. No sanctions against those utilities with high systems losses are imposed. No incentives for relatively efficient ones exist because utilities are allowed 14 percent recoverable systems loss anyway.

In comparison with selected Asian countries, for example, the PEI had the worst transmission and distribution (T and D) losses in 1994 at 19 percent. Singapore has been the most efficient system with only 3.39 percent T and D losses. It is followed by South Korea (5.3 percent), Malaysia (8.9 percent) and Thailand (9.7 percent). Indonesia performed better than the Philippines at 12.5 percent (see Table 10).

**Table 10. Transmission and Distribution (T and D) Losses in Selected Asian Countries, 1994**

<i>Country</i>	<i>Gross Generation</i>	<i>T&amp;D Losses</i>	<i>% Losses</i>
Singapore	20,234	686	3.39
South Korea	164,993	8,678	5.26
Japan	727,102	3,456	5.98
Malaysia	39,975	3,550	8.88
Thailand	71,177	6,867	9.65
Indonesia	61,370	7,650	12.47
Philippines	24,507	4,657	19.00

Source: "Electric Power in Asia and the Pacific, 1993 and 1994," Economic and Social Commission for Asia and the Pacific as cited in the *Medium-Term Philippine Development Plan, 1999-2004*: 5-10.

The overall financial performance is dismal with high financial losses. To cite, it contributes a substantial share to the national debt amounting to P507 billion as of 1997. The demand for electricity, however, rapidly grew in the past decades, and it is projected to continue to grow in the future. Thus, rapid expansion of the sector is necessary; but this expansion requires huge capital investments (DOE 1999).

#### *The Changes in the PEI as Envisioned in RA 9136*

RA 9136 aims to restructure the PEI in order to introduce higher efficiency, greater innovation and end user choice. It intends to introduce a range of alternatives or mechanisms that will enhance the exposure of the PEI to competitive market forces (RA 9136 Sec. 4). Such mechanisms include a combination of *market* actions where competition can be introduced (generation and supply), and effective *regulation* in segments that remain natural monopolies (transmission and distribution) (Abrenica and Ables n.d.).

*Features of RA 9136*

As earlier mentioned, the essential features of RA 9136 include the following:

- (1) Unbundling of electricity into four sectors: *generation and supply* (which are businesses affected with public interest, and shall be competitive and open), transmission and distribution (which are natural monopolies<sup>6</sup> and public utilities or common carrier business for public service, subject to the regulation of ERC);
- (2) The privatization of NPC's generation and transmission assets;
- (3) Introduction of competition in the generation and supply sub-sectors;
- (4) Introduction of open access in both transmission and distribution wires;
- (5) Unbundling of electricity tariffs, to reflect the respective costs in generating, transmitting, distributing and supply electricity;
- (6) Creation of a wholesale electricity spot market (WESM);
- (7) Promotion of the existence of aggregators and suppliers;
- (8) Creation and strengthening of the regulator ERB to become the Energy Regulatory Commission (ERC);
- (9) Redefining the roles of DOE, NEA and other government agencies involved in the supervision and administration of the PEI; and
- (10) Requiring electricity providers to comply with technical and financial standards for providing quality service to consumers.

These features reflect the main thrusts of the Act, which are the state's disengagement in ownership and financing (of power generation), and the greater market's determination of outcomes under a fair and transparent (unbundles or segregated) regulatory framework. The Act envisions four electricity industry generation and supply to be competitive and classified as businesses affected by public interest only. The transmission and distribution would remain natural monopolies and public service organizations, subject to the regulation of the ERC.

NPC would be privatized, but a Small Power Utilities Group (SPUG) within NPC would be created to perform missionary electrification function



and provide power generation and its associated power delivery systems in areas that are not connected to the transmission system. NPC would remain a government-owned and/or controlled corporation (Section 2, IRR of RA 9136). A wholesale electricity spot market (WESM) shall be created. Open access to transmission wires would be allowed. The industry regulator, which is the ERC shall be strengthened. Stranded debts of utilities (NPC, eligible distribution utilities, and electric cooperatives) and contract costs shall be assumed by the national government, and in the end, reduce electricity costs.

With regard to electricity tariffs and charges, the law mandates the unbundling of rates, the removal of cross-subsidies, the recovery of stranded debts and contract costs by the utilities but the assumption of the same by the national government requires the imposition of a universal charge, mandated residential rebate, and lifeline rate.

Unbundling of rates basically means the identification and separation of the specific service charges on generation, transmission, distribution or supply to any electricity end user. This unbundling aims at reflecting the true costs of providing each service to keep the consumers well informed of the services they receive and pay for (Section 36, RA 9126).

Sections 36 and 79 of the Act also provide for the removal of cross-subsidies within grid (intergrid), between grids (intragrid), and/or classes of customers. Examples of cross-subsidy include Luzon grid customers subsidizing the price of electricity in the Visayas region; industrial users subsidizing some commercial users or other users subsidizing those with lifeline rates given to marginalized/low income captive market end users who cannot afford to pay the full cost of electricity provided them. Based on the provisions of Rule 16 of the Implementing Rules and Regulations (IRR) of RA 9136, such cross-subsidies being phased out shall be made transparent and identified separately in the billing statements provided to end users by the suppliers.

Moreover, the other two features of the Act, open access and WESM, would enable consumers to choose their electricity server, just like in other utilities such as transportation or telecommunications. With open access, any qualified person may be allowed the use of transmission, and/or distribution system and associated facilities, to service consumers. With the WESM, which will be developed within one year from the effectivity of RA 9136, consumers may buy and sell electricity in the spot market for a fee. These features would make the market more competitive.

The Omnibus EPIRA has other provisions aimed at addressing the inefficiency, fragmented nature of the distribution sector, and uncertain funding source for electricity infrastructure build-up. The positive impacts of these provisions, however, remain open to question. These include:

- (1) the condonation and assumption by the national government through the Power Sector Assets and Liabilities Management Corporation (PSALM), of all debts incurred and other liabilities of electric cooperatives, distribution utilities and the NPC;
- (2) the privatization of NPC; and
- (3) the mandated rebates and reduction of electric power cost reflected in the segregated or unbundled electric bills.

### Condonation

Condonation refers to the setting aside or suspension from the books of accounts of all electric cooperatives (ECs) of all their financial obligations to the NEA and other government agencies as a result of the PSALM's assumption of the same. PSALM was created under section 49 of RA 9136.

Consistent with this section of the Act, the PSALM "shall take ownership of all existing NPC generation assets, liabilities, IPP contracts, and real estate and other disposable assets. It shall also assume all outstanding obligations of NPC arising from loans, issuance of bonds, securities, and other instruments of indebtedness. Under section 60 of the Act, it shall also assume all outstanding obligations of ECs to NEA and other government agencies, which arise from their respective Rural Electrification Programs..." (Section 49, RA 9136).

The PSALM shall also formulate and implement a program for the sale and privatization of the NPC assets and IPP contracts and the liquidation of NPC debts and stranded contract costs. It shall calculate the amount of stranded debts and contract costs of NPC, which amount shall form part of the *universal charge* to be determined, fixed and approved by the ERC (Section 49, RA 9136).

### *Stranded or Sunk Costs and Debts*

Stranded contract costs of NPC refer to the excess of the contracted cost of electricity under eligible contracts of NPC over the actual selling price of the contracted energy output of such contracts in the market. *Stranded debts* refer to any unpaid obligations of NPC, which have not been liquidated by the proceeds from the sales and privatization of NPC assets (Rule 4, Definition of Terms, Implementing Rules and Regulations, RA 9136).

On the stranded debts, the law also allows distribution utilities to recover their stranded contract costs, subject to the review and approval by the ERB as of December 2000. Within one year from the start of the open access, any

distribution utility that seeks recovery of stranded contract costs shall request approval by ERC (Section 33, RA 9136).

### *Universal Charge*

The universal charge, meanwhile, shall be determined, fixed and approved by the Energy Regulatory Commission (ERC), within one year from the effectivity of the Omnibus Bill. It shall be imposed on *all* electricity end-users for the following purposes:

- (1) Payment for the stranded debts in excess of the amount assumed by the national government (P200B), as well as qualified stranded contract costs of distribution utilities resulting from the restructuring of the industry;
- (2) Missionary electrification;
- (3) The equalization of the taxes and royalties applied to indigenous or renewable sources of energy vis-à-vis imported energy fuels;
- (4) An environmental charge equivalent to one-fourth of one centavo per kilowatt-hour; and
- (5) A charge to account for all forms of cross-subsidies for a period not exceeding three years (Section 34, RA 9136).

### *Privatization*

In privatizing government corporations, assets and the like, the (national) government sells them in a "clean slate," such that it assumes all the liabilities of those for sale or disposition. This arrangement makes the corporation or asset for sale more attractive to prospective buyers. However, it inflates the debts of the national government, offsetting or eroding whatever financial profits might have been gained from the sale.

Government forecasts proceeds from NPC privatization, which is some \$9.5 billion short of all its debts. The Freedom From Debt Coalition (FDC) and others opposing the bill predict that the privatization proceeds would fetch only around \$4.5 billion to \$5.2 billion, an amount that would not be enough to pay for NPC's huge debt. The NPC shortfall (\$9.5 billion) will leave the government with net "stranded costs" of P352 billion. Secretary Jose Camacho, then of the DOE, said the government had committed to absorb up to P200 billion, slashing the stranded cost to P152 billion (Doronila 2001: A6). But P152 billion is still P152 billion and no Juan or Juana Dela Cruz could ever count them in his or her lifetime.

*Mandated Rebates/Reduction and Lifeline Rates*

Section 72 of the Act mandates the granting of a thirty centavos per kilowatt-hour (P0.30/kWh) rate reduction for all residential end users upon its effectivity. Such reduction shall be reflected as a separate item in the consumer billing statement.

Section 73 provides for a socialized pricing mechanism that is called a *lifeline rate* for the marginalized end users of all distribution utilities. Such rate shall be set by the ERC and exempted from the cross-subsidy phaseout under the Act for a period of ten years, unless extended by the law. Each distribution utility shall file a petition with the ERC recommending the level of consumption (kWh per month) to be qualified for the lifeline rate (Rule 20, IRR of RA 9136).

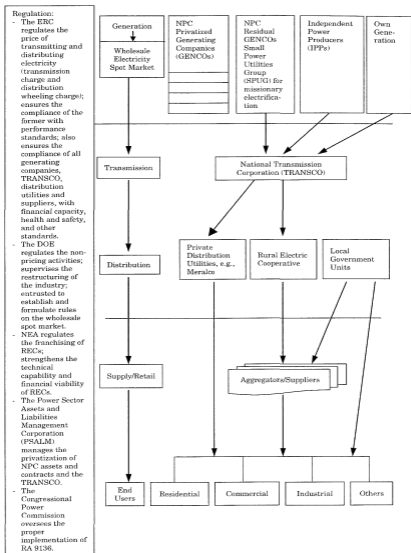
The law also provides for the following:

- (1) An electric crisis provision, wherein the Congress may authorize, through a joint resolution, the establishment of additional generation capacity under such terms and conditions as it may approve. The determination of an imminent shortage of the supply of electricity is vested in the President of the Republic of the Philippines.
- (2) The review of IPP contracts by an interagency committee chaired by the Secretary of Finance.
- (3) Renegotiation of Power Purchase and Energy Conversion Agreements between the NPC and PNOC-EDC.
- (4) Royalties, returns, rentals and tax rates for indigenous energy resources.
- (5) Environmental protection.
- (6) Benefits to host communities.
- (7) NPC offer of Transition Supply Contracts.
- (8) Fiscal prudence.
- (9) Separation of benefits.
- (10) Education and protection of end users.
- (11) Fines and penalties (Rules 24-35, IRR of RA 9136).

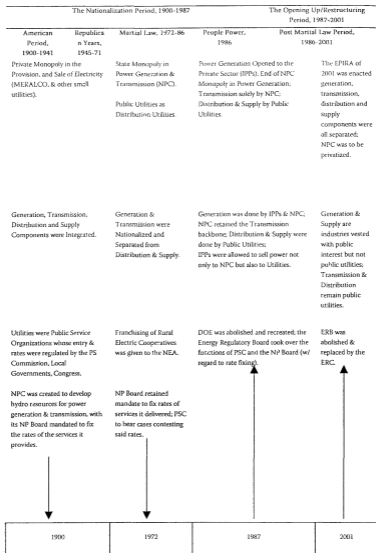
In schematic form, the PEI envisioned in RA 9136 looks like Figure 4.

In sum, juxtaposing the changing patterns of regulatory framework from the "nationalization" to the "restructuring" periods, and their consequential effects on the changing structure of the PEI is depicted in Figure 5. It highlights the evolving industry characteristics over a century of change in the political landscape—e.g., from colonial rule to independence, to Martial Rule and People Power, to post-Martial Law to present.

Figure 4. The PEI Envisioned in RA 9136



**Figure 5. The Changing Configuration of the PEI over Time, 1903-2001**



It also indicates the changing philosophy of Government, from active state participation in the provision (takeover), sale, and regulation of electric power, to the State's delegated involvement by opening the PEI to competition.

