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CASE STUDIES ON DECENTRALIZATION: PHILLIPINES

by Raul P. Gonzales

DÉCENTRALISATION ET DÉVELOPPEMENT RURAL
DECENTRALIZATION AND RURAL DEVELOPMENT
DESCENTRALIZACIÓN Y DESARROLLO RURAL

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I. CONTEXT

The Philippines has had a long tradition of centralized government. Since the arrival of the Spaniards in 1521, the period of Spanish and American colonization, the Philippine commonwealth and republic up to the Marcos dictatorship in 1972, the Philippines has been ruled from the national capital, derisively referred to as "Imperialist Manila". The inertia of centralization, brought about by deeply-rooted administrative and bureaucratic procedures and hierarchical and organizational arrangements, is exacerbated by a culture predisposed to dependency and centralized arrangements and paradigms that look condescendingly upon local level institutions in the belief that the center knows best.

Earlier attempts to decentralize power and authority to local institutions through various means are testimony to the fact that the problem of overcentralization, while long-recognized, has continued to persist throughout the years. For instance, there was an effort to decentralize *administrative* authority (but not *political* decentralization) during the Marcos dictatorship through a local government Code that was in fact enacted in 1983. But this attempt was actually an administrative formalism since real power continued to be concentrated in Manila with local units heavily dependent upon central government. In fact, before the enactment of the 1983 code, local governments were becoming restive and, more important, assertive in demanding that the umbilical cord that tied them to Manila be severed as this was the root cause of their stunted growth and underdevelopment. *(Brillantes, 1997)*

Following the overthrow of the Marcos dictatorship in 1986, a strong sense of optimism accompanied the ascendancy to power of Corazon Aquino. The "Policy Agenda for People-Powered Development", which was adopted by the Cabinet in June 1996, outlined the general strategy for structural reforms of the Aquino administration:

- decentralization of government structures and minimum government intervention;
- an expanded role for the private sector as the prime engine for sustained growth; and
- greater involvement of people in the decision-making, planning and implementation of programs through community organizations and NGOs.

The general strategy was based on the emerging paradigm of "growth with equity", where development efforts are focused on meeting minimum basic needs of the poor rather than on simply achieving macro economic targets. It rejected the "trickle down economics" of the 1970s which assumed that development would occur as a "natural consequence" of sustained economic growth.

Since that time, "devolution and decentralization have marked Philippine government policies over the past ten years after EDSA. The emergent thinking is that while central government provides the broad policy framework and social environment, it is the Local Government Units (LGUs), private sector and civil society entities who shall act as the prime engines for growth, equity and sustainability. *(Quizon, 1997).*

These decentralization processes are of three major types:

1. ***Shift from national to local.*** The shift from national to local aims to "bring the government closer to the people" and involves the two processes of *deconcentration* and *devolution*. *Deconcentration*, also known as administrative or sectoral decentralization, takes place when the central government transfers power, authority and responsibility or the discretion to plan, decide, manage from a central point to lower or local levels that are within the central or national government itself. For instance, the agrarian reform program gives DAR provincial officers quasi-judicial powers for handling land transfer and resolving land disputes.

   Devolution, also called political decentralization, involves the transfer of power and authority from the national government to Local Government Units (LGUs), which are defined in the

1987 Constitution as the territorial and political subdivisions of the state. The nature of power transfer is political and the approach is territorial. Taken within this context, devolution is inherently tied to the concept of local autonomy.

2. ***Shift from state to private (business) sector.*** This is the process by which state assets, programs and services are privatized or contracted to private corporations under the broader framework of market liberalization. This includes the sale or lease of government assets, the dismantling of monopolies, the privatization of public utilities (such as power and water), build-operate and transfer schemes, private sector sub-contracting and inclusion of the business sector in various government planning and consultative bodies. These have been largely in response to donor conditionalities (i.e., WB-IMF) and international agreements (GATT, APEC, ASEAN, EAGA). The assumption here is that market mechanisms will increase overall growth and efficiency while lowering the costs of services.

3. ***Shift from state to civil society.*** This refers to the process by which civil society participates directly in government programs and systems of governance, as characterized by: (i) the focus on self-organized sectors of civil society (e.g., NGOs, POs, professional associations, the academe and others); and (ii) the institution of participatory mechanisms that go beyond elections and similar traditional norms.

The Local Government Code of 1991 represents the most radical and comprehensive policy instrument of the Aquino administration to further its "people power agenda." With its avowed objective of reversing the centrist tendencies of the Marcos and other previous administrations, the Code incorporates all three above forms of decentralization.

In the words of then Senator Aquilino Pimentel, *"our only hope for developing the country is to move power, responsibility and resources from the central to the local level. This is what we tried to do in the Local Government Code."*

Given this perspective, the 1991 Local Government Code (and its implementation) is nothing less than an instrument to promote sustainable development and address the related problems of poverty, inequity and security.

