



# The Local Government Code's Decade of Taking Root: A Synopsis on the Decentralization and Devolution of Government\*

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## I. BACKGROUND

The attraction of decentralization as a development and governance strategy is built on the fundamental premise that government will be more responsive, efficient, effective, transparent, and accountable if brought closer to the people. The atmosphere of openness engendered by the toppling of the Marcos dictatorship through People Power in 1986 combined with greater openness to participatory principles provided the enabling environment for the eventual formulation and passage of the Local Government Code (LGC) in 1991. The Philippine Constitution of 1987 mandated the enactment of a Local Government Code that shall ensure local autonomy and provide for a

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more responsive and accountable local government structure. That autonomy is promoted through features of the LGC that provide for various modes of decentralization,<sup>1</sup> particularly de-concentration,<sup>2</sup> devolution<sup>3</sup> and de-bureaucratization,<sup>4</sup> of the country's political-administrative system.

In transforming local governments into autonomous and self-reliant units, the Code granted local government units (LGUs) with substantial fiscal, developmental, administrative, and regulatory powers. This was envisioned to open the arena for more active citizen participation and inter-LGU cooperation in local governance.

Beginning 1992, both the national government agencies (NGAs) and the LGUs were urged to identify, reconstitute, and capacitate themselves into the kind of organization necessary to fulfill the law's mandate. For the LGUs, this meant resolving the various institutional and financial dilemmas linked to an incipient decentralized structure. For the NGAs, this meant unlearning traditional bureaucratic paradigms and behavior; re-tooling to acquire new competencies; and forming structures and programs to fulfill the responsibility of policy and standard-setting, capability-building through technical assistance, and monitoring and evaluating basic service delivery, which are now handed over to LGUs.

Rapid field appraisals (RFAs) on decentralization have been undertaken since 1992 to monitor and document ongoing transitions and transformations happening as national government agencies and local government units pursue their specific mandates contained in the LGC.<sup>5</sup> These appraisals were conducted to determine the progress of LGUs in achieving the autonomy envisioned as well as the transformation of the local governments into managers of local development called for under the Code. In more recent years, the RFAs also focused on the measures undertaken by National Government Agencies (NGAs) to support the LGUs in the performance of their devolved functions and to strengthen the decentralization agenda.

1. Decentralization has been defined as the "state where decisions are made at the local level with minimum participation or interference from the central government."
2. De-concentration or "administrative decentralization" has been defined as the "transfer of administrative functions from the central to regional or local administrative units."
3. Devolution or "political decentralization" has been defined as the "transfer of powers, authority and resources from national to local government units."
4. De-bureaucratization has been defined as the "transfer of powers, authorities to non-government units and private sector."
5. These RFAs were done under the USAID funded projects: Local Development Assistance Program (LDAP) and the Governance and Local Democracy Project (GOLD).

The research project was undertaken 10 years into the LGC implementation to assess the current state of decentralization, focusing on the performance of NGAs in facilitating the attainment of local autonomy. As stated in the Declaration of Policy of the LGC, the ultimate objective of its enactment is the attainment of a state of governance where:

[t]he territorial and political subdivisions of the State shall enjoy genuine and meaningful local autonomy to enable them to attain their fullest development as self-reliant communities and make them more effective partners in the attainment of national goals. Toward this end, the State shall provide for a more responsive and accountable local government structure instituted through a system of decentralization whereby local government units shall be given more powers, authority, responsibilities, and resources.<sup>6</sup>

Specifically, the studies aimed to generate insights and an analysis on what improvements and reforms have been made in the NGA-LGU relations under decentralization and what issues remain to be resolved and should be considered to create an enabling policy environment for decentralization and devolution. From there, a meaningful policy dialogue shall be initiated between LGUs and NGAs based on learning accumulated during the past 10 years.

The research project was composed of four agency studies covering the following devolved agencies: Department of Agriculture (DA), Department of Health (DOH), Department of Social Welfare and Development (DSWD) and the partially devolved Department of Environment and Natural Resources (DENR); and a consolidated report on the oversight and support agencies covering the Department of Interior and Local Government (DILG), Department of Budget and Management (DBM), Department of Finance (DOF), Civil Service Commission (CSC), National Economic and Development Administration (NEDA) and Commission on Audit (COA). This assessment chose to focus on the NGAs to emphasize the critical role they play in ensuring the success of decentralization. The ability of the central government to provide the necessary institutional framework to strengthen decentralization is vital and must be purposely pursued.

The Ateneo School of Government hopes that through this research project, it can contribute to the assessment of decentralization, as it ends its 10 years of implementation and begins another decade of institutional strengthening in the pursuit of local autonomy.<sup>7</sup>

6. Local Government Code, Republic Act No. 7160, §2 (1991).

7. The studies were done using the following approaches:

- a. survey and review of the circulars, administrative orders, and other pronouncements issued by the Department to provide the guidelines governing the process of decentralization as well as documents and studies made to assess progress on the pursuit of the decentralization

## II. TEN YEARS OF DECENTRALIZATION: GENERAL THEMES THAT CHARACTERIZE THE PERIOD

A. *Despite the personnel problems that beset the implementation of the LGC, particularly coming from the devolved personnel, the decentralization process has survived and is beginning to take root.*

Much of the lobbying came from disgruntled field personnel of the DA and the DOH. From 1992 onward, some 18,000 agriculture extension agents had been devolved from the DA to LGUs while the DOH had 44,783 devolved health workers.

There are generally two reasons for advocating re-centralization: first, the reduction of total compensation for devolved workers, and second, the lack of training and development for the devolved workers through their respective LGUs.

Most of these devolved workers were unhappy, principally because they discovered that their total compensation package had been significantly reduced with their transfer from the national payroll to the LGUs. For devolved workers from the DA working in lower-revenue LGUs, this meant a reduction of as much as 30%. To address this problem, Secretary Escudero granted incentive allowances to LGU extension workers. These incentive allowances were from the budget of the *Gintong Ani* Programs, which was the nationwide "banner program" of the department.