**Some Concluding Statements:  
Lessons for the Future of Regulation  
and Competition in the PEI**

The Philippine electricity industry has a long tradition of state control in electric power generation, transmission and regulation. It has been a "closed" system since the start of the 20th century, manifested in the monopoly power by the state and initially the private sector, until the martial law regime. Efforts to open the industry to competition have been only fairly recent, i.e., only in the last fifteen years or so, starting in the late 1980s. It would therefore be naive to expect competition to flourish automatically, as the long-drawn orientation has been towards a command-control cost of service (COS)-regime with much active involvement of the State in the generation, transmission, distribution, supply and regulation of electricity.

With the EPIRA 2001, innovations and reforms were introduced, such as the wholesale electricity spot market, the segregation of the subcomponents, and the unbundling of tariffs. Privatization of NPC generation assets and the condonation of debts and stranded costs of NPC and RECs were also contemplated. However, these same innovations served as the source of policy irritants. Issues of stranded debts, IPP contracts, and reclassification of 'old' public utilities and natural monopolies as merely businesses affected with public interests are left hanging and pose legal and moral challenges as well. For example, is it morally right for the Filipino people to pay for the stranded costs of power generation by both NPC and the RECs? Is it correct for government to assume these debts? Will the prices of electricity remain exorbitantly high?

The market structure of the PEI remains a monopoly of NPC in transmission and of MERALCO in the distribution (80 percent of the market) subsectors. Such poses a formidable squeeze that may be solved either by divestment, contracting out through concessionaires, or the like. The issue of cross-ownership in generation and distribution also continues to be a problem. Affiliate private power producers and distribution utilities like MERALCO could always use this market power to their advantage, and channel profits from one subsector to another.

Moreover, the reclassification of power generation and supply as businesses affected with public interest as against the past practice of labeling them as public utilities poses some questions as to how these markets will promote public interest. Public utilities have responsibilities to ensure that

they provide public services efficiently, affordably and accessibly. With the redefinition or reclassification, how will such responsibilities be assured?

Nevertheless, these reforms are in the right direction in the sense that they would restructure the industry and minimize inefficiencies and losses as competition is gradually introduced. These also accentuate the role of the regulator, in this case, the ERC to see to it that abuse of market power is penalized while promoting competition, encouraging market development, and ensuring customer's choice in the power industry.

### Endnotes

<sup>1</sup> As earlier defined by Bauer (1960), *public utilities* are organizations for public service, or more commonly known, *private/public organizations with public character*. They include "industries, properties, corporations, or other business concerns that provide essential *public services*, such as electricity, gas, telephone, water, and sewer" (Energy Information Agency 1960).

<sup>2</sup> This exclusively was true for the most part of the early periods of the private power program under BOT. This was made flexible a bit in later years as IPPs were allowed to sell also to distributors and other utilities. There will be more on this in later discussions.

<sup>3</sup> Recall that in EO 172, the ERE's broad regulatory and adjudicatory powers over the energy sector include oversight only of the petroleum industry, shipping and transportation of petroleum products, and coal. Electricity utilities in generation and distribution, particularly by the NPC and cooperatives remained with the NPC and NEA/cooperatives.

<sup>4</sup> Many believe this is a diluted version of the original provision filed in 1994 and an accommodation of the powerful lobby of private distribution interests.

<sup>5</sup> This became the Department of Energy (DOE) in later years. Discussions on the OEA/DOE are in the earlier part of this study.

<sup>6</sup> As earlier described, *natural monopolies* are characterized by the following: a) capital intensive and minimum economies of scale; b) non-storability with fluctuating demand; c) local specificity; d) necessity of the community; and e) involving direct connections to consumers (Berg and Tschirhart 1988).

### References

- Abrenica, Ma. Joy and Adelardo C. Ables  
n.d. *Competition Policy in the Power Sector*. Preliminary Draft.
- Asian Utilities, Deutsche Bank  
1998 November 1999, Department of Energy Report, 2000, Forthcoming policy paper of Ms. Yolanda Villasenor.
- Avendaño, Christine and Donna S. Cueto  
2002 To Pass Power Bill. *Philippine Daily Inquirer*, 29 May: A2.  
2001 Congress to Pass Power Bill. *Philippine Daily Inquirer*, 29 May: A2.



- Banal, Conrado R. III  
2001 Ominous Power Bill. *Breaktime, Philippine Daily Inquirer*, 29 May: B2.
- Batino, Clarissa S.  
1999 NAPOCOR Privatization, Who Cares What Consumers Want? *Philippine Daily Inquirer*, 18 August: B2.
- Cruz, Neal H.  
2001 Government Deceiving People on Power Bill, As I See It. *Philippine Daily Inquirer*, 29 May: A7.
- Del Mundo, Rowaldo R.  
2001 *Understanding IPPs and PPA*. Technical Briefing Paper on the Electric Power Industry. University of the Philippines, done for the House of Representatives, Committee on Energy, 3 June.
- Department of Energy (DOE)  
2002 Electricity Price Watch, July.  
2001 Database.  
1998 Presentation to the Senate.  
1997 Presentation to the Senate.
- DOE Commercial Relations Office (DOE)  
2002 As cited in Del Mundo.
- DOE Energy Regulations No. 1-94  
1992 Rules and Regulations Implementing Section 5(i) of RA 7638, otherwise known as the Department of Energy Act of 1992.
- Doronila, Amando  
2001 Macapagal Faces Severe Test in Power Reform Bill Analysis. *Philippine Daily Inquirer*, 28 May: A1, 6.
- Electricity Reform Bill  
1999 Statement in support of the Passage of the Electricity Reform Bill. Makati Business Club et al., 30 May.
- Energy Industry Administrative Bureau, Department of Energy  
1998 Electricity Industry Reforms.
- Energy Regulations 94-1  
1994 ERB Resolution 91-22. 6 December.
- Energy Regulatory Board (ERB)  
2001 Statistics on the Philippine Electricity Industry. Manila: Energy Regulatory Board.
- Executive Order No. 473  
2005 Tasking the Department of Energy to Pursue the Immediate Exploration, Development and Production of Crude Oil from the Camago-Malampaya Reservoir. Malacañang, Manila: Philippines. 29 November.

- Executive Order No. 215  
1987 Amending Presidential Decree No. 40 and Allowing the Private Sector to Generate Electricity. 10 July.
- Fabella, Raul V.  
2002 *The Regulatory Environment of the Energy Sector in the Philippines*. Paper tabled for presentation at the Conference of the Centre for Regulation and Competition, Manchester, UK, 2-4 September. Accessed at [www.idpm.man.ac.uk/erc/](http://www.idpm.man.ac.uk/erc/).
- Hagler Bailly Services, Inc.  
2000 *Utility Technical Performance Standards and Allowable Levels of Energy Loss*. Workshop Paper No. 4. May: 6.
- Hall, George  
2001 *An Assessment of the Philippine Regulatory Scheme*. Interim Report submitted to the Asian Development Bank. Hagler Bailly Services, Inc. October: 3
- Inter-Agency Review Committee Report  
2003 As published in the *Philippine Daily Inquirer*, 6 July.
- National Economic and Development Authority  
2004 Medium Term Philippine Development Plan, 1999-2004, A5-5.
- National Power Corporation  
1997 *Power Development Program, 1997-2010*. September.  
1992 As cited in Wilfredo G. Nuqui, 1992, *A Study of Government Regulations in the Philippines: Power Generation and Distribution*. Philippine Institute for Development Studies Working paper 92-15, October: 14.
- Nuqui, Wilfredo G.  
1992 *A Study of Government Regulations in the Philippines: Power Generation and Distribution*. Paper presented during the Technical Workshop on the Results of the Second Phase of the Micro Impacts of Macroeconomic Adjustment Policies (MIMAP) Project held in Tagayay City. 1 June.
- Republic Act No. 9136  
2001 Electric Power Industry Reform Act of 2001. Congress of the Philippines.
- Reside, R. Jr.  
2001 *The Future of the Philippine Power Sector: Reason to be Cautious (Lessons from California and the United Kingdom)*. In D. Canlas and Y. Nimura, eds. *Socioeconomic Reform Program in the Philippines: Impacts and New Directions*. Chiba, Japan: Institute for Development Economies--Japan External Trade Organization.
- Sicat, Gerardo P.  
2002 *Electricity Reform in the Philippines and the Prospects of Competition*. Discussion Paper. Quezon City: University of the Philippines School of Economics.
- Tuano, Philip Arnold  
2001 *Privatization of the State Enterprise: The NAPOCOR Case. Economic Reforms and Governance in the Philippines--Eight Case Studies*. Manila: Ateneo School of Government and Ateneo Center for Social Policy and Public Affairs.

Villaseñor, Yolanda M.

1999 PA 224 Final Exams.

Viray, Francisco L. and Guido Alfredo A Delgado

2002 All Things Being Equal, We Still Would have Forged IPP Contracts.  
*Philippine Daily Inquirer*. 20 September: B4.

*Internet Site*

DOE Database - <http://www.doe.gov.ph>

# **Bureaucracies and Networks: Organizational Transformations in an Australian Setting**

VICENTE C. REYES, JR.\*

*The National Schools Network (NSN) is a national organizational innovation in Australia built around the professional community. NSN was created to significantly contribute to the creation of space for dialogue, collaboration and networking among members of the network. Among areas of improvements since its establishment are the creation of opportunities to experiment with innovative ideas, and provision of leading-edge resources and innovative education programs worldwide. NSN furthered teaching training and guaranteed professional development. Moreover, being built within the industrial agreement, it broke down traditional hierarchical structures that characterized educational organizations due to collaboration and network practices. The impact of NSN, however, gave rise to new issues and challenges in education, particularly the flattening of leadership which could rise to the end of bureaucracy in educational structure, and the policy influences of NSN in Australian education. In exploring these concerns, the theories of Weick (1976) and Cohen et al. (1983) underpin the argument.*

## **Introduction and Background of the Study**

The National Schools Network (NSN) was one of the three major components of the National Project on Quality Teaching and Learning (NPQTL) that was framed by teachers' unions, school employing authorities, the Commonwealth and the Australian Council of Trade Unions in early 1993. The NSN was one of the unique attempts at education reform. It was designed as a collaborative venture formed with more than 300 Australian schools (government and nongovernment, primary and secondary schools) nationwide and with support and participation from the Commonwealth, the various States, and the larger community (parents' associations, universities and teachers' unions).

By 2001, the NSN remained as a network organization but was merely a shadow of its old self. It had lost funding support from the Commonwealth

---

\*Professor, Southeast Asian Studies Program, National University of Singapore.

government and from virtually all the states. It has, however, managed to survive by undergoing organizational transformations. It still carries out its valiant initiatives in education reform, but it tries to accomplish these in tense and difficult political contexts.

### Statement of the Problem and Purpose of the Study

The study attempts to look into the NSN as an example of a "network organization" (Colebatch and Larmour 1993; Mandell 1999; Haas 1992; Rhodes 1997). The study also looks at how teacher training and development policies are formulated and implemented within the NSN. More specifically, the following questions are addressed.

What is the NSN—as it was initially formulated—and how does it actually function to date? What influences have caused it to undergo transformation and be what it is today?

What are the *shared norms, values of the network, and the processes, powers and decisionmaking practices* of the members—network actors—of the NSN?

How does the NSN as a "network organization" contribute to formulating an emerging national teacher training and development policy?

### Variables and Assumptions of the Study

The study perceives the NSN as an organizational innovation in two respects. On the one hand, it is a national organization trying to situate itself in a state-level policy domain (Teacher Quality in Education). The other is that it is an organization built around the professional community, rather than one based on bureaucratic authority or dictated by prevailing market forces.

The study explores the contemporary evolution of organizations within the Australian education system. The organizational influences of the Federal and State governments, or what the study refers to as the *bureaucracy* and the other sectors in society such as labor union groups, and the industry, which the study attributes to as the *markets* will be historically sketched as two major influences in the Australian educational organizations. However, another unmistakable and relatively recent influence in the Australian educational organization scenario emerges: the rise of community type of organizations or what the study describes as *networks*.

Educational organizations as "loosely-coupled structures" (Weick 1976) and "organizational anarchies" (Cohen et al. 1983) provide the theoretical

perspective of the study on the NSN as an innovative educational organization. The "network structures" (Mandell 1998) and "shared norms and beliefs in networks" (Grolnick and Lieberman 1988) are the premises on which the study of the network characteristics of the NSN is based. The Advocacy Coalition Framework (ACF) (Sabatier 1999), the agents in networks (Thompson et al. 1991) and the institutional actors in networks (Klickert, Klijn and Koppenjan 1997) constitute the assumptions of the study on the linkages of the NSN with the macro political and environment contexts where it is situated.

### **Scope and Significance of the Study**

The study distinguishes the changes in the nature, functions and objectives of the NSN as it goes through various political and socio-economic influences. The study also focuses on the participating individuals and institutions of the NSN. Particular attention is given to the specific areas of teacher training and development policy formulation and implementation within the NSN.

Furthermore, a careful scan of available literature on networks and organizational transformations in an Australian setting reveals a research area that is still emergent and relatively unfamiliar. This particular study hopes to contribute in supplementing the literature available on network structures and organizational change in the Australian context.

### **Research Strategy**

#### *Key Participants*

Ten key participants were selected for this study.<sup>1</sup> All ten participants have had affiliations with the NSN. Two of the key participants belonged to the Department of Education State Office. Two other key participants belonged to the NSN office. Of the four key participants from schools, two are school principals; one is a senior school executive while another is a classroom practitioner. Three of the key participants from schools are active members of the NSN. One of the key participants from the school is currently not actively involved in the NSN. Another participant is a senior executive of the Teachers Federation of New South Wales. The last key participant is a University Academic who belonged to the special group of academics which still provides key support to the NSN.