It is part of a larger set of anti-poverty laws and programs which also bear on its implementation. Its companion laws include: the Cooperative Code of the Philippines; the Comprehensive Agrarian Reform Law; the Magna Carta for Small Farmers (RA 7606) and the Magna Carta for Countryside Development (Kalakalan 20). On the other hand, the related national programs of government include: Human and Ecological Security, Philippine Agenda 21 and the Localization of the Philippine Council for Sustainable Development (PCSD) and various councils and commissions, such as the Philippine Council for Countryside Development, the Presidential Commission to Fight Poverty and the Presidential Commission for the Urban Poor.

Under the Ramos administration, this package of anti-poverty measures have been consolidated through the adoption of the Social Reform Agenda (SRA) as the integrated national action agenda for poverty alleviation.

To situate the anti-poverty mandate of the Local Government Code and its companion and programs, the following section reviews the current state of Philippine poverty.

II. PHILIPPINE POVERTY

Poverty in the Philippines remains an intractable problem, despite the favorable macroeconomic trends in recent years, now in jeopardy from the region-wide foreign currency crisis. In fact, the

World Bank considers that one of the major causes for the persistence of poverty is that previous bursts of growth have either not been equity-driven nor sustained for a sufficient period of time so that benefits could accrue to the Filipino disadvantaged. *(World Bank, 1996)*

Inequitable income distribution. The persistence of poverty is a consequence of the highly inequitable distribution of income and assets. As reported in the 1994 Family Income and Expenditure Survey (FIES), the income shares of the different deciles of the population have remained constant over the past ten years. The richest 20% of the Philippine population (9th and 10th deciles) received more than 50% of total income in 1994; at the same time, the nominal income earned by the tenth (highest) decile was 10.7 times higher than the first (lowest) decile. In contrast, the richest 20% of the Indonesian population had incomes that were only about 4.7 times that of the poorest.

Income inequalities have not improved over time as borne out by the national-level "Gini Concentration Ratio which was computed at 0.4466 in 1988, 0.4446 in 1988, 0.4680 in 1991 and 0.4539 in 1994. *(The Gini coefficient is a measure of how the existing distribution of income deviates from a situation of perfect equality. Perfect equality would imply that every decile of the population received exactly ten percent of total incomes; then the Gini ratio would be equal to zero. A value approaching one would imply that the richest decile received all income.)*

The situation has forced the Presidential Commission to Fight Poverty to conclude that, *...in the recent past, even as economic growth revived, the share of the bottom 40% has tended either to stagnate or even to decline. Economic growth between 1985 and 1988 did not improve the distribution of income for the poor (whose share remained at 14.3%), although it minimally alleviated some poverty. On the other hand, as economic growth weakened between 1988 and 1991, this reduced the share of the poor further from 14 to 13%. Meanwhile, the share of the richest 20% rose from 52% to 54% of total incomes.... In short, stronger growth reduces poverty only slightly, and maintains inequity; weak growth worsens poverty and inequality as well. This shows that the pattern of economic growth, at least up to now, has been inequitable and has not generally benefited the poor in society."*

Mr. Jose Almonte, the National Security Adviser of President Ramos, agreed with the above view when he said that *"...we can not say that economic growth so far has had this liberative effect in our country. On the contrary, Filipino mass poverty has been increasing - even during those periods over the last 42 years when GNP has been expanding to the satisfaction of our economic policymakers...." (Almonte, 1989).*

Inequities in resource ownership and use have also been highlighted by the Presidential Management Staff , who said in a recent document that "the top 5.5% of all landowning families in the Philippines own 44% of all tillable land, the richest 15% account for 52.5% of all national income and only 173 of the top 2000 corporations are publicly held. In 1991, only 10 corporations accounted for 25% of all revenues, 40% of all the net income and 34% of the total assets of the top 1000 corporations.

Poor performance in poverty alleviation. The performance of the Philippines in poverty alleviation is particularly disturbing when compared with the achievements of neighboring Asian countries. Official poverty measures show that, from 1971 to 1991, the incidence of poverty in the Philippines was reduced by only 0.70% annually, while poverty incidence in other East Asian countries decreased by at least 1.4% or more per annum over the last three decades.

The Philippines has also lagged behind its Asian neighbors in terms of most human development indicators. For example, infant mortality rates (IMR) have declined very little, from 66 per 1,000 live births in 1970 to 52.7 per 1,000 live births in 1992.

More than a quarter of the population remains functionally illiterate despite a 94% literacy rate in 1990. Population growth continues at 2.1%, still one of the highest rates in the region. And almost 40% of pre-school and school children are malnourished in varying degrees.

Regional disparities in quality of life. T he UNDP Human Development Report for the Philippines gave a Human Development Index (HDI) value for each of the country's regions, which was computed using levels of life expectancy, educational attainment and income. As expected, the NCR ranked highest overall. This may be attributed to the concentration of economic activity, infrastructure, education ad health facilities in the capital. Southern Tagalog, Central Luzon, Central Visayas, Ilocos and Western Visayas ranked second to sixth, respectively.