Devolution was met with lack of enthusiasm by the staff of the Department of Health. By the end of 1992, dissatisfaction pervaded among the devolved health workers and the clamor to renationalize DOH started to

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policy, including past rapid field appraisals done under the USAID GOLD Projects;

- b. participation in a series of consultation-workshops conducted by the DILG with various national government agencies in preparation for the LGC Anniversary celebrations in October; and
- c. individual interviews with key informants and focused group discussions to identify the milestones and assess the persistent issues that would allow for the formulation of recommendations and action points.

The studies do not only assess the status of transfer of basic services but they also attempt to provide in-depth insight into whether or not a genuine shift in governance philosophy has indeed taken place by using an analytical framework where dimensions of change toward a decentralized state are examined, including: (a) presence or absence of reforms; (b) mode of technical assistance; (c) nature of regulations; (d) quality of response time; (e) amount of requirements to elicit NGA response; and (f) character of the NGA-LGU relationship.

gain momentum. This dissatisfaction was primarily spurred by the inability of many provinces and municipalities to pay for the salaries and benefits of the devolved health workers. To assist LGUs in providing the benefits stipulated in the *Magna Carta* of Local Health Workers, DOH earmarked a significant portion of its budget. This subsidy, however, was subsequently reduced by 50% in 1995, 25% in 1996, and 10% in 1997.

Even the DSWD where the devolution process has been relatively smooth, has not been spared from re-centralization efforts. To lessen the distress of DSWD devolved staff, the department made sure that the decentralization process would not infringe on the rights and benefits of the personnel. However, fears regarding decentralization would emerge time and again.

Another reason for re-centralization is the lack of career development for the devolved workers. Since most LGUs had neither the contacts nor resources to secure training opportunities, the devolved workers have fallen behind in knowledge and capacity to teach. The national system of training for agricultural extension workers, for example, was lost to the devolved extension workers. DA tries to fill up this vacuum by providing capacity-building opportunities through the banner programs of the department.

These recurring calls for the renationalization of devolved agencies kept the NGAs occupied with attempts to mitigate the dissatisfaction of devolved workers. There was not much attention given to setting directions and formulating policies that can hasten stabilization of the process. It is important to note that regardless of failed efforts for re-centralization, issues of compensation and roles continue to persist. For example, the controversy and concern over the status of agricultural extension workers continue until today. Despite various proposals, such as creating an augmentation fund, some health workers still do not receive the salaries and benefits mandated by law.

This led us to the observation that while fears about devolution still persist, the survival of the decentralization process could be attributed both to the temporary relief given to demoralized personnel by the NGA heads and the administration's commitment to decentralization. Fears about devolution are temporarily allayed but never totally eliminated, primarily because of the *ad hoc* nature of the responses.

B. *Frequent turnover of leadership in the NGAs resulted into constant shifts in focus and strategies, changes in programs and "reinvention of the wheel" creating a feeling of unending transitions rather than stability and institutionalization.*

Leadership was a crucial factor in defining the character of the interventions in pursuit of decentralization. The observation of Dr. Bruce Tolentino in his assessment of DA is common to most of the NGAs covered by the research

project. He noted in his report that "while the LGC was a singular document through the last ten years, its interpretation varied among the men and women charged with its implementation." The inclusion of the goals of the LGC and the intensity and focus given to the implementation of the LGC varied according to the views of the key officials at the helm. This is especially true for agencies such as the DA, DOH, DENR, and DILG. Box 1 shows that on the average, secretaries for these departments stayed for 1½ to 2 years in office. The constant turnover of leadership resulted in "fits and starts" caused by shifts in strategies, changes in programs, and frequent reinvention of the wheel.

In the DA, there were 7 secretaries over the ten-year period. The change in focus and strategies caused by turn-overs in leadership is shown by the shifting approaches—from facilitating decentralization to contemplating re-centralization to support for decentralization through more purposive re-tooling and re-engineering. The Secretary's interest, experience, and expertise are major factors that influenced these varying responses.

BOX 1. NUMBER OF SECRETARIES OF SELECTED  
NATIONAL GOVERNMENT AGENCIES (1991-2001)

DEPARTMENT/AGENCY	NO. OF SECRETARIES
DA	7
DOH	8
DSWD	5
DENR	6
DILG	7
DOF	5
DBM	5
NEDA	4
CSC	3
COA	3

The DOH also had experienced changes in leadership during the same period. Although all, but one secretary, expressed their support for the devolution, this was operationalized in various ways and at differing intensities. It was specifically only during the brief tenure of Sec. Hilarion Ramiro, Jr. where there was a serious threat to devolution as there was a relentless pursuit in Congress to re-nationalize a significant number of devolved hospitals.<sup>8</sup> The strong commitment of most DOH secretaries to devolution sent the signal to anti-decentralization forces within the department that decentralization is definitely going to stay. Recognizing the

8. Interview by Dr. Maria Eufemia C. Yap with Dr. Juan Antonio Perez III (Sept. 27, 2001). To date there are 18 hospitals that have been re-nationalized.

futility of their efforts to re-nationalize, such attempts slowly began to die down.

In the DILG, the experience and local governance framework of the Secretary could influence the manner in which 'supervision' is operationalized. For example, it is interesting to note that it was under the term of Sec. Ronaldo Puno that the department issued guidelines that tend toward "control" rather than be "enabling" and "facilitative."<sup>9</sup>

*C. Despite the persistent complaint on the lack of consultations with LGUs by NGAs, various participatory planning, monitoring and evaluating and partnership schemes have been piloted in the last four years that should already be institutionalized in the various agencies.*

Throughout the ten years of implementation of the Local Government Code, a number of projects have been carried out to establish beginnings of a culture of participation in the LGUs and in their relationship with NGAs.