The ten participants chosen for the study represent the major actors of the NSN: the teachers union, the Department of Education, the NSN, the participating schools and a representative of the university academic group.

### *Ethics*

The conduct of this research has the full support of the relevant institutions related to the study. These are: (1) the National Schools Network; (2) the University of New South Wales Research Ethics Committee; (3) the Department of Education, Research and Training Directorate Ethics Committee, and (4) the Australian Agency for International Development (AusAid) which is the main funding institution for the research.

### **Case Study Protocol**

The main sources of data were the in-depth interviews conducted with the ten key participants of the study. The transcripts from the interviews were used for detailed content analyses. All the ten key participants were provided copies of the semi-structured interviews, the request for interview and the ethics committee's certificates at least a week before the scheduled meetings. The three main groups of questions centered around three core topics, namely: (a) the nature and functions of the NSN, (b) the shared norms and values of the NSN, and (c) the policy influence of the NSN on Australian education.

All ten respondents agreed to have the interview recorded on audio cassette tapes. Of the ten respondents in the study, only one actually filled out an interview permission and waiver form for the interview. All the respondents were provided copies of the transcripts of interviews several weeks after the completion of the interview.

### **Data Analysis Strategies**

After the three main groups of questions were selected as the foci of analyses of the study, insights were then extracted from the transcripts. These insights pertained to actual statements and corresponding implications made by the respondents in relation to the five main question groups. The insights that emerged from the interviews resulted in the identification of six main themes, namely: (1) objectives of the NSN; (2) collaboration<sup>2</sup> in the NSN; (3) structures (organization units) in the NSN; (4) policy and politics in the NSN; (5) networking<sup>3</sup> in the NSN; and (6) issues and challenges facing the NSN.

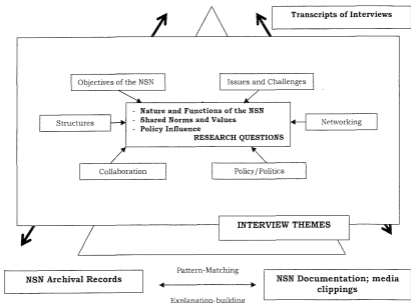
These six main themes were then subjected to content analysis with the objective of having a better appreciation and understanding of the functions of the NSN and the circumstances, conditions and implications of the organizational changes that happened in the network. The insights extracted from these six themes were then triangulated to achieve validity and to check for consistency and accuracy. These insights were compared and contrasted

with multiple sources of data collected, particularly NSN archival documents and the NSN publications as well as external published documents regarding the NSN. This was done to overcome potential weaknesses in validity, consistency and reliability that have been ascribed to qualitative research (Yin 1994; Easterby-Smith, Thorpe and Lowe 1991; and Denzin 1978).

The data analysis strategy of pattern matching was used all throughout the study. Complementary ideas and conflicting accounts were presented, compared, contrasted and analyzed. Another data analysis strategy used is theory or explanation building. Problem areas, issues on the network as well as concerns related to changes in the organization were carefully studied in order to establish trends and possible explanations to problems that are encountered within the NSN.

Figure 1 provides a graphic representation of the main investigation approach.

**Figure 1. Data Analysis Approach of the Study**





### Theoretical Framework

After the six main data analytical themes were identified, these themes were compared and contrasted with the central theories (network structures and organizational change) that guide the study. Five main elements were identified to represent the network structures theory as applied to the NSN. These five are: (1) network actors (their roles); (2) shared values of network actors; (3) processes within the network; (4) power dynamics within the network; and (5) decisionmaking within the network.

These five elements are consistent with the agents in networks (Thompson 1991), the institutional actors in networks (Kickert, Klijn and Koppenjan 1997), the champions and sponsors in networks (Mandell 1999), and the shared values and beliefs of networks' actors (Grolnick and Lierberman 1988).

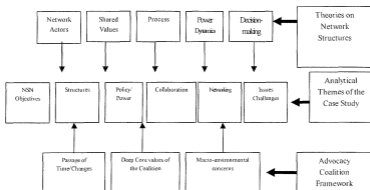
The study elected to use the Advocacy Coalition Framework (ACF) of Sabatier (1999) to explain the intricacies of organizational change particularly in the coalitions and network forms of organizations. In using the ACF as a guiding theory, the study identified three factors representing organizational change, namely:

- (1) the passage of time and the occurrence of changes;
- (2) the presence of "deep core values" (almost immutable) of the coalition or network; and
- (3) the macro-environmental concerns that impact on the coalition or network.

The study then attempted to investigate the six themes derived from the analysis of the data and then validated these with guiding theories of networks and organizational change—represented by the five elements of network structures—and by the ACF represented by its three factors. This theoretical configuration is represented in Figure 2.

### Main Findings

The main findings of the research can be grouped into three sections. The first section reviews the areas of agreement—the complementary or coherent values, processes, powers and decisionmaking practices. The second section examines the areas of disagreement—the contradictory or conflicting values, processes, powers and decisionmaking practices. The third section explores the implications of issues and challenges that were raised in the specific focal areas—concrete experiences of network actors.

**Figure 2. Theoretical Framework of the Study**

### *Areas of Agreement*

Five points identified in the study as complementary or coherent ideas within the network are reviewed. These areas range from the nature itself of the NSN to the services that it provides to members and to the institutional impact it has on education sector reform in Australia.

*NSN Creates Space.* The testimonies of the key participants of the study indicate that one of the significant contributions of the NSN is that it creates space for dialogue, collaboration and networking among members of the network. School personnel, university academics, Department personnel and NSN personnel all agreed that the NSN has paved the way for the actors of the network to talk and see each other's working practices in an environment that is intellectually critical and, most importantly, free from industrial restrictions and hierarchical bureaucratic barriers that stifle a good number of educational organizations nowadays.

*Teacher Training.* Another area consistently identified by the network actors as a common contribution of the NSN is teacher training. A number of them mentioned that although the Department also provided professional development courses, the teacher training programs given by the NSN are much different. They said that the kind of professional development the NSN provides is relevant, has the guarantee of being followed up and addresses the schools' real needs.

*Networking.* Networking is an area that the actors have unanimously declared as an outstanding service provided by the NSN. The network actors described the opportunities of getting to know other people, experimenting with innovative ideas, and accessing leading-edge resources and innovative education programs worldwide as powerful benefits derived from the networking available of the NSN. Similarly, some network actors commented that the Department also provides networking opportunities, but what the NSN offers is far wider and more relevant to what the schools really need.

*Breaking Down Traditional Structures.* The network actors likewise identified breaking down traditional structures as another significant contribution the NSN has made. Reference was made numerous times to the stifling hierarchical structures that characterize educational organizations—schools and the Departments of Education. They claimed that the collaborative and networking qualities of the NSN and its inherent objective of questioning current work practices have significantly reduced and, in some cases, broken down some of the traditional structures found in schools and the highly-contested and politically-charged terrain of the unions and employers.

*NSN Built Within Industrial Agreement.* A very salient and consistent observation made by the network actors is about the NSN being built within the industrial agreement. This is a point related to the concept of breaking down traditional structures. The NSN, due to its unique nature as fashioned between the employers and unions, has managed to bridge the obfuscating gap that characterized reform movements in Australia. The politically sensitive domain of employers versus union is somehow neutralized by the institutional nature of the NSN. Some of the actors rightfully lauded this characteristic of the NSN as making a considerable impact with the potential to do even more substantive changes related to education reform initiatives in Australian education.

#### *Areas of Disagreement*

Five points enumerated in the study as contradictory or conflicting concepts within the network are elaborated below. The points of disagreement range from questions about the leadership in the NSN, to the objectives of the NSN and to the impact and the future of the network.

*NSN Leadership.* The network actors were in disagreement with regard to the effectiveness of the NSN leadership. Some believed there was a problem in the centrality of the network operations on a few individuals. Others acknowledged that these few individuals who were running the network were making invaluable contribution. There was disagreement on the ideal role of champions in the network. Some believed that these champions necessarily have to be dominant and would require them to assume most of the responsibility while others thought this should not be the case.

*NSN Objectives.* There was also considerable disagreement on the objectives of the NSN as these were being carried out in the network. Some of the network actors believed that different stakeholders of the NSN had varied motives in participating in the NSN. A significant point raised by some was the questionable set of motives that some of the network actors had in joining the network. These explicitly mentioned that some of the participants of the NSN had joined "straight for the money" or were primarily interested in tapping the financial resources, which were available to the NSN.

*Accessibility and Collaboration.* A point of disagreement very much related to the question of leadership is the accessibility and the degree of collaboration that exist in the network. Some of the network actors claimed that accessibility to the leadership and to the resources of the NSN was limited. Some other network actors said that the collaboration that is supposed to occur in the network does not exist anymore most especially after the withdrawal of support from the Commonwealth government and from most of the state governments. Reference was also made by some actors on the NSN being a "clubbish" group that prevented greater accessibility to and collaboration with other interested individuals or groups.

*NSN Impact.* There was also considerable disagreement among the network actors on the impact of the NSN objectives on educational reform in Australia. Some believed that the NSN has made significant policy impacts on Australian education policy. Others declared that the impact of the NSN could only be detected among individuals, specific schools or groups of schools. Other actors, on the other hand, said that the NSN had made very little impact on educational policy.

*Future of the NSN.* Another area that saw great variance among the network actors is the future of the NSN. Some believed that the NSN would continue as it does now—small scale networks doing low key reform efforts in individual schools. A number believe that soliciting support from private institutions was a viable option to take. Some stressed that the NSN, if it were to survive nationally, needs a national sponsor, which would undoubtedly be the Commonwealth government.

### *Issues and Challenges*

The accounts given by specific network actors have given rise to several ideas that generate serious areas of concern for the NSN. Each of these ideas is outlined below with a brief explanation on the issues and challenges.

*The Role of the Federal Government: Builder or Destroyer?* A point raised in this study is the role of the Federal Government. In the history of the NSN, the Federal Government has been the main sponsor of the network. It initiated

the early form of the NSN through the original NPQTL. It also provided huge start-up funds in the early years of the network.

Corollary to this point is the close linkage that the NSN has traditionally had with a Labor government. A significant number of network actors has linked the future of the NSN to that of the Labor government of Australia that strongly supported the NSN during its political prominence in the late eighties and the early nineties. One of the network actors had aptly commented that "what was an advantage before (during the Labor government) for the NSN is now a disadvantage (under the Liberal-Coalition government)." Whether the NSN would seek support from the Commonwealth government with a Labor party color or whether the NSN chooses to continue the path of a user-pays incorporated network are important questions for the NSN to address.

*Flattened Leadership: The End of Bureaucracy.* A very significant insight that came out of the personal accounts was the idea of "flattened leadership." The network actors claimed that the introduction of reform by the NSN had created flattened leadership in the school. This innovative type of leadership had resulted in the empowerment not only among teachers but also among students of the school. A number of the network actors indicated that these innovative, empowering leadership styles were essential ingredients for the reforms of the NSN to take place.

It would seem that the presence of flattened leadership is almost indispensable in achieving empowerment and eventual radical reforms in schools. Exploring the possibilities of systematic documentation and research and even of introduction or replication of modified forms of flattened leadership would certainly be promising initiatives spearheaded by the NSN.

*Critical Reflection: Networks in Action.* One of the impressive insights extracted from the personal accounts of the network actors is the concept of "critical reflection." A significant observation made by a number of them was the creation of a culture of enlightened exercise in reviewing professional practices in schools. The network actors mentioned that with the NSN, skills, techniques and even a method of articulation among the various network participants began to manifest. A further common observation made was that NSN member schools seemed to possess a universal perspective with regard to issues in education as opposed to a parochial perspective.

Based on the descriptions of the network actors, it would be safe to assume that critical reflection is a subculture that pervades the NSN. Being a culture, it can be studied more systematically and it can even be learned and taught. With research and development as distinctive features of the NSN, it would most definitely be a productive venture to investigate the dynamics of critical reflection.

*Power and Politics in the NSN: Bureaucracies within Networks?* A compelling observation made by a number of the network actors is the "power and politics" that happen within the NSN. On several occasions, network actors have identified frustration, tension and compromise as the outputs of the power and political struggle within the NSN. One particular network actor pointed out that the NSN is home to two of the most powerful opposing bureaucracies in Australian education – the Department of Education and the teachers' unions. On the other hand, some network actors have identified the network as a "great instrument in neutralizing the power and politics" struggle that is usually found in the education context of Australia.

The incredible divergence in the perspectives of network actors in the NSN serves to reinforce one logical conclusion: within the network structure of the NSN that should in principle be "collaborative and cooperative," very real power and political contestations exist.

*Policy Influence of the NSN.* The point that was most contentious among the different issues raised regarding the NSN is its potential to influence policy. Several network actors categorically stated that the NSN has made significant impact on Australian educational policy. On the other hand, some network actors stated that policy influence is not and should not be a domain of the network. The reason for this policy default is the possible conflicts and collapse that may occur within the loose coalition of the NSN if particular stances were taken by the body. Some network actors mentioned that the policy influence can never happen in the network because two of the more prominent actors—the employers and the unions—have diametrically opposed motives.