The lowest HDIs are found for Eastern Visayas, Central Mindanao and Western Mindanao. In theory at least, the quality of life in the NCR is 27 times better than in Western Mindanao. It is also important to note that all of the Mindanao regions are in the lower half of the HDI ranking. Purely income-based measures may mask this as some Mindanao regions are also large producers. The indices suggest that production is either occurring inequitably or there are needs of the residents of those areas, besides income, which are not met adequately.

All Mindanao regions and all Visayas regions, except Central Visayas, may be classified as having low HDIs. In Luzon, the HDI performers are Cagayan Valley and Bicol, while Central Luzon and Southern Tagalog may be regarded as having moderate HDIs. And to underscore the disparity, only the National Capital Region has a high HDI.

Rural Poverty. Poverty in the Philippines is still largely a rural phenomenon. In 1991, half of rural families were poor and rural poverty accounted for nearly two-thirds of the country's total poor.

The incidence of rural poverty is highest in the Bicol region and three of the four Mindanao regions, namely: Northern, Western and Central Mindanao. Over half of the families in these regions survived on an annual income that was less than PhP 31,000 in 1991, just a little more than one-third of the PhP 90,010 annual average family income in the National Capital Region.

Regions differ in size of population; therefore, regional figures on poverty incidence do not fully capture the magnitude of poor families in absolute numbers. For instance, Southern Tagalog (Region IV), has the largest number of poor families in the country; these are probably found in its rural areas, i.e., Mindoro, Palawan and Quezon. The other regions with large concentrations of the poor are Western Visayas (VI), Bicol (V), Central Visayas (VII), Southern Mindanao (XI), Central Luzon (III) and Northern Mindanao (X). These top seven regions account for two-thirds of the poor families in the country.

Poverty groups. The Presidential Commission to Fight Poverty describes the poor according to resource base or source of income. Such a description, which cuts across occupational and sectoral categories and groups families to their means of survival, distinguishes the following groups:

1. *Lowland landless agricultural workers* work in agriculture but do not own the land nor can they work it without permission from the owner. Their main distinction is their lack of rights to till the land.
2. *Lowland small farm owners and cultivators* own at most 3 hectares of land or have a recognized right to till the land. They exercise discretion over most production decisions.
3. *Upland farmers* are subsistence farmers of marginal land on rolling hills and steep mountain slopes. What distinguishes this group is their relative deprivation owing to the poorer resource base they work on.
4. *Artisanal fisherfolk* or municipal, small-scale or subsistence fishermen use gear which do not require boats or require boats below three tons.

5. *Industrial wage laborers* come under the category of production workers in both rural and urban areas, as well as among the unemployed.
6. *Hawkers and microentrepreneurs* correspond largely to sales and service workers in both rural and urban areas and are included among the self-employed.
7. *Scavengers* are classified under service workers and the self-employed.

On a broad scale, it is possible to distinguish a ladder of poverty among various occupations. Rural poverty is most common among: (i) lowland landless agricultural workers, tenants and leaseholders; (ii) lowland small farm owners and cultivators; (iii) upland farmers on heavily-sloped land; and (iv) artisan fisherfolk.

In the rural areas, poverty incidence is highest among households headed by agricultural workers, fisherfolk and hunters and farmers. In urban centers, poverty is more pronounced among those with insecure jobs and low pay, i.e., hawkers, peddlers, microentrepreneurs and scavengers.

Poor agricultural families are characterized by high levels of underemployment (as is common in monsoon-dominated agricultural areas). The intensity of poverty among the self-employed households (including primary lessees, tenants and small owner-cultivators) is just as severe among the wage households in rural areas.

The rural poor also suffer from inadequate access to social services, including health care and family planning. Limited access of the rural population to social services reflects the concentration of these services in urban areas, lack of information, ill-designed programs and inadequate administration. Only two-thirds of rural families have access to clean water supply (versus three-quarters of urban families); the median distance to higher-level health facilities (i.e., rural health units and public hospitals) are 4-5 times further in rural compared to urban areas; and child mortality is 50% higher in the rural areas.

On the other hand, the urban poor live closer to the poverty line than their rural counterparts and, in the assessment of the World Bank, are more likely to be pulled over the line by economic growth. However, there is a high degree of uncertainty in the lives of the urban poor, either because of the risk that income could fall unexpectedly (due to loss of employment) or expenditure needs escalate sharply (through government or private demolition of their housing settlements).

In the assessment of the World Bank (WB), the urban poor are confronted with a number of major problems, including:

1. Lack of affordable housing. There are significantly more people living in squatter areas in Manila than the international average for countries at the same income level. *(The norm is around 7%, while the Philippines has around 25% of the total housing stock in informal settlements.)*
2. Transportation costs - for going to work or school - are also a major drain on the income of the poor.
3. Poor access to urban services related to environmental health reduces the welfare of urban dwellers. Air pollution, particularly from road vehicle, industrial and household emissions which are concentrated at the roadside level, contributes to the respiratory diseases of the poor and their children. Urban water supplies are heavily polluted with widespread incidence of coliform bacteria. Poor household sanitation greatly increase the risk of waterborne diseases such as diarrhea.
4. Lack of access to affordable credit limits the income-generating opportunities of the urban poor.
5. Urban violence, often related to the use of alcohol and drugs, is increasingly being recognized as a key problem since street violence inhibits movement and limits options both for work and further education. Violence that results in death also increases the household's susceptibility to further impoverishment.