#### 1. Participatory agricultural development planning

The Department of Agriculture, for example, implemented in 1997 a technical assistance project aimed at strengthening the capacity of both the DA and the LGUs in devolved agricultural governance. The project TA 2733-PH: *Institutional Capacity Building for Policy Formulation, Planning, Monitoring and Evaluation for the Agriculture Sector*, focused on the formulation of the DA's strategy of support to LGUs, which would formulate and implement their local agricultural development plans and programs.

Through a participatory process joint with the DA Planning Group, TA 2733-PH established a planning system and assisted the DA and the LGUs in the pilot implementation of the system in three provinces: one each in Luzon (Mindoro Occidental), Visayas (Iloilo) and Mindanao (Zamboanga del Sur). Over the past decade, the DA has slowly but steadily added to its regular activities and programs elements of participatory planning. This process was accelerated with the passage and implementation of the Agriculture Fisheries Modernization Act in 1998. Policies and practices of the DA in agricultural development planning have become firmly oriented toward participatory, LGU-based approaches.

9. The study noted that out of 25 contentious memorandum circulars (MCs), 12 MCs were issued by DILG under Secretary Puno; 5 under Secretary Barbers; 4 under Secretary Alunan; 3 under Secretary Velasco and 1 under Secretary Lim.

## 2. Needs-driven approach in the delivery of social service

The *Comprehensive and Integrated Delivery of Social Services (CIDSS)* of DSWD was a major achievement in the area of need-driven intervention and effective delivery of social services. The experience shows what can be achieved with planning from below. In this particular technology, "needs" were not identified from above but were generated from below. The LGUs were heavily involved both in generating the needs, drafting the approach, and implementing it through inter-agency committees organized specifically for this purpose. Direct payments were made to the LGUs which facilitated the implementation of the program.

## 3. LGU participation in project conceptualization, fund accessing, and negotiations with bilateral and multilateral donors

The DOH launched in 1997 the Integrated Community Health Services Project (ICHSP) which was a loan with a grant component for technical assistance to develop and test models for appropriate health care delivery systems. This project was seen as distinct from other foreign-assisted projects as LGUs participated from the conceptualization and fund accessing phases, including actual negotiations with donors. Advocates of local autonomy welcomed the participation of LGUs in the process because it was seen as a model for the process wherein a NGA could involve localities in accessing development assistance. The study on the decentralization of the DOH lamented that a change of administration led to a re-focusing of the project. It was also unfortunate that other partnership projects between DOH and LGUs have not been enhanced by the knowledge gained from the ICHSP experience.

Despite an initial slow response to decentralization, DENR and LGUs together with community organizations have been engaged in innovative practices towards co-management and joint responsibility in project implementation for natural resource and environmental management. Observations from the field indicate growing awareness and attention to environmental issues by LGUs and communities. Mechanisms for effective resource management using various modes of inter-intra governmental and public-private agreements and partnerships were introduced, such as the Integrated Coastal Resource Management Program in Bataan and the Participatory Upland Agricultural Development Planning process in Davao del Sur.

## 4. Barangay participatory planning and budgeting processes

Although, more of an exception rather than the rule, technical assistance is being given by the regional office of DBM in Region III to LGUs in barangay participatory planning and budgeting. Members of the barangay

development councils and other key persons from the community participate in a three-day workshop that yields a barangay investment plan and a proposed executive budget operationalizing the plan. Practically all barangays in the region have been covered. With such participatory budgeting process popularized in the region, it would be interesting to monitor whether such budgeting process could be introduced to the mainstream in local government processes.

*D. Slow devolution of resources had been a paramount complaint of LGUs. This concern, if left unattended, pose a threat to the success of decentralization and the attainment of local autonomy; but some improvements had been observed in the last two years that may augur a bright future for decentralization.*

### 1. Issues regarding the Internal Revenue Allotment: formula, allocation, and release

Internal revenue allotment (IRA) issues still occupied the center stage in the list of concern of LGUs. Although the 1987 Constitution provided that the IRA is a basic right of LGUs in lieu of local autonomy goals, it was apparent through budgetary decisions of the central government that it generally perceived the IRA as a grant from national government. Many recommendations had been made as to the proper treatment and correct interpretation of the IRA formula. The exclusion of the cost of devolved functions from the total IRA gave rise to the perception that the current formulation is biased in favor of the cities and led many LGUs to converting themselves to cities to take advantage of the situation. This concern remained unresolved until the present time. LGUs, however, had cause for celebration: a Supreme Court ruling directed that the budget should automatically appropriate the IRA and it should be free from the control of Congress.<sup>10</sup> A faster way of releasing the IRA had also been implemented. DBM chose to release it directly to banks from which LGUs could claim their respective shares through direct credit, instead of the usual monthly releases made to the regional offices of DBM.

### 2. Share of LGUs in the use of national wealth remained unresolved

Issues regarding the computation of releases to LGUs of their share in the use of national wealth remain unresolved. This requires not only the attention of DBM but also the attention and concerted action of other departments and agencies, such as DENR, Government-Owned and Controlled Corporations, and revenue collection agencies. Processing the claims remained problematic as past RFAs have consistently reported. The authentication, verification,

10. See *Pimentel v. Aguirre*, 336 SCRA 201(2000).

and evaluation of the request took time and caused delay in the releases. Another cause in the delay of processing claims were boundary disputes.

Although the implementation of the LGC with regard to basic agricultural services was observed to be spotty, major improvements had begun to take shape in the last two years.