An important issue that network actors of the NSN need to confront is the stand of the network as regards policy. If the network states that its objective is to carry out school reform—professional development of teachers and improved learning outcomes for students—then influencing educational policy, directly or indirectly, both in the state and federal government level is an arena that the NSN would need to have an active part of. Education policy is the area where guidelines, rules and directives that affect the schools, teachers and classroom are fashioned most of the time as a result of political compromise among traditional bureaucratic hierarchies.

The NSN as a collaborative venture among key stakeholders of Australian education with its own positive culture of flattened leadership, networking and critical reflection, is a potentially powerful group in Australian education. Whether or not the NSN is able to harness that potential to accomplish its avowed objectives of genuine school reform is the question that it must confront head-on.

### Areas for Further Research

The study posits three possible areas worth exploring in relation to the findings of this study. These three suggested research areas are comparative studies, policy implementation research and ethnographic studies of network structures.

#### *Comparative Studies*

One particularly interesting field to explore is a cross-country comparison of similar education-based network structures. A specific example would be to conduct a comparative study of the nature, functions and impact of the Australian National Schools Network with those of the Coalition of Essential Schools in the US.

Similarities and differences, as well as convergence in issues and challenges experienced by these two network structures would be a valuable piece of study in relation to network theory and the dynamics of network structures.

#### *Policy Implementation Research*

An equally interesting area that can be considered is a study of the influences, impact and implementation of education policy and their relation to the NSN. The unique characteristic of the NSN, that of being built into the industrial agreement between employers and unions, offers plenty of opportunities for scholarly study.

The loose-coupling theory of Weick (1976) and the Advocacy Coalition Framework of Sabatier (1999) can be tested in light of such a study. Furthermore, the politics and power that happen within fragile networks and their implications for policy are worthwhile areas of further research.

#### *Further Ethnographic Studies of Network Structures*

The experience of conducting qualitative-ethnographic-studies has been very informative. An extended study of network structures using ethnographic research techniques will most certainly prove to be informative and insightful. The conduct of case studies is indeed a powerful tool in eliciting significant information that is embedded in network structures. Ethnographic studies of network structures are also a potent way of providing a venue for the voices of key network actors to be heard.

### Endnotes

<sup>1</sup> The names and complete job titles of interviewees are not revealed here. However, where the source of the data is an interview, the interviewee is identified by his position relative to the organization under the case study.

<sup>2</sup> The study defines *collaboration* as *deliberately working together with a predetermined goal*.

<sup>3</sup> The study defines *networking* as *getting together informally to gather helpful data or to establish linkages*.

### References

- Apelt, L. and Bob Lingard  
1993 Public Schooling Reform in Australia. *Journal of Educational Administration*, 31(3): 59-71.
- Australian Centre for Equity in Education  
1999 *Socio-economic Status and School System Enrollments*. Australia. July.
- Barcan, Alan  
1993 *Sociological Theory and Educational Reality: Education and Society in Australia since 1949*. Kensington, NSW: NSWU Press.
- Birch, Ian  
1977 Commonwealth Participation in Education 1901-1964. In Ian Birch and Don Smart, eds. *The Commonwealth Government and Education 1964-1976: Political Initiative and Development*. Victoria: Primary Education Pty., Ltd.
- Blackmore, J.  
1996 Doing Emotional Labour in the Educational Market Place: Stories from the Fields of Women in Management. *Discourse: Studies in the Cultural Politics of Education*, 17(3): 337-349.
- Boli, John, Francisco Ramirez, and John Meyer  
1985 Explaining the Origins and Expansion of Mass Education. *Comparative Education Review*, 29(2). *Comparative International Education Review Society*.
- Cheng, Cheong Kevin  
1998 The Knowledge Base for Reengineering Schools: Multiple Functions and Internal Effectiveness. *The International Journal of Educational Management*, 12(5): 222-224. MLB University Press.
- Cohen, Michael D., James G. March, and Johan P. Olsen  
1972 A Garbage Can Model of Organizational Choice. *Administrative Science Quarterly*, 17(1) (March).
- Colebatch, Hal K.  
1998 Theorising Public Organization: An Australian Perspective" *International Journal of Organisation Theory and Behaviour*, 1 (3): 279-320.
- Colebatch, Hal K. and Peter Larmour  
1993 *Market, Bureaucracy and Community*. London: Pluto Press.



- Commonwealth Schools Commission, Australian Government, 1987.
- Cooper, Robert and Gibson Burell  
1998 *Modernism, Postmodernism and Organizational Analysis: An Introduction. Organization Studies*, 9(1): 91-112.
- Crittenden, Brian  
1986 *Parents, the State and the Right to Educate*. Melbourne: Melbourne University Press.
- Curriculum Corporation  
1995 *National Report on Schooling in Australia for the Ministerial Council on Education, Employment, Training, and Youth Affairs*.
- Denzin, Norman K.  
1978 *Sociological Methods*. New York: McGraw-Hill.
- Dudley, Janice and Lesley Vidovich  
1995 *The Politics of Education: Commonwealth Schools Policy, 1973-95. Australian Education Review No. 36*. Victoria: Australian Council for Education Research, Ltd.
- Easterby-Smith, Mark, Richard Thorpe, and Andy Lowe  
1991 *Management Research: An Introduction*. London: Sage Publications, Ltd.
- Evaluating the Quality Schooling Program: Final Report  
1996 Albany Consulting/Ian Cameron Research, Sydney. April.
- External Review of the National Schools Project  
1993 *Work Organization and Related Pedagogical Issues*. Working Party (WOWP) of the National Project on the Quality of Teaching and Learning (NPQTL), Canberra. September.
- Gannicott, Kenneth George  
1997 *Taking Education Seriously: A Reform Program for Australia's Schools*. Sydney: Center for Independent Studies.
- Grundy, Shirley and Stewart Bonser  
1997 *In Whose Interests? Competing Discourses in the Policy and Practice of School Restructuring. Australian Journal of Education*, 41(2): 150-168.
- Haas, Peter M.  
1992 *Introduction: Epistemic Communities and International Policy Coordination. International Organization*, 46(1) (Winter).
- Hargreaves, Andy  
1994 *Changing Teachers, Changing Times: Teachers' Work and Culture in the Post Modern Age*. Cassell, London.
- Harman, Grant and Don Smart  
1982 *The Financing and Control of Tertiary Education: The Search for Appropriate and Acceptable Roles for Federal and State Governments (Chapter 5). Federal Intervention in Australian Education*. Melbourne: Georgina House.
- Hjern, Benny and David O. Porter  
1981 *Implementation Structures: A New Unit of Administrative Analysis. Organization Studies*, 2(3):211-27.

- Karmel, Peter  
1989 *Reflections on a Revolution: Australian Higher Education in 1989*. Canberra: Australian Vice-Chancellors Committee, No. 1.
- Kickert Walter J.M., Eric-Hans Klijn and Joop F.M. Koppenjan (eds.)  
1997 *Managing Complex Networks: Strategies for the Public Sector*. London: Sage Publications.
- Ladwig, James G. and Vivienne White  
1996 Integrating Research and Development in the National Schools Network. *Australian Journal of Education*, 40(3): 302-310.
- Ladwig, James G., John Currie and Rod Chadbourne  
1995 *Towards Rethinking Australian Schools*. National Schools Network, Sydney.
- Lieberman, Ann and Maureen Grolnick  
1996 Networks and Reform in American Education. *Teachers' College Record*, 98(1) (Fall). Teachers' College, Columbia University
- Lingard, Bob and John Knight  
1997 Ministerialisation and Politicisation. A National Approach to Schooling in Australia. In Bob Lingard and Paige Porter, eds. *A National Approach to Schooling in Australia?: Essays on the Development of National Policies in Schools Education*. Canberra: Australian College of Education.
- Mandell, Myrna P.  
1999 Community Collaborations: Working Through Network Structures. *Policy Studies Review*, 16(1) (Spring).
- Marginson, Simon  
1993 *Education and Public Policy in Australia*. Cambridge: Cambridge University Press.
- Moller, Kristian K. and Aino Hallinen  
1999 Business Relationships and Networks: Managerial Challenge of Network Era. *Industrial Marketing Management*, 28(5) (September): 413-427. New York: Elsevier Science.
- Ouchi, William G.  
1980 Markets, Bureaucracies and Clans. *Administrative Science Quarterly*, Vol. 25: 129-41.
- Pascoe, Susan and Robert Pascoe  
1998 Education Reform in Victoria, Australia: 1992-1997. *Education Reform and Management Series*, 1(1) (February).
- Podolny, Joel M. and Karen L. Page  
1998 Network Forms of Organization. *Annual Review of Sociology*, Vol. 24: 57-76. August. Graduate School of Business, Stanford University.
- Porter, Paige H. and Bob Lingard (eds.)  
1997 *A National Approach to Schooling in Australia?: Essays on the Development of National Policies in Schools Education*. Melbourne: Australian College of Education.
- Preston, Barbara  
1997 A National Teaching Profession. *A National Approach to Schooling in Australia*. Melbourne: Australian College of Education.

- Pusey, Michael  
1980 The Legitimation of State Education. *Australia and New Zealand Journal of Sociology*, 16(2) (July): 45-52.
- Reyes, Vicente Jr. C.  
1997 *Issues and Challenges in Establishing Educational Enterprises*. Working Paper. Manila: Parents for Education Foundation, Inc.
- Rhodes, Roderick A.W.  
1997 *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability*. Buckingham: Open University Press.
- Ruigrok, Winfried, Andrew Pettigrew, et al.  
1999 Corporate Restructuring and New Forms of Organising: Evidence from Europe. *Management International Review*, 31(2): 41-64. Special Issue. Gobler-Verlag, Germany.
- Sabatier, Paul A. (ed.)  
1999 *Theories of the Policy Process*. Boulder, CO: Westview Press.
- Scheurich James J. and M. Imber  
2000 Educational Reforms Can Reproduce Societal Inequalities: A Case Study. In James J. Scheurich, ed. *Research Methods in the Postmodern*. London & Washington: The Falmer Press.
- Sharpe, Fenton G.  
1989 Where are We Now: A Review of Australian Education to the Present. In William G. Cameron, ed. *Australian Education 1988: A Turning Point*. Canberra: Australian College of Education.
- Smart, Don  
1977 The Accelerating Commonwealth Participation. In Ian Birch and Don Smart, eds. *The Commonwealth Government and Education 1964-1976: Political Initiatives and Development*. Victoria: Primary Education Pty. Ltd.
- Thompson, Michael, Richard J. Ellis and Aaron Wildavsky  
1991 *Cultural Theory, Political Cultures*. Boulder, San Francisco, Oxford: Westview Press.
- Tyack, David and Larry Cuban  
1995 *Tinkering Toward Utopia: A Century of Public School Reform*. Massachusetts: Harvard University Press.
- Watts, Betty  
1989 Futures, Ideals and Dreams. In William G. Cameron, ed. *Australian Education 1988: A Turning Point*. Canberra: Australian College of Education.
- Weick, Karl E.  
1976 Educational Organizations as Loosely-Coupled Systems. *Administrative Science Quarterly*, 21: 1-19. March.
- Wilkinson, M., Lynn Burnett, et al.  
1996 *Teacher Research, Research and School Change*. National Schools Network. July.
- Yin, Robert K.  
1994 *Case Study Research: Design and Methods*. Thousand Oaks, CA: Sage.

## **Financing Development in the Time of Cholera**

LEONOR MAGTOLIS BRIONES\*

*The study starts with the observation that the first cholera epidemic struck the Philippines in 1817. That was 185 years ago. At present, the country is still gripped by sporadic outbreak of cholera, as well as many other diseases which have not been completely wiped out. It is against this backdrop of unresolved economic and social development challenges that problems in financing that developed are examined. Specifically, this study discusses the issues on financing for development at the global context; financing the millennium development goals; and fiscal deficit, cholera and its variants. The study ends with issues in the fiscal policy debate to be discussed in the panel.*

In the time of cholera...

...when he returned to his country and smelled the stench of the market...  
and saw the rats in the sewers and the children rolling naked  
in the puddles on the streets, he not only understood  
how the tragedy had occurred but was certain  
that it would be repeated at any moment.  
The moment was not long in coming.

Gabriel Garcia Marquez, *Love in the Time of Cholera*

### **Introduction**

In the Philippines and many developing countries in Asia, Latin America and Africa, it is still the time of cholera. The first time for the Philippines was in 1817. That was 185 years ago. Cholera has not been totally eliminated. At present, the Philippines is still gripped by periodic outbreaks. Only last September 2001, cholera broke out in the Caloocan City jail. The latest outbreak was among Filipinos deported from Sabah. It still occurs in crowded places and areas where clean and potable water is not available.

---

\*Professor, National College of Public Administration and Governance, University of the Philippines Diliman.

The invaluable research assistance of Clarisa Sia, Rene Lapos and Mark Anthony Gamboa is gratefully acknowledged. Administrative and technical support was provided by Ligaya Castor, Gwendolyn Valdez, Yolly Hoffman, and Ma. Karla Balili-Guia.

It is also the time of the ten leading causes of mortality. These causes include pneumonia, nephritis, tuberculosis and other diseases of the respiratory system which are generally associated with poverty. Added to these are diarrhea, dengue, measles and leptospirosis (a disease transmitted through the urine of rats during floods) which persist in poverty-stricken areas.