The varying conditions and characteristics of groups of the poor point to the need to adopt a differentiated approach to poverty alleviation. While poor Filipinos suffer in common the fact of their deprivation, the nature and intensities of their needs are diverse, the causes of their entrapments vary, and the solutions to their predicaments differ.

It is important that the different poor groups be distinguished carefully, especially between *the core (or subsistence)* poor and the *less poor. (In terms of official statistics, the subsistence poor are those who are below the food threshold and the less poor are those above it.)*

As pointed out by the WB, macroeconomic and sectoral policies to stimulate vigorous and sustained vigorous and sustained economic growth will have a powerful impact on reducing poverty, especially among the poor who can respond to such opportunities. Nonetheless, there will be poor strata that will not benefit as much from these measures, if at all, simply because they do not have the means to benefit from these new opportunities.

The less poor may be expected to respond more easily to policy changes that generate employment and remove the biases against agriculture and small and medium enterprises. But the subsistence poor will be less responsive to such policies, either because their current source of livelihood is not in the mainstream of sectoral developments or because they lack the necessary health or skills to take advantage of these opportunities.

The need for a differentiated approach to poverty alleviation is sufficient justification in itself for a local government code that provides local government units and civil society groups with the autonomy and flexibility necessary to design and implement local solutions to local problems.

III. MAJOR FEATURES OF THE LOCAL GOVERNMENT CODE OF 1991

The 1987 Philippine Constitution mandates that all local government units shall enjoy local autonomy. To operationalize local autonomy and institutionalize a more responsive and accountable local government structure, the Constitution directed Congress to enact a local government code.

Republic Act No. 7160, otherwise known as the Local Government Code (LGC), was enacted by Congress pursuant to the constitutional directive to adopt a local government code, The Code was signed into law by former President Corazon Aquino on October 1991 and took effect in January 1992.

The Local Government Code is an attempt to involve people, through their organizations, in the process of governance on a more regular basis. Its purpose is to reverse centuries of centralism believed to be behind the slow development at the grassroots level, and make up for the government's failure to deliver basic services.

The Code decentralizes governance by devolving powers and functions to local government units (LGUs) and by strengthening the mechanisms for people's participation in governance. This is based on the judgment that local leaders and residents know their own problems best and can decide on the best way of using resources to meet their needs.

Through devolution, "the National Government confers power and authority upon the various local government units to perform specific functions and responsibilities." Authority is decentralized to local chief executives who appoint personnel to perform enumerated duties.

It should be noted however, that under the unitary state, the autonomy of an LGU - autonomous region, province, city, municipality and barangay-as well as its political and administrative powers, are *derived powers,* not inherent.

Local government units can only be autonomous and empowered as long as the national government allows them to be in as much as the LGUs are the central government's creatures. Obviously, creatures cannot be greater than their creators, so to speak. In as much as the central authority has been the source of whatever powers possessed by the local units, it can equally modify or withdraw those powers without any restriction imposed by law. *(Buendia, 1997)*

Among the significant reforms mandated by the Code are :

1. Devolution of authority, assets and personnel of various national government agencies (NGAs) to local government units (LGUs) to provide primary responsibility for basic services and facilities. This involves the mandatory delivery of five basic front-line services - health, social welfare, natural resources and environment, agricultural extension and public works. Other services include education, tourism, telecommunications and housing programs and projects.

2. The transfer of various regulatory powers of NGAs to LGUs. This involves enforcement of certain regulatory powers, implementation of environmental laws, inspection of food products for public consumption, enforcement of quarantine regulations and the Sanitation Code, enforcement of the National Building Code, franchising of tricycles, processing and approval of subdivision plans, licensing of cockpits and regulation of tourism establishments.

3. The grant of greater governmental and corporate powers to LGUs. Developing entrepreneurial-oriented local governments by allowing them to enter into build-operate-transfer (BOT) arrangements with the private sector, float bonds, obtain loans from private institutions, credit financing, directly accessing grants and loans and similar endeavors.

4. The provision of increased revenues for local units through autonomous taxing powers, automatic release of internal revenue allocations (IRA) and local share of revenues from the national wealth derived by locally-based government-owned and/or operated corporations (GOCCs).

   (a) *Internal Revenue Allotment (IRA).* The major source of funds for LGUs is the internal revenue allotment (IRA), which represents between 65-90% of the total income of the local government units. The IRA is equivalent to 40% of the total internal revenue collections and is divided among the local government units as follows: 23%, provinces; 23%, cities; 34%, municipalities; and 20%, barangays. The IRA share of each LGU is based on the formula : 50% on population; 25% on land area; and 25% equal sharing. The IRA is released automatically to the municipal treasurer within five days after the end of each quarter and is not subject to any lien or holdback. Twenty percent of this amount is reserved for development projects.