### 3. Co-financing arrangements to fund Agriculture and Fisheries Modernization Plans (AFMPs)

The study on the DA suggested that the formulation of a local AFMP followed by co-financing arrangements between LGUs and DA could establish patterns that will accelerate and intensify devolution. Generally, LGUs took up responsibilities for implementation while funding for the implementation of the responsibilities was borne by the DA. The LGUs usually found it difficult to appropriate their own resources for the performance of all agricultural services transferred to them, because of their own limitations in resource generation and mobilization. The enactment of Agriculture and Fisheries Modernization Act <sup>11</sup> and its subsequent implementation seemed to address this flaw with the fashioning of co-financing arrangements between the DA and LGUs. These co-financing agreements are significant because it helps enable the transfer of financial accountability as well as project responsibility from the DA to the LGU, which seemed impossible during the previous years.

In the medium-to-long run, the structure of the national agricultural development budget would change from one dominated by programs, such as the rice program, to one dominated by inter-governmental transfers, where the LGUs proceed to allocate their local budgets across programs. In the previous year, the DA began co-financing arrangements to finance AFMPs of LGUs. Moving forward, the ideal structure of the DA budget should shift from program to geographical (LGU) based. The LGU budgets will, then, be broken down by program or activity based on the LGU AFMP.

### 4. Inter-local health zones

The increasing DOH budget, despite devolution and a number of so-called unfunded health mandates, such the *Magna Carta* of Public Health Workers, the Barangay Health Workers' Benefits and Incentives Act, and the National Health Insurance Law, remained as irritants between local autonomy advocates and the national government. The DOH, however, was quick to add that such increase was warranted by the expanded demand for services in the DOH-retained hospitals due to increased referral of patients to these

hospitals, since they are better equipped than most devolved hospitals. The study on DOH decentralization also noted that increased DOH spending was due to the reclassification of some provincial and district hospitals into regional or national centers.

Perhaps due to these irritants, devolution was unevenly pursued in the DOH. However, the Health Sector Reform Agenda initiated by former Sec. Romualdez and continued by Sec. Dayrit gave the Department an impetus to pursue decentralization more vigorously. One of the main features of the agenda was the strengthening of the local health systems. The current administration initiated a convergence strategy called "Inter-Local Health Zones" (ILHZ) which was built on the previous Health Sector Reform Agenda. This strategy highlighted the importance of geographically proximal LGUs to share resources, personnel, and facilities in order to be able to respond to their constituents' health needs and to implement more appropriate and relevant health programs in their respective health zones. The ILHZ would be piloted in 64 provinces and would aim to equally address the needs for local health systems development and the issues on quality and standards in the health centers, health financing, and regulatory functions.

### 5. Various innovative modes of local financing made available to LGUs with assistance from DOF and private sector groups

One of the initiatives of the central government to assist LGUs in their resource generation mandate was the Local Government Finance and Development Project (LOGOFIND) funded by the World Bank. This was a new project which aimed to extend support to resource-poor LGUs through loans, grants, and technical assistance for capacity-building. This emphasis on resource poor LGUs was guided by the new "credit policy framework" of the Department of Finance (DOF) that aimed to offer liberal local grant packages to poor LGUs, while it encouraged the higher class LGUs to tap the market-based facilities. Although improvements were needed in the disbursement of the funds, LOGOFIND provided access to much needed funds for lower-income LGUs, which in the past were not readily available.

Accessing the bond market as a mode for resource generation has also captured the interest of LGUs. With the creation of the LGU Guarantee Corporation (LGUGC), a joint endeavor of the Bankers Association of the Philippines and the Development Bank of the Philippines, LGUs had improved access to the bond market because of the guarantee provided by LGUGC. Currently, there are 122 target LGUs for credit screening and credit rating.

11. Agriculture and Fisheries Modernization Act, R.A. No. 8435 (1997).

*E. Bureaucratic rigidity and a traditional public sector institutional framework caused a prolonged period of transition; current reform initiatives, however, may have provided a road map to a period of stabilization.*

There were three phases identified in the master plan for decentralization: changeover, transition, and stabilization. Based on the plan, the transition period was projected to span a period of four years, from 1994-1998. The studies, however, indicated that 10 years after the enactment of the LGC, implementation of the Code was still shifting from transition to stabilization. Previous RFAs and other key studies on devolution observed that NGAs continued to operate in a mode where the central unit still felt responsible for designing and administering programs and various field units were still under their direct control and supervision, despite devolution.

There were a number of factors contributing to this situation. First, the public sector institutional framework generally remained to be control and regulation-oriented rather than incentives-driven. Second, the culture of patronage that dominated our bureaucracies encouraged dependency on the "people at the top" and stifled individual initiatives for change and reform. Lastly, there was the propensity of the bureaucracy to constantly re-invent the wheel rather than build on the successes of previous regimes and administrations. Therefore, programming and action planning were not informed by lessons learned from previous programs. Thus, there was the propensity to do things repetitively and to commit the same mistakes, rather than moving forward. This created a climate of perpetual transition.

Recognizing the rigidity of bureaucracies and their history of being resistant to change, observations made by the research project on the current focus and activities of the various NGAs indicated progress in the implementation of the LGC. Some of these developments included the rescission of a number of controversial Memorandum Circulars, such as the guidelines on the use of the development fund due to lack of any legal basis. Also, there was an increase in the capacity-building and technical assistance from NGAs to LGUs becoming more demand-driven and customized to the specific needs of particular LGUs. A monitoring system to track and assess performance of LGUs for improved designing of technical assistance and capacity-building interventions was underway through the Local Government Productivity and Performance Measurement being pioneered by the Bureau of Local Government Supervision (BLGS). There is now a focus on increased transparency and less interventions in LGU affairs, notable from the current leadership with the repeal of Executive Order No. 189, which directs LGUs to submit to the DBM their Annual Investment Plans covering local projects to be funded out of the 20% development fund.