It will take massive financing to eliminate these commonplace diseases which have plagued the Philippines and many developing countries for centuries. Financing is also required to stimulate economic growth. Finally, more financial resources are needed to fulfill global commitments to poverty reduction like the Millennium Development Goals (MDG).

It is against the backdrop of unresolved economic and social development problems that financing for development is examined.

### **Financing for Development (FD): The Global Picture**

It is generally accepted that many issues which developing countries are grappling with are actually global in scope. Thus, global strategies and actions are necessary to support and complement actions at the national level.

Summits have been held on global issues with national implications. These include summits on population, environment, housing, women and sustainable development. The latest global summit was in March 2002. This was the International Conference on Financing for Development.

### **Financing: A Crucial Ingredient in Development**

In summit after summit on issues of development, it became increasingly clear that scarcity of financial resources was a major constraint. Hence, in 1999, the United Nations called for an International Conference on Financing for Development. Six agenda items were identified, each of which had an impact on financial resources for development:

- (1) mobilizing domestic financial resources for development;
- (2) mobilizing international resources for development with particular focus on foreign direct investment and other private flows;
- (3) international trade as an engine for development;
- (4) increasing international financial and technical cooperation for development through official development assistance;

- (5) external debt; and
- (6) addressing systemic issues.

#### *Financing for Development: A Situationer*

Many groups have come out with analyses of the global situation on financing for development. One of these is the South Center which renders policy advice to the Group of 77. The Center submitted an issue paper based on the views of experts gathered from different parts of the world. What was the situation in financing for development at the time of the conference?

A discussion paper from the South Center calculates that developing countries need to increase their investment ratios to 33 percent of gross domestic product (GDP) for developing countries in order to attain an annual GDP growth rate of 8 percent. This rate has already been achieved in East Asia and a few countries in other regions. The study calculates that based on this goal, the total financing for development gap would probably be \$750-800 billion (South Center 2001: 29). The clear conclusion is that even the most heroic exertions will not enable the developing countries to bridge this gap by themselves. Obviously, assistance from the international community is needed.

#### *Mobilizing Domestic Resources*

Time and again, developing countries have been nagged and repeatedly scolded that they should generate more domestic resources for development. They should depend less on the north for financing.

Table 1 says it all.

It is interesting to note that at present, for the South as a whole, "95 percent of resources for financing all aspects of development (including financing aspects of development other than hard investment) are provided by the South itself. Where hard investment is concerned, about 13 percent of investment financing was externally sourced from the South (much of it coming from other countries of the South), while 87 percent originated from domestic sources" (South Center 2001: 33).

If the South is already financing 85-90 percent of resources for investment in developing countries, additional resources to accelerate development need to be raised from external sources.

**Table 1. Sources of Financing for Investment in Developing Countries, 1999** (Amounts in US\$ billions; Figures in parentheses are as a percent of Gross Domestic Investment)

	<i>All Developing Countries</i>	<i>Low Income Countries</i>	<i>Middle Income Countries</i>
A. Gross Domestic Investment	1,530	213	1,317
B. Total External Flows	261	38	223
C. Investment Related External Flows	201 (13%)	18 (8%)	183 (14.0%)
D. o/w Official Flows	13 (1%)	7 (3%)	6 (0.5%)
E. Private Flows	188 (12%)	11 (5%)	177 (13.5%)
F. o/w FDI	171	11	160

Source: South Center, 17 March 2001.

#### *Private Foreign Investment Inflows and Official Development Assistance*

Many studies have shown that since the 1990s, official development assistance (ODA) has been declining. This decline is confirmed by the experience of the Philippines as noted in a study conducted by Eduardo Tadem for Social Watch Philippines (Tadem 2001).

On the other hand, foreign direct investment inflows are higher than official development assistance. At first glance, it appears there is nothing wrong with this. However, 85 percent of private investment inflows go to only 25-30 industrializing countries with the remaining 15 percent going to more than a hundred low income and small middle income countries in Africa, South Asia, East Asia, Latin America and the Pacific. Thus, the countries which need external resources do not get them. Under market conditions, foreign investment is not motivated by the desperate need of the host country but by the prospect of attractive returns.

The problem of declining ODA becomes more significant since this is directed to the least developed countries.

Developing countries are endlessly advised to make themselves as attractive as possible to direct foreign investment. They are asked to pass laws allowing full repatriation of profits, give incentives, provide infrastructure, etc. to lure foreign investors. They are reminded endlessly to

provide a stable political climate; build good roads, airports and seaports; solve traffic problems; eliminate criminality; provide first class hotels and hospitals and so on *ad nauseam*.

I have pointed out in another study that it is important to focus not only on what developing countries should do to please foreign investors. It is just as important to focus on the responsibilities of foreign investors to the host countries. Among others, they must obey the laws of the host country, respect the prevailing culture, and not interfere in political matters. This view was also articulated by civil society organizations during their national consultation on financing for development.

### *Trade and Globalization*

The advantages of trade and globalization have been extolled for over two decades. Nonetheless, it is also very clear that for many developing countries, the blessings have been slow in coming even as negative impacts are already felt.

Global, regional and national meetings of civil society organizations, academic institutions and people's organizations have long pointed out that the benefits of free trade have not reached many developing countries. While they have been pressured, nay, bullied into opening their own domestic markets to international trade, the markets of industrialized countries remain inaccessible and elusive. Barriers to entry have assumed newer and more subtle, sophisticated forms.

The issue of favorable trade for developing countries is crucial since it can be a major source of financial resources for development. For the low income countries, the goal of becoming globally competitive in trade is still to be attained.

### *Debt*

Many developing countries are still in the debilitating grip of the debt crisis which started during the eighties. Babies who were born in Africa, Asia (including the Philippines), the Caribbean and Latin America during the debt crisis and managed to survive are now in their twenties. They carry within themselves the deprivations and scars of this global tragedy. Still, the problem of debt remains unresolved in middle and low-income countries.

The highly touted Highly Indebted Poor Income Countries (HIPIC) Initiative of the multilaterals has had limited impact. In the words of the



South Center, "Despite an elephantine initiative (in terms of the resources that went into developing it and implementing it) producing less than a mouse-sized result, the conditionalities that need to be fulfilled under HIPIC relief operations are complex, onerous and intrusive" (South Center 1999: 46).

The Initiative has been under severe criticism over the difficult conditionalities attached to the release of financial resources. Highly indebted countries have to be literally at their deathbed in order to qualify for assistance.

One of the major recommendations during the national consultation in the Philippines was to include middle-income countries in debt relief initiatives. There is no doubt that highly indebted low-income countries need urgent help. Nevertheless, when middle-income countries get into trouble, the human costs are very high, considering their big populations. Also, because of the size of their debt, when they go into crisis, the impact is not only national and regional but also global. It will be recalled that the last global debt crisis was triggered by the default of Mexico, a middle-income country.

In countless fora, in thousands of studies, in endless conferences, and in street marches, the call has been for a decisive resolution of the debt problem.

#### *Systemic Issues*

For three decades now, there have been loud calls for the reform of the Bretton Woods Institutions. These calls acquire more urgency with each African country which sinks deeper into debt, and with each middle-income country which threatens to drag the rest of the world into another global debt crisis.

There have been calls for a regional monetary fund and global reserve currency. At the same time, there are mounting complaints that commitments to reform the international financial architecture remain unfulfilled.

More and more, there is a growing realization that international constraints have a greater impact on a country's capacity to generate finances for development than domestic factors. Thus, the urgency, necessity and importance of holding an international summit gained more adherents, resulting in the decision of the United Nations to sponsor the event.

#### **Philippine Participation in the FfD Conference**

The participation of the Philippines in the FfD Conference is highly exceptional. This is because the Philippines is perhaps the only country which underwent a national consultation process in preparation for the Conference.

Civil society organizations have always taken a keen interest in global summits and high level meetings. They usually hold parallel meetings in the same location as the "official" summits.

Preparations for a global summit take several years. These involve regional consultations and a series of preparatory committee meetings usually held in the United Nations in New York. As much as possible, interested stakeholders endeavor to make contributions to the official documents and lobby for their positions on various issues. These stakeholders would include civil society organizations, voluntary associations, private sector organizations and religious groups.

Social Watch Philippines, a network of civil society organizations monitoring social development, had a keen interest in the entire process of the summit. It is part of the global network called Social Watch. It has long observed that attainment of commitments for social development is greatly hampered by shortage of financial resources. Financing for development is therefore an important ingredient in implementing social development projects.

Social Watch Philippines proposed to the United Nations Development Program that a national consultation be held on the six agenda items on financing for development. The official Philippine position to be presented at the summit would therefore reflect not only the views of the Philippine government but the different sectors of society, as well.

There were three separate consultations. The first was the consultation of civil society organizations initiated by Social Watch Philippines. NGOs representing the peasants, farmers, fishermen, urban poor, workers and small businessmen, as well as women's organizations and the academe came from different parts of the country to comment on the six agenda items and make recommendations.

The second consultation included the different government departments involved in financing for development. These are the Department of Finance, Department of Budget and Management, National Economic and Development Authority, and the Department of Trade and Industry. It was important for the different departments to get their act together and have a common position on the six issues. Representatives of the multilateral organizations—World Bank, International Monetary Fund, and Asian Development Bank—were likewise invited.

The third consultation involved the private business sector. This included industrialists, bankers, manufacturers and leading personalities in the business community.

The three different groups then got together in a whole day workshop to thresh out their different positions on the six issues. The process was repeated when the draft of the global statement was released. A facilitator then integrated the results of the consultations in one position paper.

Thus, the Philippine position paper was truly representative of the views of different sectors. Even the composition of the delegation was broadened with the inclusion of civil society representatives as advisers.

The Philippine process was considered unique when contrasted to most country delegations who were represented solely by government officials and the views of different stakeholders were not reflected in the country position.

### **International Conference on Financing for Development: Reform and Innovation?**

The summit on financing for development is the mother of all summits. Finally, all the issues on finance will be joined. All the major stakeholders have agreed to meet. Development will finally be accelerated after the summit.

These were the words of a friend from the United Nations, one year before the historic event.

The words of this official reflect the high hopes and expectations of those who believed that the summit would trigger significant changes in the international financial system. One of the major expectations was for concrete and measurable commitments for reform and innovation within an agreed time frame. Another expectation is for more ODA and foreign direct investment for countries which need them most. The issue of debt has occupied the attention of many countries for two decades. The expectation was for a final resolution of the debt issue. Finally, hopes were high for a revamp in the international financial architecture. Major reforms in the World Bank, International Monetary Fund and the regional development banks (like the Asian Development Bank) were expected.

#### *The Monterrey Consensus of the International Conference on Financing for Development*

The International Conference on Financing for Development was held in Monterrey, Mexico on 18-22 March 2002. The major output was Resolution 1: The Monterrey Consensus of the International Conference on Financing for Development. This was adopted at the 5th Plenary Meeting on 22 March 2002.

The Philippines is a signatory to the Consensus and is therefore bound to implement the leading actions which were agreed on.

### **General Comments on the Consensus**

For countries, institutions and individuals expecting the conference to trigger major reforms and innovations on a global scale, such expectation proved too high. The document is the result of a consensus among four major groups of players: the highly industrialized countries exemplified by the G-7 plus 1 group of countries led by the United States; the developing countries led by the G-77 plus 1 including China; the Bretton Woods institutions, e.g., the World Bank and International Monetary Fund, the United Nations institutions, and the players from civil society and business institutions.

Right from the beginning, the debates polarized the G-7 plus 1 countries and the G-77 plus 1 countries with their respective staunch supporters. On many occasions during the last Preparatory Commission meetings, the plenary debates were stalled and backroom negotiations resorted to. As a result, the consensus document reflects issues on which there was agreement. It does not contain contentious issues where there was deep disagreement. The document therefore makes general declarations which all agree about.

Another major disappointment was the lack of specific, quantified goals which could be subject to evaluation in subsequent reviews. There were expectations in the manner of the goals for social development and the Millennium Development Goals.

A third major disappointment was the fact that the very issues where specific commitments were expected turned out to be the most general. These are in the areas of trade, debt and systemic issues. For the Philippines, the biggest disappointment was on the matter of debt. Civil society members of the delegation supported action on debt of middle-income countries.

Nevertheless, the fact that the summit was held at all is in itself a major accomplishment of the global community. At first, the Bretton Woods institutions were not inclined to participate in the summit. The G-7 plus 1 countries saw no use for concrete commitments. Finally, we have a global document which explicitly recognizes that financing for development is closely linked with six issues: mobilizing domestic resources, foreign investment, official development aid, trade, debt and systemic issues.

Most important, the document contains leading actions which the Philippines has committed to. It is therefore very useful as a framework for examining financing for development in the Philippines. This is what Social Watch Philippines did when it called for a national consultation. It is also

useful for lobbying and monitoring the performance of developing countries, including the Philippines.

### *Some Specific Comments*

*Mobilizing Domestic Financial Resource.* The central theme is that assuring "necessary internal conditions for mobilizing domestic savings, both public and private, sustaining adequate levels of productive investment, and increasing human capacity" is considered the primary responsibility of the developing countries themselves (UN: Monterrey Consensus on FFD 2002: 3).