   (b) *Share in Proceeds from the National Wealth***.** A municipality is entitled to forty percent (40%) of the gross collection from royalties, taxes, fees, charges earned by the national government in utilizing and developing the municipality's mining, forestry or fishing resources.

   (c) *Share from any GOCC*. LGUs will also receive one percent (1%) of the gross sales or forty percent (40%) of the taxes, fees and charges (whichever is higher) that a NGA or GOCC would have paid if it were not tax exempt, in utilizing the national wealth located within the LGUs area of jurisdiction.

(d) *Locally generated revenues*. The Code also authorizes LGUs to levy local taxes, fees and charges not levied by the province such as: taxes on businesses; fees and charges that cover costs of regulation, inspection and licensing; fees for sealing and licensing of weights and measures; and fishery rentals, and charges. The Code gives the municipality substantial flexibility in the imposition of the real property tax (tax imposed on land and buildings and other structures and improvements on it, including machineries). The proceeds of the basic real property tax collected by the municipality will go to the municipality's General fund - 70% and 30% will go to all its component barangays (50% of which will go to the barangay where the property is located and 50% will be shared equally by the other barangays. Aside from the basic real property tax, property owners must pay an additional tax at the rate of 1% of its assessed value which goes to the Special education Fund. In addition, the LGU may also tax idle lands and lands with special public works projects or improvements funded by the provincial government.

As a general rule, a municipality may levy taxes, fees or charges on any subject that has not been specified in the Code, national Internal Revenue Code and other applicable laws. There are only two laws to follow : (1) that these taxes must not be unjust, excessive, oppressive, confiscatory or contrary to national policy and (2) a public gearing must be conducted before any tax ordinance is enacted. Aside from taxes, the Code also allows the LGU to impose and collect reasonable fees and charges for services rendered.

5. The promotion of people's participation (NGO, POs and private sector) in local governance through the following five statutory avenues:

(a) *Membership in Local Special Bodies (LSBs)*. NGOs and POs are represented in Local Special Bodies, primarily but not limited to the Local Development Council, the Local School Board, the Local Health Board, the Prequalification, Bids and Awards Committee and the Local Peace and Order Council.

Non-mandated but Code-inspired LSBs have included Agrarian Reform Councils, Fisheries and Aquatic Reform Councils. Representation in LDC is preceded by the process of accreditation by local governments, while representation in other LSBs is through appointment of local Chief Executive . Although one-fourth of the membership of the Local Development Council must be comprised of NGOs and POs, the latter have minority representation in LSBs. LDC proposals such as the Local Development Plan is merely recommendatory to the sanggunians.

(b) *Mandatory Consultations and Public Hearings.* NGOs and POs can actively participate in mandatory consultations and public hearings where they help apprise national government agencies and government-owned and controlled corporations of local sentiments for these agencies to consider before implementing projects that could significantly affect local host communities.

(c) *System of Recall*. NGOs and POs may actively participate in facilitating and operationalizing a system of recall where registered voters are against local officials whose performance is unsatisfactory.

(d) *Local Initiatives and Referenda.* NGOs and POs may participate in local initiatives and referenda where registered voters of an LGU may directly propose, enact, repeal or amend ordinances, a process that NGOs and POs may likewise facilitate or participate in .

(e) *Sectoral Representation to Local Sanggunians.*. NGOs and POs are expected to play an active part in the selection and fielding of sectoral representatives to local sanggunians from labor (industrial or agricultural), women and one representative from either the urban poor, indigenous peoples or the disabled.

IV. PROGRESS OF IMPLEMENTATION

Several monitoring mechanisms of the devolution process have been put in place over the last five years of the Code's implementation. Among these have been the National Coordinating Council on Local Governance (NCC-LG), the Research Forum and the NGO-PO Technical Working Group on the LGC Review.

The following interpretation of the general trends in LGC implementation was formulated by the USAID-supported Governance and Local Democracy (GOLD) Project. These trends were identified through the Rapid Field Appraisals (RFAs) conducted by the GOLD Project from 1992 to 1996. *(Romero, IPG, 1997)*

Rapid Field Appraisal	**Date**	**Trend**
First	July 1992	LGUs and NGOs take a wait-and-see attitude.
Second	Jan 1993	LGUs begin to take a lead role; NGOs begin to respond positively.
Third	Sept 1993	NGOs and POs reap initial gains
Fourth	June 1994	Momentum of initiatives begins to shift to local level
Fifth	June 1995	National Government stalls, no further democratization of governance
Sixth	June 1996	LGUs accelerate, national government takes neutral stance

The first appraisal reported the uncertainty and a "wait and see" attitude of both NGOs and LGUs. The second appraisal noted that the LGUs were beginning to move on devolution and taking the lead in the implementation of the Code while the NGOs were responding positively.

The third appraisal noted a pronounced momentum, with the LGUs beginning to exercise their new authorities and responsibilities and the internal revenue allotment (IRA) system becoming more systematic. The NGOs were starting to get actively involved in the local governance process.

By the fourth appraisal in 1994, the local governments were found to be taking the initiative in addressing the administrative and management problems related to the sweeping structural changes envisioned by the Code.