Of significant importance and to the increasing autonomy of the LGUs were the automatic appropriation of the Internal Revenue Allotment removing possible political control from Congress and empowerment of

LGUs to define their own organizational structure and plantilla by the Civil Service Commission. Audit reforms are also currently being undertaken by Commission on Audit to be more effective, efficient, responsive, and user-friendly. Various modes of participatory technologies have developed throughout the years, such as participatory agricultural development planning. Co-management schemes of natural resources in the local areas are also now being used. With regard to the growth in inter-governmental relationships, there was an increase in the process of consultation and consensus-building taking place within the Leagues, between LGUs and civil society, and between NGAs and LGUs, specifically in the past three years.

### III. SUMMARY AND CONCLUSION

A summary of the progress grid used by the research consultants is presented in the table below to show the development of decentralization in the five national government agencies.

The agency studies showed that the status of LGC implementation had been uneven. The past 10 years were years of "confusion and coping." Given the complexity and the comprehensiveness of the LGC, there was much room and reason for interpretation, leading to great variability in its implementation across departments and even by offices within single departments. Given the obvious difficulties of the task of nurturing local autonomy and managing the decentralization process, there have emerged various examples of innovative and creative initiatives of NGAs and LGUs in the implementation of the LGC.<sup>12</sup> It was these examples that help reaffirm the confidence that local autonomy was a correct element in the overall strategy for rapid national socio-economic recovery and growth. It was also these examples that seem to affect the changes in the mode of operations of NGAs. As seen from the summary presented below, generally NGAs were undertaking reforms and slowly were becoming more flexible and facilitative. However, this slow transformation needed to take root in the NGAs and to affect the regulations, requirements, and efficiency of the agencies.

The past ten years of the LGC's implementation had unequivocally demonstrated that the task of devolution and the building of local autonomy was a very complex, long-term undertaking. These features of the decentralization process require stability as well as intense levels of capacity in governance. These characteristics have not been abundant in the Philippines over the past decade, thereby contributing to the explanation of the yawning gap between the vision of the LGC and governance as of today.

12. Although civil society was not covered in this study, there are many indications that civil society has many creative initiatives supporting local autonomy and allowing decentralization to take root in the communities.

SUMMARY ASSESSMENT OF PROGRESS IN THE RELATIONSHIP BETWEEN NGAS AND LGUS TEN YEARS AFTER THE PASSAGE OF THE LGC

DIMENSIONS OF CHANGE	REFORMS	TECHNICAL ASSISTANCE	REGULATION	RESPONSE TIME	REQUIREMENTS	DOMINANT MODE OF RELATIONSHIP
DEPARTMENT						
Department of Agriculture	Fits and starts, Relatively shallow	Fits and starts	No change	Improved but not significantly	More sensitive to the needs of the LGUs and the need for consultation with LGUs	Significantly greater time and effort devoted to the building of partnerships between DA and LGUs
Department of Health	Existent and emergent	Largely DOH-driven in support of the usual functions	Less	Slow	Simplified	Assistive and Steering
Department of Social Welfare & Dev't	Existent and emergent	Flexible and LGU-driven	Less	Faster	Simplified	Beginning to be enabling and steering
Department of Environment & Natural Resources	Limited and constrained by the scope of DENR devolved functions	Largely still DENR-driven, although there are limited examples of appropriate technical assistance given by DENR	Same	Same, except for the issuance of Environmental Compliance Certificates	Same	Largely regulatory rather than facilitative
Oversight and Support Agencies	Emergent	Increased appreciation of the LGUs' needs and demand-driven approach	Moving away from control orientation and less regulation to more incentives			Moving towards assistive and facilitative

IV. CONTINUING THE IMPLEMENTATION OF THE LGC:  
AN AGENDA FOR ACTION

The implementation of the LGC engendered large and abrupt changes that both facilitated and constrained the attainment of local autonomy. The researcher-consultants of this project have identified a number of key action points that should be considered to address a number of issues hindering the shift of the decentralization process from transition to stabilization. The recommendations per agency are presented below.

A. Department of Agriculture

1. Entire DA

With regard to the formulation and implementation of the LGU Agriculture and Fisheries Modernization Plans (AFMPs) and the implementation of the food security covenant in terms of DA LGU co-financing for the implementation of the LGU AFMP,<sup>13</sup> the DA, DILG, NEDA, and the Leagues must come together to craft a program that will institutionalize a regular, long-term standard operating procedures and *modus operandi* between the DA and other departments, and LGUs; in particular, establish and clarify respective roles of the DA and other NGAs and LGUs in rural and agricultural development.

Another issue that must be considered is the slow identification of the Strategic Agricultural and Fisheries Development Zones (SAFDZs) as mandated by the AFMA and the inappropriate conversion of land uses from agricultural to non-agricultural. The SAFDZs denote areas of highest productivity, given their agro-climatic and agronomic concerns, thus, the DA must withdraw from direct implementation and transfer the responsibility to the LGUs. The DA's role is, thereafter, to provide consistent, intensive technical advice, assistance and financing to LGUs in the formulation and implementation of their respective agricultural programs. As to the issue of inappropriate conversion, the DA must work closely with the DAR, DENR, and HUDCC to ensure that land use conversion guidelines are clear and implementable.

The limited size of the IRA does not provide LGUs with enough resources to plan and implement agriculture and rural development programs of significant size and duration. One possible answer to this problem is by enabling LGUs to raise resources apart from IRA through the liberalization of rules on the authority of LGUs to raise funds from line agencies such as

13. Through mechanisms such as *Balikatan sa Patubig* (Mutual Help for Irrigation), a co-financing scheme between the DA, NIA, LGUs and Irrigators Associations, this mechanism is not unique to communal irrigation.



the DA, *i.e.*, for capital expenditures for local irrigation, training centers, and local agricultural support activities. Related to the limitation of the IRA is the equally limited size of the "development fund" component of the IRA helping encourage calls from the DA and other NGAs for the earmarking of portions of the development fund for agriculture and rural development purposes. This should not be pursued since earmarking defeats the authority and responsibility of the LGU to plan its own development. Earmarking assumes that the IRA is the only resource that the LGU can tap. NGAs should assist LGUs to: (a) plan and allocate their IRAs in more developmental ways, and (b) raise funds from non-IRA sources.