It needs to be pointed out that while developing countries are responsible for mobilizing domestic financial resources, the internal conditions for attaining these are largely influenced by external conditions. Thus, correction of external conditions by the international community can go a long way towards internal financial stability.

The position of Philippine civil society organizations on domestic financial resources deserves consideration. Concrete proposals for increasing tax collection were submitted. These included suggestions on handling taxation problems arising from globalization.

The need for social safety nets during periods of economic crises is underscored in the Monterrey Consensus. Because it is relevant to Philippine conditions, Paragraph 16 of the resolution is quoted here in full:

Investments in basic economic and social infrastructure, social services and social protection, including education, health, nutrition, shelter and social security programs, which take special care of children and older persons and are gender sensitive and fully inclusive of the rural sector and all disadvantaged communities, are vital for enabling people, especially people living in poverty, to better adapt to and benefit from changing economic conditions and opportunities. Active labor market policies, including worker training, can help to increase employment and improve working conditions. The coverage and scope of social protection needs to be further strengthened. Economic crises also underscore the importance of effective social safety nets (UN: Monterrey Consensus on FFD 2002: 4).

*Foreign Direct Investment and Other Private Flow.* While developing countries are urged to create conditions for attracting foreign investment, the Monterrey Consensus notes in paragraph 22 that:

... there is the need for relevant international and regional institutions as well as appropriate institutions in source countries to increase their support for private foreign investment in infrastructure development and other priority areas, including

projects to bridge the digital divide...(UN: Monterrey Consensus on FFD 2002: 6).

As noted earlier, the position of civil society organizations is that the relationship between host countries and direct foreign investment should be of mutual responsibility. This finds resonance in paragraph 23 of the Monterrey Consensus which states:

While Governments provide the framework for their operation, businesses, for their part, are expected to engage as reliable and consistent partners in the development process. We urge businesses to take into account not only the economic and financial but also the developmental, social, gender and environmental implications of their undertaking.

*International Trade as an Engine for Development.* The Monterrey Consensus called for "the establishment or enhancement of appropriate institutions and policies in developing countries." At the same time, the resolution acknowledges the issues of particular concern to developing countries, e.g., trade barriers, trade-distorting subsidies, abuse of anti-dumping measures, technical barriers, and sanitary and phytosanitary measures, including intellectual property rights for the protection of traditional knowledge and folklore, as well as the need for special and differential treatment provisions for developing countries.

*Increasing Official Development Assistance.* The most significant statement in the Monterrey Consensus on the matter of official development assistance is in paragraph 42 which urges "developed countries that have not done so to make concrete efforts towards the target of 0.7 percent of gross national product (GNP) as official development assistance to developing countries and 0.15 to 0.20 percent of GNP of developed countries to least developed countries...."

The above paragraph was one of the most contentious issues between the developing and developed countries, particularly the United States which stated that it does not believe in the "arbitrary" number of 0.7 percent. While Nordic countries have consistently exceeded this number, the United States refuses to be bound by it. On the other hand, the G-77 group of countries was expecting stronger language to require developed countries to fulfill this long-standing commitment.

*External Debt.* The subject of external debt was another contentious issue, and perhaps the most disappointing for advocates who had worked on debt issues for two decades. The resolution limited itself to proposals for strengthening the HIPIC Initiative which had already been subject to intense criticism from developing countries (paragraph 49). The Philippine position on including middle-income developing countries in debt relief initiatives was not

considered. Concrete proposals which the G-77 countries were campaigning for were not reflected in the resolution.

*Systemic Issues.* The resolution called for greater transparency and effective participation in efforts to reform the international financial architecture. Significant issues raised called for "strong coordination of macroeconomic policies among leading industrial countries...." It also urged the multilateral financial institutions, particularly IMF to give high priority to the identification and prevention of potential crises.

For developing countries, paragraph 56 is perhaps the most relevant:

We stress the need for multilateral financial institutions, in providing policy advice and financial support, to work on the basis of sound, nationally owned paths of reform that take into account the needs of the poor and efforts to reduce poverty, and to pay due regard to the special needs and implementing capacities of developing countries and countries with economies in transition, aiming at economic growth and substantial development. The advice should take into account social costs of adjustment programs, which should be designed to minimize negative impact on the vulnerable segments of society.

### **Millennium Development Goals and Financing**

Another international commitment which has profound implications for financing is the Millennium Development Goals (MDG). In 2000, the United Nations General Assembly recognized "their collective responsibility to uphold the principles of human dignity, equality and equity at the global level." The member countries forged the 8-point MDG which they committed to achieve by 2015.

These goals are to:

- (1) eradicate extreme poverty and hunger;
- (2) achieve universal primary education;
- (3) promote gender equality and empower women;
- (4) reduce child mortality;
- (5) improve maternal health;
- (6) combat HIV/AIDS, malaria and other diseases;
- (7) ensure environmental stability; and
- (8) develop a global partnership for development.

Each goal has a specific, measurable target. For example, goal number 1 which is the best known among the MDGs, has two targets: the first is to halve the proportion of people living on less than \$1 a day; the second is to halve the proportion of people suffering from hunger.

Much debate has arisen over the MDG which has been subject to criticism and praise. What is significant for the Philippines and other developing countries is that they are bound to fulfill these commitments by 2015. Furthermore, it is abundantly clear that massive financing is required to attain these goals. It is necessary to increase present budgetary levels to fill expected resource gaps.

*Financing Millennium Development Goals in the Philippines:  
The Manasan Study*

The United Nations is mobilizing substantial material and human resources at its command to ensure attainment of the MDG. The United Nations Development Programme (UNDP) Administrator has been appointed campaign manager for MDG.

The first question which has to be answered is: how much more in financial resources will be required to attain the MDG? On a global scale, the Zedillo Report (June 2001) gives a rough estimate of \$50 billion per year in additional resources at the global level. Since the member countries were the ones who committed themselves to the goals, it is important to determine at the national level how much additional resources would be required.

Thus, the UNDP commissioned pilot studies in five countries, including the Philippines, to determine the financing gaps and the needed policy measures to attain the MDG. For the Philippines, the noted public finance expert, Dr. Rosario Manasan of the Philippine Institute for Development Studies (PIDS) was commissioned to generate the estimates for their respective countries. The methodology employed, as well as the policy prescriptions will surely be useful for comparative purposes.

The Manasan study was published by the UNDP under the title, "Philippine Country Study on Meeting the Millennium Development Goals" in March 2002. The study is of great interest and usefulness to Philippine policymakers, political leaders and government officials tasked with implementing MDG programs. It gives them a picture of the magnitude of financing necessary to reduce poverty by 50 percent in 15 years. Furthermore, the policy proposals are worthy of serious consideration by our policymakers.

The study will be very useful to other developing countries which are also generating their own estimates for their respective countries.

The estimates that Manasan generated are based on high cost assumptions and low cost assumptions. They are also based on whether the assumptions under the Medium Term Philippine Development Plan (MTPDP)



will be attained or whether an unchanged regime of "business as usual" will prevail.

As shown below, the total financing gap up to 2015 is P381.102 billion. For the year 2002, P30.162 billion in additional resources is needed for MDG alone. For 2003, P46.575 billion must be generated for MDG.

If we take the high cost assumptions under an unchanged regime, the estimates generated by Manasan are shown in Table 2.

If the MTPDP goals will be attained under high cost assumptions, the estimates are shown in Table 3.

If the MTPDP goals will be attained, total financing gap up to 2015 will be lesser at P122.398 billion. For 2002, P29.386 billion in additional funds are needed. For 2003, P27.614 billion more is necessary.

To meet these daunting challenges to financing for MDG, Manasan proposes seven policy measures:

- (1) improvement of tax effort to increase revenues and reduce fiscal deficits. Two revenue sources are identified: indexation of excise taxes on tobacco, alcohol and rationalization of fiscal incentives;
- (2) mobilization of LGUs as effective partners in meeting the MDG;
- (3) support for budgetary reform initiatives that favor social services;
- (4) utilization of cost-effective modes of delivering services;
- (5) efficient and effective utilization of resources;
- (6) a policy environment conducive to sustained growth and allows the poor to participate in and benefit from such growth; and
- (7) a stronger population management program.

### **Romancing the Fiscal Deficit: Can the 2002 Budget Finance MDG?**

The year 2002 has been characterized by a continuing debate on the fiscal deficit between and among government policymakers, politicians, market players, media and the general public. The first part of the debate is: will the deficit target of P130 billion be met? Government policymakers stoutly answered "yes!" while market players, media and the academic community said no. This went on for six months until the government reluctantly conceded and revised the year-end target to P155 billion. A few days ago, it was bannered at P180 billion by a leading newspaper, quoting a government source.

**Table 2. Resource Gaps-Unchanged Regime High Cost Assumption**  
(In million pesos)

<i>Year</i>	<i>Education</i>	<i>Health</i>	<i>Water and Sanitation</i>	<i>Total</i>
2002	23,734	5,723	696	30,163
2003	40,991	4,662	923	46,575
2004	48,142	4,257	1,013	53,412
2005	46,307	4,504	1,033	51,845
2006	41,203	4,836	1,009	47,049
2007	34,569	5,008	970	40,547
2008	29,499	5,197	980	35,676
2009	21,852	5,119	933	27,903
2010	12,669	5,394	911	18,974
2011	3,503	4,319	850	8,672
2012	(2,008)	4,454	870	5,323
2013	(8,393)	4,348	835	5,183
2014	(15,756)	4,224	845	5,069
2015	(24,214)	3,920	790	4,710
2002-15				381,102

Source: Manasan 2002: 37

**Table 3. Resource Gaps-MTPDP High Cost Assumption**  
(In million pesos)

<i>Year</i>	<i>Education</i>	<i>Health</i>	<i>Water and Sanitation</i>	<i>Total</i>
2002	23,296	5,504	585	29,386
2003	23,334	3,565	716	27,614
2004	27,592	3,547	805	31,944
2005	19,910	3,543	721	24,174
2006	3,237	2,953	562	6,752
2007	(8,926)	1,516	461	1,977
2008	(13,656)	(111)	323	323
2009	(47,431)	(2,135)	182	182
2010	(65,580)	(3,838)	46	46
2011	(82,621)	(6,692)	(82)	
2012	(102,171)	(8,842)	(233)	
2013	(124,547)	(11,395)	(409)	
2014	(150,106)	(14,509)	(654)	
2015	(179,249)	(17,934)	(893)	
2002-15				122,398

Source: Manasan 2002: 37.

The second part of the debate is: what should be done with the deficit? The government has responded with draconian across the board budget cuts which pleased the market but raised critical questions from the government agencies and experts in the field of public finance.

As for the MDG financing requirements, it is obvious that these are not met under the present regime of budget cuts. To find out how government agencies were faring under the 2002 budget, we interviewed officials of the Departments of Health (DOH), Education (DepEd), and Social Welfare and Development (DSWD).

Budget Circular No. 478, issued on 5 February 2002, divides the 2002 budget into those expenditures not needing clearance (NNC) and those expenditures needing clearance (NC). For all agencies, 75 percent of NNC were released; NCs were released only after compliance with requirements.

The Department of Budget and Management has the discretion to decide whether or not to release the remaining 25 percent of NNC and the entire NC.

In the DSWD, funds for persons with disability and senior citizens, protective services for people in especially difficult circumstances, and assistance to victims of disasters are still awaiting to be released.

For DOH, Notices of Cash Allocation (NCAs) chargeable to the 2001 GA have yet to be approved. Budget cuts and delays in releases have affected preventive services most, increasing cost of curative services in the long run.

In the DEPED, budgetary releases were mostly for mandatory items of Maintenance and Other Operating Expenses (MOOE) and Personal Services (PS).

In all agencies, the budget cuts have hurt retirees the most. Retirement has to be paid from savings. In one educational agency, it is a known fact that some retirees have died without collecting their retirement benefits.

The MDG calls for additional financing. The budget cuts have resulted in reduced financing.

### **Proposed Budget for 2003 and MDG**

As pointed out earlier in this study, under an unchanged regime with high cost assumptions, additional financing totalling P46.575 billion is required for 2003 alone. If MTPDP goals are met, additional financing amounting to P27.614 billion is needed, under high cost assumptions. Under

an unchanged regime, "it is business as usual." At this time, with the huge deficit and brutal budget cuts, it is "less than business as usual." The MTPDP goals on economic growth and population management are threatened.

Analyses of the 2003 budget have already been made by academics and think tanks. The presidential budget message makes no mention of the MDG. Emphasis is laid on the need for a strong republic and the imperative to stamp out criminality and terrorism.

For example, 7,000 military troops and 5,000 policemen, jailguards and firemen will be hired. Increases in the salaries of the police and military are provided for. Only last week, these increases were announced by the President herself.

In the meantime, there are decreases in the budgets of DOH, DSWD and the Department of Environment and Natural Resources (DENR). Only the DepEd budget is increased slightly by 1.3 percent even as pointed out by Manasan, enrolment in public schools is projected to grow by more than three percent.

Proposed appropriations for the hiring of new teachers amounting to P2.9 billion were scrapped. This is a cause for concern since this is one of the commitments of the Philippine government to the MDG. Proposed allocations for textbooks and desks were also reduced.

In the case of DOH, proposed appropriations for family planning and other family health programs, as well as assistance to primary and secondary care hospitals were likewise scrapped.