Even as the local governments continued to take the lead in the decentralization process, national government agencies have lagged behind and done little beyond the minimum devolution required by law. Few national agencies have developed cooperative programs and support mechanisms for local governments; training and technical assistance have been in the service of national priorities rather than local needs and concerns; and nationally induced policy and procedural constraints continued to hamper local government operations. *(Montelibano, 1994).*

Finally, the fifth and sixth appraisals highlighted the non-implementation of the codal provisions on sectoral representation and the need for an enabling law before the election of sectoral representatives could be addressed.

The Code includes a provision for the mandatory review of the said law at least once every five years or as often as Congress may deem necessary. Responsibility for this mandatory review process is lodged with the Congressional Oversight Committee (OSC) and the Office of the President as the mandated participants.

The two-fold purpose of the review is to determine whether: (1) the implementation of the Code has operationalized local autonomy; and (2) its implementation has institutionalized a more responsive and accountable local government structure.

Since the LGC law (R.A. 7160) was passed in 1991, the first mandatory review was scheduled in 1996/97. Congress has still not officially directed itself to undertake the review process, although six senators have filed Resolution No. 606, directing the Committee on Local Government to conduct public hearings on the Code and to undertake the review. To date, there is no similar movement in the House of Representatives. However, both Chambers are presently considering some 391 bills on local autonomy and local governments. *(Songco, IPG, 1997).*

In the meantime, the Department of the Interior and Local Government (DILG) has consolidated the proposed amendments by various sectors and submitted these to the President. The Leagues of Local Governments and the NGOs/POs have conducted their consultations and are in the process of finalizing their official proposals for amendments to the Code. *(cf. Annex B)*

The NGO community is represented by the NGO-PO Technical Working Group on the LGC Review, which was formed in February 1996 by PhilDHRRA, the Ateneo Center for Social Policy, CODE-NGO and the Institute of Politics and Governance (IPG) with support from the Ford Foundation. This loose grouping has since expanded its membership to some seventeen NGO and PO networks.

The NGO-PO Technical Working Group sits on the Congressional Oversight Committee (OSC) as an observer; it has formed a “strategic alliance” with the Leagues of Local Governments and supports most of recommendations of the Leagues’ initial draft consensus policy statement, except for the issue of land reclassification and conversion.

V. NOTABLE ACHIEVEMENTS IN LOCAL GOVERNANCE

Despite the problems and issues encountered in the implementation of decentralization in the country, there are also numerous cases of successful LGU-NGO/PO partnerships and/or collaboration. This section lists some of the more innovative programs.

The *Galing Pook* Awards Program, which is administered by the Asian Institute of Management (AIM) with the assistance of the Local Government Academy (LGA), is one of the richest sources of successful LGU initiatives that have been documented. The program, which was inspired by a similar program of the Kennedy School of Government of the Harvard University, seeks to identify best practices in local governance that would serve as models and inspire excellence in other local governments. The number of nominees have been increasing from 285 in 1993 to 700 in 1944 and to more than a thousand for the years 1995 and 1996. Winners are classified according to the following categories : health services, environmental management, public finance, peace initiatives, integrated approach to development, socio-cultural development, employment generation/livelihood and productivity improvement.

In a paper documenting AIM's experience in the Awards, Brilliantes cited the following initiatives to illustrate the wide variety of projects and programs that have been undertaken as a result of the devolution process :

1. **Taking Care of People and the Environment in Negros Oriental** is an example of how development and improving the lives of the quality of life of the people and meeting their basic needs is the best approach to counterinsurgency. This involved the construction of a Community Primary Hospital in the hinterlands of Negros Oriental that provided basic health services to the people coupled with the Community Based Resource Management approach that empowered local fisherfolk in the province to lead in environmental protection.

2. **Energizing the Purok in Sampaloc Quezon through a *Kapit Bisig* Program** was a municipality's approach to solving its insurgency through the establishment of an organizational machinery beginning with the *Purok* to the municipal council. This was supported by NGOs and people's organizations with specific sectoral concerns such as peace and order, health, agriculture and livelihood.

3. **Saving the Mangroves of Kalibo, Aklan** involved the reforestation of a fifty hectare swampland undertaken by families of fisherfolk who were organized by a local NGO, Kalibo Save the Mangrove or KASAMA.

4. **Saving the Marikina River** shows us how a dirty and dying river was brought back to life and transformed into a major tourist attraction by sheer political will of the government and support of all sectors.

5. **The Mandaluyong Public Market** was constructed through the Build-Operate-Transfer scheme. The LGU, in partnership with the private sector built a public market/mall that approaches world class standards. The City provided the land. The private sector built and operated it. The City's revenues have increased because of the numerous business and license taxes paid to the city by the establishments operating in the mall.

6. **Transforming Malalag into a Provincial Agro-Industrial Center in Davao Del Sur** is an example of how a holistic approach towards building the capability of the local government unit, the barangay officials and the partner agencies in local administration and management, human resource development, local legislation, service delivery and local enterprises can improve the quality of life of the people.