Currently, current fiscal and audit rules and regulations do not permit the DA and other line agencies to transfer public funds as well as the accountability over the use of such funds to LGUs even under Memorandum of Agreement/Memorandum of Understanding arrangements. This constraint limits line agencies to the system of cash advances in the name of the Regional Director or some other DA official, and thus discourages these line agency officials from making transfers of resources to LGUs. In response, it is recommended that the DBM, COA, DILG, DA and DOF draft the amendatory rules and regulations that will enable DA regional offices to execute MOA/MOU with LGUs, and by means of such agreements, transfer funds as well as accountability for such to the LGUs. The monitoring of compliance by LGUs of fund usage as well as their implementation obligations under the MOA/MOU can be performed by the DA, which will then issue certifications of compliance or performance to the DBM and/or the COA. Note, however, that the MOUs and MOAs are temporary mechanisms to establish inter-institutional contracts which should be made permanent through legislation.

An issue raised was the occurrence of a wage distortion amongst devolved government workers. The passage of laws such as The *Magna Carta* for Health Workers,<sup>14</sup> and the continued non-devolved state of the DENR and DAR have resulted in a wage situation at the local level where the salaries of the health, agrarian reform, and environment staff were higher than those of the devolved agricultural staff. This was one of the key reasons why there is significant resistance to devolution as well as a call to "re-centralization" from agricultural extension workers at the LGU levels. One possible short-term solution could be to allow the DA to provide funds to augment the funds of LGUs in the form of incentive payments to the LGU extension workers. However, in the long run, legislative intervention is necessary, through the extension of the LGC to cover all other departments and to modify the public salary schedule so that wages across sectoral departments at the local level are made comparable. Since the passage of the LGC, the opportunities for training and continuing education for LGU-level

extension workers have been severely reduced, since LGUs have less resources for such training than the NGAs. The DA and other line agencies should organize and implement substantial and continuing programs for continuing education and training of LGU-level extension workers, including the augmentation of LGU resources for such training and human resource development.

The Fisheries Code of 1998<sup>15</sup> is inconsistent with the devolution and decentralization of agricultural and fisheries extension services mandated under the LGC. Republic Act No. 8550 mandates a top-to-bottom structure for fisheries governance and support services in the Bureau of Fisheries and Aquatic Resources (BFAR), which is an agency of the devolved DA. As an immediate recourse, the oversight committee on the LGC and the Department of Justice should examine the seeming inconsistency between RA 8550 and RA 7160 subject to eventual amendments of involved laws.

Several agencies attached to the DA continue to be centralized despite the application of the LGC to the DA proper. The LGC mandate on its applicability to the DA's attached agencies is unclear. These agencies include: Philippine Coconut Authority (PCA), Fiber Industry Development Authority (FIDA), National Irrigation Administration (NIA), Sugar Regulatory Administration (SRA), National Tobacco Administration (NTA), National Food Authority (NFA), Philippine Rice Research Institute (PhilRice), and National Dairy Authority (NDA). The oversight committee on the LGC and the Department of Justice should also consider the issue of the non-application of the LGC on the attached agencies of the DA. The DA should review and recommend the feasibility of the wholesale application of the LGC to its attached agencies. In the long run, however, the feasibility of the application of devolution to all its attached agencies should be reviewed as possible amendments to the LGC.

An important issue that continues to remain is the discontinuous leadership of these line agencies and departments, undermining key leadership commitment to devolution and decentralization, and consequently, the repeated re-learning of the concepts of devolution and decentralization, re-starting of their implementation have caused over-all progress to slow down. This discontinuous leadership is a key issue, particularly, at the national level since continuing commitment as enlightened by understanding through experience is necessary to "let go" and devolve. Enhancing stability in executive leadership for devolution and decentralization can be achieved principally through the creation of a core, permanent, career executive service corps from the level of Undersecretary down to the Assistant Director.

14. The Magna Carta for Health Workers, R.A. No. 7305 (1992).

15. Fisheries Code of 1998, R.A. No. 8550 (1998).

## 2. Communal Irrigation

In the aspect of communal irrigation which was a key component of many of the LGU AFMPs, the DA, NIA and Bureau of Soil and Water Management must provide institutionalized technical assistance to LGUs for the formulation, specification, design and detailed engineering of the communal irrigation projects embedded in the LGU AFMPs. Economically-feasible communal irrigation projects generate significant positive benefits that extend beyond LGU administrative boundaries. In such a situation, there is a strong case for shared responsibility and co-financing of communal irrigation among national government, specifically NIA and DA, LGU, and the farmers. Furthermore, investments in communal irrigation require continuing financial arrangements for operations and maintenance. Thus, it is necessary that the NIA, DA, DILG, NEDA, DBM, and the Leagues must immediately come together to craft a program that will institutionalize a regular, long-term SOP and *modus operandi* between the DA and other agencies concerned and LGUs with regard to the co-financing of communal irrigation projects; in particular: (a) technical support for aquifer characterization and water management by the LGUs from the NIA, and (b) the respective roles of the concerned agencies should be specified and clarified.

The capital costs of communal irrigation projects were lumpy and were beyond the capacity of the LGUs to finance, particularly from the IRAs. Communal irrigation projects were often appropriate and attractive for Official Development Assistance (ODA) financing. In this case, the concerned agencies should formulate specific mechanisms for the financing of capital costs as against rehabilitation, contrasted to operation and maintenance costs of the communal systems. Clearly the current IRA system cannot support capital investment requirements. In order for the communal irrigation projects and facilities to be sustained, irrigation service fees (ISF) that are set at a level adequate for full cost recovery and maintenance must be collected. ISF rates should differ across production environments, reflecting production opportunities and the capacity and effectivity of the Communal Irrigation Systems. The NIA and BSWM should assist the LGUs in the estimation of appropriate levels of ISF. DBM, COA, and DOF should assist LGUs in setting up accounting and financial systems for the collection and management of the ISF fees.