Without doubt, there is need to protect the people from the onslaught of criminality and terrorism. Bullets and bombs can kill; so can cholera, pneumonia, tuberculosis, HIV and other diseases.

Governance in a time of terror must be balanced with governance for better health, improved education, more shelter, better environment and more jobs.

### **More Reforms and Innovations?**

Actually, the Philippines is not behind in public finance reforms and innovations. It is quite advanced in many areas. The Philippines has exported hundreds, nay, thousands of experts to the United Nations, the multilateral institutions, as well as to the United States, Europe and most developing countries.

The practice of budgeting in the Philippines is perhaps among the most advanced in systems and technology. The DBM has been undergoing continuous reforms since the 1950s when performance budgeting was introduced for the first time. New strategies and techniques developed abroad eventually find their way to the Philippines through technical assistance and training.

Believe it or not, leading revenue agencies, especially the Bureau of Internal Revenue are staffed with highly trained professionals, including those in the field of systems design and information technology.

The Bureau of Treasury's electronic auction system is the first such system in Asia and is among the best. Some of the features of the small investors program are superior to those of other countries.

The proficiency of the auditors of the Commission on Audit is recognized by the fact that it has been on the Board of Auditors of the United Nations since the 1980s. COA has served as Chair of the UN Board of Auditors for several terms.

#### *Are Reforms and Innovations Enough?*

The most sophisticated systems and technologies cannot prevail against the simplest of problems: a gargantuan deficit, which has resulted in the most simplistic of solutions: brutal budget cuts.

In the Philippines, the problem in financing for development is not so much a dearth of systems, methods and technology. The problem is policy and the policy choices which are made. Hence, the current fiscal policy debate.

Public policy is forged, not by computers and sophisticated information technology but by informed public debate on policy options and political actions.

#### *Cholera and its Variants*

"Cholera occurs the whole year round," according to the National Epidemiology Center of the Department of Health. It continues to plague the Philippines and many developing countries where it is dangerously endemic.

Cholera has its non-physical variants which are equally virulent and contagious. For one, we have the fiscal deficit which pundits claim has already reached choleric magnitudes.

Another variant is fast developing. This is political cholera which threatens to be more virulent and dangerous. There is the danger that political cholera will reach epidemic proportions as 2004 approaches.

### *In the Time of Cholera*

"How noble this city must be," he would say, " for we have spent four hundred years trying to finish it off and we still have not succeeded."

Gabriel Garcia Marquez, *Love In the Time of Cholera*

True, we have not succeeded in destroying this country for four hundred eighty-one years. If we do not make the appropriate policy decisions soon and take action, we might finally succeed.

### References

- Department of Budget and Management  
2002 *Budget Message*. April.  
*Budget of Expenditures and Sources of Financing*. August.
- Manasan, Rosario G.  
2002 *Philippine Country Study on Meeting the Millennium Development Goals*. A study commissioned for the UN International Conference on Financing for Development. Monterrey, Mexico. March.
- Marquez, Gabriel G.  
1985 *Love in the Time of Cholera*. Penguin Books.
- Social Watch Philippines  
2001 *Proceedings of the National Consultation on Financing for Development: Civil Society Agenda Building*. August.
- South Center  
2001 *Financing for Development*. Geneva.
- Tadem, Eduardo  
2001 Some Immediate Issues on Official Development Assistance to the Philippines. In *Proceedings of the National Consultation on Financing for Development: Civil Society Agenda Building*. Social Watch Philippines. August.
- United Nations  
2002 *Monterrey Consensus of the International Conference on Financing for Development*. Mexico City. March.  
2001 *The Zedillo Report: Recommendations of the High Level Panel on Financing for Development*.

*Book Review*

## **President ERAP: A Sociopolitical and Cultural Biography of Joseph Ejercito Estrada**

RICARDO T. JOSE\*

A book review of Zeus A. Salazar, translated by Sylvia Mendez Ventura, *President ERAP: A Sociopolitical and Cultural Biography of Joseph Ejercito Estrada. Volume I: Facing the Challenge of EDSA II* (San Juan, Metro Manila: RPG Foundation, Inc., 2006.), 494pp.

The publication of this book in English makes available to the non-Filipino speaking audience this important biography of President Joseph "Erap" Estrada. The original, Filipino version was the first full-length, documented and scholarly examination of President Joseph "Erap" Estrada. Written by an illustrious Filipino historian, Dr. Zeus A. Salazar, that biography based on extensive research – shows how Erap was the culmination of a historical trend towards nationhood. With the publication of this English translation – ably translated by noted writer Sylvia Mendez Ventura, the message of Dr. Salazar in interpreting the Erap phenomenon will reach a more varied audience, in the Philippines and abroad.

Comments I made regarding the original Filipino edition are applicable to this English translation, and merit repeating: Dr. Salazar goes beyond Erap the man and places him in the context of Philippine history and society. Dr. Salazar shows how the Philippines became split during Spanish period, during which time the masses became separated from the *ilustrados*, the elites. The unity of Bayan – the masses – was challenged by the *nacion* of the elites. The Philippine revolution fought for Bayan; but a counter-revolution took place wherein the elites took over. Virtually all of the presidents of the Philippines came from the elite, representing their interests. Erap, as president, brought a great change in bringing the government back to the *masa*, the true Bayan; he was a step forward towards national unification. As Dr. Salazar points out, he

---

\*Professor, Department of History, College of Social Sciences and Philosophy, University of the Philippines Diliman.

was the *Pinunong Bayan*. However, the elites and their interests were threatened, thus resulting in EDSA II. The many issues which were left unclosed in the transition and succeeding administration resulted in the many problems the country faces today.

The biography shows how Erap was born in an elite family, but amidst historic surroundings – he was born in Tondo and raised in San Juan, both places which were important in the Philippine Revolution. Erap's childhood, education (from formal, elite schooling to "university" schooling amidst Philippine society and culture) are discussed. Dr. Salazar emphasizes how Erap crossed from the elite to the *masa*: first in his hometown San Juan, playing with squatter boys and becoming their leader. Also influencing him was the significance of Pinaglabanan and Philippine revolution in San Juan.

Erap's other major step towards the *masa* was in entering the Philippine movie industry – *kultura ng bayan*, as revealed in its historical roots. By becoming a movie star Erap reached out to the *masa* and became their idol, but by doing so he linked himself with them.

Erap then entered the world of politics when he became mayor of San Juan. As mayor, he claimed to have fulfilled all his promises, and more; he was able to control graft and corruption. Unable to eradicate jueteng, he rechanneled the bribe money to the people.

Erap then was elected Senator, where he stood firm against the US bases, and argued that foreign assistance was not necessary. He was then elected Vice President and was appointed by President Ramos as the head of the Presidential Anti-Crime Commission. Deeply ingrained tradition threatened any change, thus weakening the plans which Erap sought to implement. Finally, Erap ran and won a landslide victory as President, which many felt was the victory of the masses (*Tagumpay ng Bayan*), with Erap as *Pangulong Bayan*.

As Erap started on his political career, he stated "I know who put me where I am now: the *bakya* crowd. They are the people responsible for what I am now. It's time for me to repay them for what they have done for me and I can only repay by serving them." This became his basic principle, serving his constituents, the *masa*, *Bayan*, and not the elites.

The biography highlights the goals which Erap, as President, strived for, and the gains he accomplished. Dr. Salazar also shows Erap's larger role in Philippine history and the possibility of unifying the *masa* and the elite for the unification of *Bayan*.

In trying to pursue his goals, however, members of the elite, the traditional politicians and his political enemies, elements in the military and



in business, felt threatened and attempted to destabilize the Erap administration. Coup plans and extra-constitutional plots were hatched, and Oplan 3Ds – Destabilization, Disaffection and Disinformation – was launched. The constitutional process – impeachment – was eventually followed, but when it broke down, EDSA II broke out.

The book builds up dramatically to the crisis: after discussing the first one hundred days, Dr. Salazar examines Erap's administration in detail, including the rising criticism of Erap. The impeachment trial is narrated day by day, and the outbreak of EDSA II is tackled hour by hour. This is followed by an analysis of what happened, citing documentary sources (many of which are presented in full) to show how the extra-Constitutional event led to problems of legitimacy for the next administration. The many unresolved issues remain, and because of the lack of closure, the country is still struggling to steady – nay, to find – itself. The old politics has not apparently changed, leading to demoralization which a true leader might have righted.

The book contains quotes from many documentary sources, some of which are printed in full. It can thus be seen also as a documentary history of Erap's life and times.

This hefty tome is Volume I of a projected two volumes. The second volume promises to continue where Volume I ended, and examine the plunder trial, the politics of EDSA II, and on to the presidency of Gloria Macapagal Arroyo, the elections of 2004, and FPJ.

This is a pro-Erap biography. But it is one that is rooted in a larger framework, and one that is especially needed now in order to see more clearly the problems the country faces today. Although we are still very close to the events, and the plunder trial continues on, as do the various legal problems and implications arising from EDSA II, Dr. Salazar's biography is important to set things in perspective. He further shows that the goals of EDSA III – which were dismissed or ignored by the elite – are a continuation of past ideals of the people and should not be dismissed. Rather, the process of bringing about true change and returning the country to the people still continues.

It is important to read to better understand the context of today's political and other problems – issues which have not yet been closed or resolved. It is time to see the larger picture, and Dr. Salazar's biography of Erap is a step towards the direction.

The English translation is one that tries to capture the essence of Salazar's writing. Admittedly getting the nuances across in another language is difficult, as Prof. Mendez recognizes, but the translation succeeds in getting the meaning clear, since it is not a simple word-for-word translation. With the

publication of the English version, non-Filipino readers will have access to this thought-provoking book. Together with the original Filipino edition, this biography of Erap – also a commentary on Filipino society and history – should make Filipinos and those interested in the Philippines think more deeply about Erap the man and the Philippines.

**2006  
Author-Title Index  
Volume L, Nos. 1-4**

- A decade of governance innovations and gaps in poverty alleviation, by Victoria A. Bautista, 23-53.
- Alampay, Erwin A. Interim findings on universal access to information and communication technologies: the case of Carmona and Puerto Princesa, 176-182.
- Assessing the need for integrating ethics in managerial decisionmaking, by Tomas A. Sajo, 90-125.
- Bautista, Victoria A. A decade of governance innovations and gaps in poverty alleviation, 23-53
- Briones, Leonor Magtolis. Financing development in the time of cholera, 336-354.
- Bureaucracies and networks: organizational transformations in an Australian setting, by Vicente C. Reyes, Jr., 320-335.
- Cariño, Ledivina V. From traditional public administration to the governance tradition: research in NCPAG, 1952-2002, 1-22.
- Civic service in East Asia and the Pacific, by Edna E.A. Co, 149-175.
- Co, Edna E.A. Civic service in East Asia and the Pacific, 149-175.
- Cuaresma, Jocelyn C. Is there water after privatization?: the case of the metropolitan waterworks and sewerage system, 230-274.
- Financing development in the time of cholera, by Leonor Magtolis Briones, 336-354.
- From traditional public administration to the governance tradition: research in NCPAG, 1952-2002, by Ledivina V. Cariño, 1-22.
- Jose, Ricardo T. President Erap: a sociopolitical and cultural biography of Joseph Ejercito Estrada, [review of] *President ERAP: a sociopolitical and cultural biography of Joseph Ejercito Estrada. Volume 1: facing the challenge of EDSA II*, by Zeus A. Salazar, translated by Sylvia Mendez Ventura, 355-358.

- Interim findings on universal access to information and communication technologies: the case of Carmona and Puerto Princesa, by Erwin A. Alampay, 176-182.
- Is there water after privatization?: the case of the metropolitan waterworks and sewerage system, by Jocelyn C. Cuaresma, 230-274.
- Lucas, Francis B. and Maricel Almojuela Tolentino. Participatory governance: a future charted with the people, for the people, 126-148.
- Mendoza, Maria Fe V. Regulation (and competition) in the Philippine electricity industry, 275-319.
- Participatory governance: a future charted with the people, for the people, by Francis B. Lucas and Maricel Almojuela Tolentino, 126-148.
- President Erap: a sociopolitical and cultural biography of Joseph Ejercito Estrada, [review of] *President ERAP: a sociopolitical and cultural biography of Joseph Ejercito Estrada. Volume 1: facing the challenge of EDSA II*, by Zeus A. Salazar, translated by Sylvia Mendez Ventura, [Ricardo T. Jose, reviewer], 355-358.
- Public administration and governance: how do they affect government efficiency and effectiveness, by Patricia A. Sto. Tomas and Joel V. Mangahas, 54-89.
- Regulation (and competition) in the Philippine electricity industry, by Maria Fe V. Mendoza, 275-319.
- Reyes, Vicente Jr. C. Bureaucracies and networks: organizational transformations in an Australian setting, 320-335.
- Sajo, Tomas A. Assessing the need for integrating ethics in managerial decisionmaking, 90-125.
- Spatial microsimulation of household characteristics in Metro Manila: identifying informal settlements and its implications to urban and housing policy, by Noriel Christopher C. Tiglao, 202-229.
- Sto. Tomas, Patricia A. and Joel V. Mangahas. Public administration and governance: how do they affect government efficiency and effectiveness, 54-89.
- Tiglao, Noriel Christopher C. Spatial microsimulation of household characteristics in Metro Manila: identifying informal settlements and its implications to urban and housing policy, 202-229.