7. **Acquiring a Complete Equipment Pool in Munoz, Nueva Ecija** demonstrates synergy in action : it shows how a municipal government actually met its basic infrastructure equipment needs by creatively acquiring through memorandum receipt underutilized equipment of national and provincial government agencies in the area.

8. **Floating Bonds for Low Cost Housing in Victorias, Negros Occidental** shows us how a small municipality, with the support of the people, used the bold economic strategy to float bonds in order to provide shelter and housing to its people, a minimum basic need. Victorias is one of the first local government units to float bonds for a housing project in the country.

9. **Improving the Productivity of Naga City** was one of the municipality's version of reinventing government by demonstrating how, by focusing on four major areas of local government productivity, the full potentials of the various departments and offices of the entire city government for effective, efficient and adequate delivery of public services can be unleashed.

10. **Lote Para sa Mahirap (Land for the Poor) : Land Banking in San Carlos City** was a program specifically designed for the very poor of the City. Although a product of concerted efforts of the different units and locally based national government agencies and NGOs, it was actively participated in by mostly fire victims. The beneficiaries have mostly been pedicab drivers, fish and vegetable vendors, construction and dock workers. They paid only five pesos a day, and after full payment, were issued the land title.

11. **Solid Waste Management Program in Sta. Maria Bulacan** is an innovative pioneering program in slid waste management which veers away from the traditional concept of garbage disposal. The program introduces a new dimension of waste disposal management by emphasizing the concepts of waste reduction, recovery and reuse.

12. **Eco-Walk for the Environment in Baguio City** is a year round environmental awareness program for children. It addresses the need for schoolchildren to develop relationships with the environment through a series of guided hikes to the Busol watershed, Baguio City's major, but denuded, watershed. The project evolved into a community undertaking involving many different sectors, including civil society, the church, NGOs and POs.

13. **Health Insurance Project of Guimaras Province** provides medical insurance to the low income sectors of one of the more depressed provinces of the country. It makes health care services accessible and affordable to low income households through a cost sharing scheme among the beneficiaries, and the provincial and municipal governments.

14. **Carabao and Tractor Pool in Puerto Princesa** was a time sharing scheme of sorts among farmers in partnership with the city agriculturists office, which maintained a pool of carabaos (water buffalos) and tractors for use in their farms. Productivity has subsequently increased, not to mention the sense of community and responsibility it develops among its members.

15. **Talahib Handicraft in Jones Isabela** has shown how a small municipality can go into business creating wealth out of "talahib" (wild grass stalks) by making them into handicrafts. This project has provided livelihood to the people who have since been invited to participate in many national trade fairs.

While reports indicate that NGO and PO participation has been marginal, the picture is not totally bleak. Following are some notable exceptions of effective LGU-NGO/PO collaboration in local governance *(Tordecilla, IPG, 1997).*

1. **Makilala, North Cotabato.** The formation of an advisory body called the People's Agricultural and Enterprise Development Advisory Board (PAEDAB), composed of NGOs and

POs, and consequently the formulation of a comprehensive development plan that promotes agricultural enterprises in Makilala, North Cotabato, through the initiatives of CDSMC-KMCFI and the Makilala Municipal Government . This model mechanism has not only encouraged people's participation in local governance. It has also debureaucratized the LGU by transferring to PAEDAB some of the LGUs functions, particularly the extension of agricultural and enterprise development services to the community.

2. **Eastern Samar.** The effective management and utilization of Eastern Samar's aquatic resources through the setting up of the multi-Sectoral Advisory Committee on Marine Resource development and Conservation, an advisory body consisting of fisherfolk, NGOs and local government officials. Through the involvement of the fisherfolk sector, the government was able to conduct an extensive survey of marine resources and protect marine sanctuaries by lobbying and helping prepare fishery ordinances. The fisherfolk have gone to the extent of standing as witnesses against violators of fishery laws.

3. **Irosin, Sorsogon.** The declaration of Irosin as a zone of peace and development and a jueteng-free town through the support of almost all of the sectors in the municipality particularly the basic sector cooperatives. The declaration was a direct output of the Irosin Municipal Multi-Sectoral planning Workshop conducted a month after the new LCE had assumed office.

Five years after its enactment, implementation of the Local Government Code continues to be beset with problems. The following sections examine the issues confronting the continued implementation of the Code. The issues have been classified into the major categories, namely: (i) the Local Government Code itself; (ii) LGC implementation; (iii) policy issues; (iv) NGO-PO participation; (v) LGU financing; and (vi) impact on anti-poverty programs.