In relation to issues raised in the devolution of the DA, current fiscal and audit rules and regulations do not permit DA, NIA, BSWM, and other line agencies to transfer public funds for communal irrigation and other projects, as well as accountability over the use of such funds, to LGUs under MOA/MOU arrangements. This constraint limits line agencies to transfers, under the system of cash advances in the name of the Regional Director or some other DA official, discouraging these line agency officials from making

transfers of resources to LGUs. Thus, it is reiterated that the DBM, COA, DILG, DA, and DOF should draft amendatory rules and regulations that will enable DA regional offices to execute MOA/MOUs with LGUs, and by means of such agreements, transfer funds as well as accountability of such to the LGUs. The monitoring of compliance by LGUs of fund usage as well as their implementation obligations under the MOA/MOU can be performed by the DA, which will then issue certifications of compliance or performance to the DBM and/or COA.

One important agency that needs to be devolved is the NIA. Despite the application of the LGC to the DA proper, the NIA, like most other attached agencies, continues to be centralized. Thus, the previous recommendations emphasize particularly queries forwarded to the oversight committee on the LGC and the Department of Justice and the possible devolution of attached DA agencies, amending for that purpose the LGC.

### B. Department of Health

The LGC still holds the DOH accountable for the protection and promotion of the health of all Filipinos even as it removes from the Department the responsibility for the management and control of the service delivery structure and transferring these to the LGUs. This gives rise to a number of issues namely: accountability, lack of clarity of roles and responsibilities, fragmentation of services between the different levels of LGUs.

The first steps that must be taken involve concrete and operational steps by the DOH to fully integrate the reality of devolution into its foundations, such as re-defining the new role of the DOH in light of the devolution and to initiate dialogue between the DOH and the LGUs to define their respective responsibilities and roles. Various bureaus within the Department should craft their own strategic plans consistent to the unified vision of the DOH of ensuring that kind of devolution which brings about equity in access to health care, efficiency in the delivery of health services, and quality in health care.

There must also be a re-examination of the Comprehensive Health Care Agreements and other similar grants to ensure that these truly become consistent with the real essence of devolution, which is to allow the LGUs through its Local Health Boards to prioritize the key health programs that must be addressed in their respective localities. Lastly, a law providing for government reorganization through the devolution of the NGAs should be passed. This law, along with the Local Government Code, will serve as a guide to the various agencies on how to carry out the devolution process, thereby averting many difficulties in the devolution process. At present, the DOH Organization Management System continue to implement its different programs in the same way prior to devolution instead of mainstreaming decentralization within the bureaucracy. Thus, attention should be given to

ensure that the department's management system is aligned to the goals and intentions of devolution.

One problem seen in the DOH was the persistent resistance to devolution of personnel. The DOH should embark on Visioning Workshops and Activities within the Department. This will ensure that all the members of the organization have a "buy-in" to the new direction and role of the DOH post-devolution. The DOH must take stock of where they are now after 10 years of being in a devolved setting. Hence on, new strategies and goals may be set along a more appropriate and holistic framework of devolution.

Cognizable was the implementation of a "Mechanism of Control" relationship between the DOH and LGUs, even if the DOH had embarked on various partnership strategies. Clearly, future pilot projects should involve the LGUs from the planning, implementation, and monitoring stages. The DOH's key role, therefore, will be a facilitator and liaison between donors and LGUs. The DOH can, then, assist the donors in making the right choices of partner LGUs and can also refer to them communities and LGUs who are in great need and who would benefit a lot from the project. In so doing, the DOH is no longer solely accountable to the funding donors in ensuring that the goals of the project are attained. The Department should also try to re-focus its energies. Instead of pouring all its effort and resources in identified strategies that are potentially replicable and successful, it should also start looking into LGUs which have special concerns and which are vulnerable and marginalized. Experience of the past 10 years have shown that initiatives that are deemed successful are not necessarily replicable because of certain key factors, situations, and components are often unique and distinct to the LGUs concerned.

One stumbling block was the financial and budgetary constraints which remain to be major impediments to the full implementation of the LGC in the area of health. There must be a strong lobby and support for a legislative strategy to re-examine the IRA formula and reverse the NGA-LGU share from 60%-40% to 40% -60%.

Nevertheless, it seems that the biggest problem for the DOH was its inability to shift from transition to stability. The DOH, therefore, as an organization should come to terms with the reality that not only is devolution here to stay but that indeed devolution is not the problem but the solution. Once it has truly bought into this framework, all the necessary steps can, then, be taken to ensure that this strategy can be used to achieve all the health goals that the country has set out to do to improve the lives of all Filipinos.

### C. Department of Social Welfare and Development

The primary issue raised in devolving social services was the LGU's general low priority for social services. It was, thus, recommended that a well thought of marketing campaign to develop commitment to social services among the local chief executives should be undertaken. Besides the stress on the "social justice" component of the social service agenda, it is imperative that the DSWD Field Offices have the baseline data on its counterpart LGU, such as, the number of families, elderly, women, and the like.

Another major problem was the LGU's budgetary constraints. There exists an appeal for the enactment of a legislative strategy to reverse the NGA-LGU share from 60%-40% to 40%-60%. In addition, one of the programs that the DSWD had not focused on was empowering LGU's to become fund generators.<sup>16</sup> Training and technical assistance should be "packaged" to fulfill this. It is important that the guidelines for national fund raising be approved and implemented immediately.<sup>17</sup>

There was also a shortage of manpower with technical competence. It is therefore necessary to upgrade personnel, especially on the area of procurement. DSWD's problem was that its personnel cannot comprehend the COA complex guidelines because they are trained for other tasks. Thus, to ensure that persons who had trained for specific tasks remain, there should be a requirement for a longer service return provision with anyone who has undergone a specific training. To qualify for such training, one must also have a longer service equivalent.