Urban poverty morphology, remote sensing, and geographic information system: towards sensitizing public management, by May Celine T.M. Vicente, Ma. Aileen Leah G. Guzman and Gerald A. Galgana, 183-201.

Vicente, May Celine T.M., Ma. Aileen Leah G. Guzman and Gerald A. Galgana. Urban poverty morphology, remote sensing, and geographic information system: towards sensitizing public management, 183-201.

**2006  
Subject Index  
Volume L, Nos. 1-4**

**BUREAUCRACY**

Cuaresma, Jocelyn C. Is there water after privatization?: the case of the metropolitan waterworks and sewerage system, 230-274.

**CHOLERA—PHILIPPINES**

Briones, Leonor Magtolis. Financing development in the time of cholera, 336-354.

**CIVIC SERVICE—EAST ASIA**

Co, Edna E.A. Civic service in East Asia and the Pacific, 149-175.

**CIVIL SERVICE**

Sto. Tomas, Patricia A. and Joel V. Mangahas. Public administration and governance: how do they affect government efficiency and effectiveness, 54-89.

**CIVIL SERVICE ETHICS**

Sajo, Tomas A. Assessing the need for integrating ethics in managerial decisionmaking, 90-125.

**CIVIL SOCIETY**

Lucas, Francis B. and Maricel Almojuela Tolentino. Participatory governance: a future charted with the people, for the people, 126-148.

**CORRUPTION—GOVERNMENT POLICY—PHILIPPINES**

Sto. Tomas, Patricia A. and Joel V. Mangahas. Public administration and governance: how do they affect government efficiency and effectiveness, 54-89.

**DECISIONMAKING—MORAL AND ETHICAL ASPECTS**

Sajo, Tomas A. Assessing the need for integrating ethics in managerial decisionmaking, 90-125.

## DEMOCRACY AND GOOD GOVERNANCE

Sto. Tomas, Patricia A. and Joel V. Mangahas. Public administration and governance: how do they affect government efficiency and effectiveness, 54-89.

## DOMESTIC ECONOMIC ASSISTANCE—PHILIPPINES

Bautista, Victoria A. A decade of governance innovations and gaps in poverty alleviation, 23-53.

## ECONOMIC DEVELOPMENT—FINANCE

Briones, Leonor Magtolis. Financing development in the time of cholera, 336-354.

## EDSA REVOLUTION, 2001

Jose, Ricardo T. President Erap: a sociopolitical and cultural biography of Joseph Ejercito Estrada, [review of] *President ERAP: a sociopolitical and cultural biography of Joseph Ejercito Estrada. Volume 1: facing the challenge of EDSA II*, by Zeus A. Salazar, translated by Sylvia Mendez Ventura, 355-358.

## ELECTRIC UTILITIES—PHILIPPINES

Mendoza, Maria Fe Villamejor. Regulation (and Competition) in the Philippine Electricity Industry, 275-319.

## ESTRADA ADMINISTRATION

Jose, Ricardo T. President Erap: a sociopolitical and cultural biography of Joseph Ejercito Estrada, [review of] *President ERAP: a sociopolitical and cultural biography of Joseph Ejercito Estrada. Volume 1: facing the challenge of EDSA II*, by Zeus A. Salazar, translated by Sylvia Mendez Ventura, 355-358.

## ESTRADA, JOSEPH E.—BIOGRAPHY

Jose, Ricardo T. President Erap: a sociopolitical and cultural biography of Joseph Ejercito Estrada, [review of] *President ERAP: a sociopolitical and cultural biography of Joseph Ejercito Estrada. Volume 1: facing the challenge of EDSA II*, by Zeus A. Salazar, translated by Sylvia Mendez Ventura, 355-358.

## FINANCE—PHILIPPINES

Briones, Leonor Magtolis. Financing development in the time of cholera, 336-354.

## GEOGRAPHIC INFORMATION SYSTEM

Vicente, May Celine T.M., Ma. Aileen Leah G. Guzman and Gerald A. Galgana. Urban poverty morphology, remote sensing, and geographic information system: towards sensitizing public management, 183-201.

## GOVERNANCE

Cariño, Ledivina V. From traditional public administration to the governance tradition: research in NCPAG, 1952-2002, 1-22.

Sto. Tomas, Patricia A. and Joel V. Mangahas. Public administration and governance: how do they affect government efficiency and effectiveness, 54-89.

## INFORMATION TECHNOLOGY—SOCIAL ASPECTS

Alampay, Erwin A. Interim findings on universal access to information and communication technologies: the case of Carmona and Puerto Princesa, 176-182.

*KAPIT BISIG LABAN SA KAHIRAPAN (KALAHI)*

Bautista, Victoria A. A decade of governance innovations and gaps in poverty alleviation, 23-53.

## LAND UTILIZATION

Vicente, May Celine T.M., Ma. Aileen Leah G. Guzman and Gerald A. Galgana. Urban poverty morphology, remote sensing, and geographic information system: towards sensitizing public management, 183-201.

## MANILA WATER COMPANY, INC.

Cuaresma, Jocelyn C. Is there water after privatization?: the case of the metropolitan waterworks and sewerage system, 230-274.

## MASS CULTURE

Jose, Ricardo T. President Erap: a sociopolitical and cultural biography of Joseph Ejercito Estrada, [review of] *President ERAP: a sociopolitical*



*and cultural biography of Joseph Ejercito Estrada. Volume 1: facing the challenge of EDSA II*, by Zeus A. Salazar, translated by Sylvia Mendez Ventura, 355-358.

#### MAYNILAD WATER SERVICES, INC.

Cuaresma, Jocelyn C. Is there water after privatization?: the case of the metropolitan waterworks and sewerage system, 230-274.

#### METROPOLITAN WATERWORKS AND SEWERAGE SYSTEM (MWSS)

Cuaresma, Jocelyn C. Is there water after privatization?: the case of the metropolitan waterworks and sewerage system, 230-274.

#### NATIONAL COLLEGE OF PUBLIC ADMINISTRATION AND GOVERNANCE

Cariño, Ledivina V. From traditional public administration to the governance tradition: research in NCPAG, 1952-2002, 1-22.

#### NATIONAL SCHOOLS NETWORK (AUSTRALIA)

Reyes, Vicente Jr. C. Bureaucracies and networks: organizational transformations in an Australian setting, 320-335.

#### NETWORKS

Reyes, Vicente Jr. C. Bureaucracies and networks: organizational transformations in an Australian setting, 320-335.

#### NONGOVERNMENTAL ORGANIZATIONS

Lucas, Francis B. and Maricel Almojuela Tolentino. Participatory governance: a future charted with the people, for the people, 126-148.

#### POVERTY—PHILIPPINES

Bautista, Victoria A. A decade of governance innovations and gaps in poverty alleviation, 23-53.

#### PRIVATIZATION—PHILIPPINES

Cuaresma, Jocelyn C. Is there water after privatization?: the case of the metropolitan waterworks and sewerage system, 230-274.

## PUBLIC ADMINISTRATION

Sto. Tomas, Patricia A. and Joel V. Mangahas. Public administration and governance: how do they affect government efficiency and effectiveness, 54-89.

## PUBLIC ADMINISTRATION—CITIZEN PARTICIPATION

Lucas, Francis B. and Maricel Almojuela Tolentino. Participatory governance: a future charted with the people, for the people, 126-148.

## PUBLIC ADMINISTRATION—MORAL AND ETHICAL ASPECTS

Sajo, Tomas A. Assessing the need for integrating ethics in managerial decisionmaking, 90-125.

## PUBLIC ADMINISTRATION—RESEARCH—PHILIPPINES

Cariño, Ledivina V. From traditional public administration to the governance tradition: research in NCPAG, 1952-2002, 1-22.

## PUBLIC UTILITIES—LAWS AND REGULATIONS

Mendoza, Maria Fe Villamejor. Regulation (and Competition) in the Philippine Electricity Industry, 275-319.

## PUBLIC UTILITIES—PHILIPPINES

Mendoza, Maria Fe Villamejor. Regulation (and Competition) in the Philippine Electricity Industry, 275-319.

## SALAZAR, ZEUS A.

Jose, Ricardo T. President Erap: a sociopolitical and cultural biography of Joseph Ejercito Estrada, [review of] *President ERAP: a sociopolitical and cultural biography of Joseph Ejercito Estrada. Volume 1: facing the challenge of EDSA II*, by Zeus A. Salazar, translated by Sylvia Mendez Ventura, 355-358.

## SOCIAL REFORM AGENDA (SRA)

Bautista, Victoria A. A decade of governance innovations and gaps in poverty alleviation, 23-53.

## SQUATTERS SETTLEMENTS—GOVERNMENT POLICY—PHILIPPINES

Tiglao, Noriel Christopher C. Spatial microsimulation of household characteristics in Metro Manila: identifying informal settlements and its implications to urban and housing policy, 202-229.

## SQUATTERS SETTLEMENTS—STATISTICAL METHODS

Tiglao, Noriel Christopher C. Spatial microsimulation of household characteristics in Metro Manila: identifying informal settlements and its implications to urban and housing policy, 202-229.

## TELECOMMUNICATION—SOCIAL ASPECTS

Alampay, Erwin A. Interim findings on universal access to information and communication technologies: the case of Carmona and Puerto Princesa, 176-182.

## UNITED NATIONS DEVELOPMENT PROGRAM

Cariño, Ledivina V. From traditional public administration to the governance tradition: research in NCPAG, 1952-2002, 1-22.

## URBAN POOR

Vicente, May Celine T.M., Ma. Aileen Leah G. Guzman and Gerald A. Galgana. Urban poverty morphology, remote sensing, and geographic information system: towards sensitizing public management, 183-201.

## URBAN POOR—METRO MANILA

Tiglao, Noriel Christopher C. Spatial microsimulation of household characteristics in Metro Manila: identifying informal settlements and its implications to urban and housing policy, 202-229.

## VOLUNTEERISM—EAST ASIA

Co, Edna E.A. Civic service in East Asia and the Pacific, 149-175.

## WORLD BANK STUDY

Sto. Tomas, Patricia A. and Joel V. Mangahas. Public administration and governance: how do they affect government efficiency and effectiveness, 54-89.

**FACULTY**  
**NATIONAL COLLEGE OF PUBLIC ADMINISTRATION AND GOVERNANCE**  
**UNIVERSITY OF THE PHILIPPINES**

JOSE V. ABUEVA, *Professor Emeritus of Public Administration and Political Science*  
ERWIN GASPAR A. ALAMPAY, *Assistant Professor*  
MA. CONCEPCION P. ALFILER, *Professor*<sup>o</sup>  
MINERVA S. BAYLON, *Assistant Professor*  
VICTORIA A. BAUTISTA, *Professor*<sup>+</sup>  
EMILIA T. BONCODIN, *Professor*  
ALEX B. BRILLANTES JR., *Professor and Dean*  
LEONOR M. BRIONES, *Professor*  
WILHELMINA L. CABO, *Assistant Professor*  
LEDIVINA V. CARIÑO, *University Professor*  
EDNA ESTIFANIA A. CO, *Professor*  
JOCELYN C. CUARESMA, *Associate Professor*<sup>\*\*</sup>  
RAUL P. DE GUZMAN, *Professor Emeritus*  
J. PROSPERO E. DE VERA III, *Associate Professor*  
FRANCISCO G. DELFIN JR., *Assistant Professor*  
MA. OLIVA Z. DOMINGO, *Associate Professor and Director, Center for Leadership,  
Citizenship and Democracy*  
EBINEZER R. FLORANO, *Assistant Professor*  
SIMEON A. ILAGO, *Associate Professor and Director, Center for Local  
and Regional Governance*  
PERLA E. LEGASPI, *Associate Professor*  
JOEL V. MANGAHAS, *Professor and Director, Center for Policy and Executive  
Development*  
WILFRED S. MANUELA, JR., *Assistant Professor*  
VICENTE D. MARIANO, *Associate Professor and Director, Publications Office*  
MA. FE V. MENDOZA, *Associate Professor and Program Chair, Open University*  
REMIGIO D. OCENAR, *Associate Professor*  
PERLA C. PATACSIL, *College Librarian*  
MILA A. REFORMA, *Professor and College Secretary and Director, Center  
for Public Administration and Governance Education*  
DANILO R. REYES, *Professor*  
DAN A. SAGUIL, *Assistant Professor and Residential Program Coordinator*  
JOSE P. TABBADA, *Professor*  
NORIEL CHRISTOPHER C. TIGLAO, *Assistant Professor*

**Lecturers**

RAYMUNDO S. ANDALLON JR., <i>Lecturer</i>	PETER G. MALVICINI, <i>Professorial Lecturer</i>
HAYDE B. ARANDIA, <i>Senior Lecturer</i>	ELEANOR E. NICOLAS, <i>Lecturer</i>
HILDA G. DIOKNO, <i>Senior Lecturer</i>	MA. LUZ SB. RANSES-RAVAL, <i>Senior Lecturer</i>
LILIBETH JOVITA J. JUAN, <i>Lecturer</i>	
JESUS L.R. MATEO, <i>Senior Lecturer</i>	

---

<sup>o</sup> On Special Detail

<sup>\*\*</sup> On Study Leave



9 770031 767524

ISSN 977-0031-7675-2