Other issues raised were disjointed planning by the department, lack of baseline data for the local communities, and the resistance of personnel to devolution. In response, it is recommended that an institutional framework that ensures synergy and integration of planning and financing, including budgeting, should be carefully studied. As to the lack of baseline data, a formal model should be identified to provide the framework for effectively gathering the needed information. This would provide a way of looking at managing information in a holistic way. As to the resistance of DSWD personnel, visioning strategies and capability-building should be undertaken. Debriefings might not be enough for the second phase. A framework must be formed to identify the personnel concerns under the second phase. In this regard, "incremental devolution" may also be considered.

16. Asian Development Consultants, *Delivery of Social Welfare Services After Devolution and Factors Affecting This (1997)* (unpublished document, on file with the author).

17. Mandated by E.O. No. 24.

#### D. Oversight and Support Agencies

With regard to oversight and support agencies, one issue raised was that the detailed procedures stipulated in the LGC hindered options for innovation, such as the procedure presented in the LGC on tax payments. It is, thus, recommended that there should be a review and amendment of the Code provisions that limit or impede reform initiatives. Sections 130(c) and 198(d), which prohibit any private person from collecting local and property taxes, for example, have little justification in this age of information technology. Many provisions in the Code prescribed local fiscal management procedures to a level of detail that hampered flexibility and innovation of OSAs. Since Congress is reportedly averse to taking up omnibus bills, these proposed amendments may be proposed in separate draft bills by the Leagues to accommodate legislators.

The DBM has also been receiving complaints on unresolved issues regarding the computation of LGU share in the national wealth. Release of LGU shares have been constantly hampered by procedural snags. It is necessary therefore to undertake Leagues-led initiatives to ask DBM, DENR, and DOE to agree on the mechanism of computing, documenting, and releasing the share of LGUs in national wealth in a manner that will remove all procedural snags. Affected LGUs have to be identified and the Leagues may rally them into initiating a dialogue or meeting with the NGAs concerned for that purpose.

Also, the attainment of local autonomy objectives had been consistently hampered by tendencies of national government agencies to be controlling rather than facilitating. The right of LGUs to self-governance is imperative to the exercise of local autonomy. Therefore, one pivotal step is to review and revoke all remaining circulars which do not have legal basis and which clearly infringe on the rights of LGUs to local autonomy. The remaining contentious circulars should be the subject of dialogue among NGAs, LGUs, and civil society groups. An agreement should be forged between LGUs through the Leagues and the NGAs that no circulars should be enforced without prior consultation with the LGUs concerned. Local autonomy advocates should monitor and be involved in any process amending the RA 6975, which created the DILG. The long list of control-oriented issuances from the agency should warrant a close watch over planned review of the mandate of the DILG. The amendment process is a good opportunity for control advocates in the agency to introduce provisions that would reclaim the DILG's lost authority over LGUs.

The use of the 20% development funds has constantly been a contentious issue. Attempts by DILG to ensure prudent use of the fund, however, raised concerns about the authority of the department to do so. A simple recommendation is presented: define "development" in the 20% development fund. This gap in the Code has provided an opportunity for some agencies to tell LGUs how and where to use the fund, and for some LGUs to use it for purposes other than local development, at the expense of their constituents. NGOs and their partners may take the lead in defining it.

#### E. Department of Environment and Natural Resources

There is a need for the DENR's support and commitment to capacitate the LGUs to take on their devolved functions and to continue to encourage initiatives leading to the realization of its policy of co-management. It is necessary to continue to provide Technical Assistance to LGUs on their regular functions in the Comprehensive Land Use Plan preparation and environmental management plan preparation. A specific office must be created for local government affairs that will be responsible for a LGU support program. Also, there is a need to retool the LGU planning system, particularly the comprehensive land use planning process, to promote a unified (*i.e.*, one territorial unit composed of various resource components), internally consistent (*e.g.*, upland-lowland integration, watershed approach, and urban-rural integration) and sustainable resource and environmental planning process for the LGU.

Other steps that may be undertaken include: the expanding and regularizing the membership of the CLUP TA team of NGAs to include the DENR, DA, DPWH and other NGAs with environment and natural resources (ENR) concerns and functions; modifying and simplifying planning guidelines to consider the manuals of operations for devolved ENR functions. Also, DENR assistance should be provided in the following areas: (1) resource boundary delineations depicted in authoritative base and thematic maps; (2) inventory of various natural resources within the LGU jurisdiction; and (3) ENR policy formulation for the LGUs. In line with the continued technical assistance to the LGUs, the problems of encroachment and resource uses detrimental to the resource itself or to the environment should be addressed through the acceleration of boundary-setting programs to delineate resource boundaries.

One basic issue in the partial devolution of the DENR is being confused with basic accountability. There must be a review of the basic policy on devolution/decentralization. Updating and amendment of the various issuances — including the manuals of operations for devolved functions in its various sectors — must be undertaken to make them consistent and responsive to the changing environment brought about by the recent laws, such as the Clean Air Act,<sup>18</sup> Agriculture Fisheries Modernization Act,<sup>19</sup> Solid Waste Management Act,<sup>20</sup> and the Fisheries Code.<sup>21</sup>

18. Clean Air Act, R.A. No. 8749 (1999).

19. Agriculture and Fisheries Modernization Act, R.A. No. 8435 (1997).

20. Ecological Solid Waste Management Act, R.A. No. 9003 (2000).

21. Fisheries Code of 1998, R.A. No. 8550 (1998).