VI. ISSUES IN LOCAL GOVERNANCE: ON THE LGC ITSELF

1. ***Jurisprudential diminution of local autonomy and ambiguities and inconsistencies in the Code.*** Ambiguities and inconsistencies in the Code itself have resulted in either a diminution of local autonomy or in a misguided implementation of the Code. This may be ascribed to the fact that local autonomy is still a vague or evolving concept, considering the short period of time that the mandate has been operationalized or that the concept of power-sharing between and amongst national and local governments has not yet been fully appreciated. *(ARD, 1996)*

2. ***Fulfillment of the democratization mandate and statutory venues for popular participation in some areas.*** While it is recognized that democratization (or broadening of people's participation in local governance affairs) is an essential component of genuine decentralization as provided for in various sections of the Code, the operationalization of this concept has not been without obstacles. A major shortcoming is that the Code does not provide an operative and functional definition of or distinctions as to rights and responsibilities between non-governmental organizations (NGOs), people's organizations (POs) and the private sector. *(ARD, 1996)*

VII. ISSUES IN LOCAL GOVERNANCE: LGC IMPLEMENTATION

1. ***Difficulties or delays in the implementation of the overall decentralization and devolution process.*** Despite a statutory prescribed deadline, the devolution process was not completed within the given period. This may be attributed to the fact that the transition to a decentralized state from a centralized set-up will necessarily take a long time. Further, the fact that the period coincided with the last six months of the terms of incumbent local officials may have caused a confusion as to

priorities, that is, between implementing devolution and being in office to implement devolution. Executive Order No. 503 was issued to extend the devolution deadline from six months to one year in order to accommodate the smooth transfer and address the difficulties in the devolution process *(ARD, 1996)*

However, mechanisms to support the devolution process are inadequate. Although devolved agency personnel already report to the LGU, they (including the LGU itself and other regional offices) are still dependent on the national government for policy decisions.

LGUs are also given unfunded mandates; as a result programs become fragmented and the localization of some national programs become ineffective. As an example, LGUs are directed to implement national programs, such as the Social Reform Agenda (SRA), with limited or without any corresponding additional funds. The result leads to ineffective program implementation. *(COTRAIN, 1997)*

2. ***Lack of Capability of Local Officials for Governance.*** In the 1992 ARD rapid appraisal of LGC implementation, the following inadequacies of local officials were identified:

- lack of thorough knowledge on the mechanics of devolution both by the local government executives and the national government agencies.
- fear of local government executives to assume new areas of responsibilities and their dependence on national government agencies for specialized functional skills
- perceived lack of finances to defray additional cost of personnel services, capital outlay and program expenses.
- changes in the organization and salary scales of the LGUs
- negative attitudes of the National Government Agency (NGA) personnel towards absorption by the LGUs.

In a series of regional and national consultations on Governance for Sustainable Human Development held in 1996, NGOs and POs voiced their concern that LGU officials lack the technical and administrative skills and political will necessary to promote effective governance. The observation was made in relation to the leadership role being played by the local chief executive. They opined that, while participatory mechanisms and models have already been developed by creative LGUs and NGOs, the greater majority still do not fully appreciate the importance of participatory processes in responding to the needs of the community, especially to the poor and marginalized. *(COTRAIN, 1997)*

3. ***Local Planning.*** Inadequate fiscal powers vested upon LGUs makes for extremely difficult local development planning. Implementation of projects is constrained since this is contingent on availability of local funds.

Some statutory requirements that have preempted freedom of LGUs to allocate their budget have been removed, as in the mandatory contributions to the Philippine National Police and hospitals operated by the DOH.

The central government continues to retain control over spending and allocation of LGU finances because the Code also increases the number of compulsory expenditure items such as: (i) the statutory reserves for calamities; (ii) mandatory positions in the LGU as well as optional ones whose salaries and allowances will have to be shouldered by LGU coffers; and (iii) allotments for national programs such as the Social Reform Agenda (SRA), social development and environmental concerns, which are mandated by the national government.

While the increase in mandatory expenditure items may be necessary in the interest of national development, such impositions are contrary to the promotion of local autonomy. The powerlessness of LGUs to exercise their role in planning change on the basis of the specific conditions of their respective communities makes these LGUs mere spectators to social transformation rather than agents and catalysts of local development.

VIII. ISSUES IN LOCAL GOVERNANCE: POLICY ISSUES

1. ***Attempts by the 9th and 10th Congress, to recentralize powers devolved to local governments in the areas of health and agriculture***. There are three bills in the 10th Congress seeking to recentralize various powers devolved to the local governments, specifically the delivery of health services, agricultural research and agriculture-related services. These bills are founded on the belief that local governments do not possess the necessary technical capability and resources to handle the efficient and effective delivery of these governmental functions. During the 9th Congress, a bill was duly enacted by Congress reverting the power to deliver basic health services and the corollary absorption of health personnel with the Department of Health. However, the President vetoed the measure. *(ARD, 1996)*

2. ***Judiciary.*** Recent decisions promulgated by the Supreme Court on local autonomy are seen to have diluted or emasculated local autonomy. The Supreme Court has consistently resolved conflicts between national government agencies and government-owned and controlled corporations on one hand, and local governments on the other, in favor of the former. Further, it has also ruled on the scope and nature of the powers and functions of local governments.

3. ***Congress.*** From January 1991 to June 1996, 1220 laws were enacted by Congress either on local autonomy, on local governments or of local application. There were three laws enacted specifically amending particular sections of the 1991 Code: (i) local legislative authority on the calamity fund; (ii) resetting the *sangguniang kabataan* elections; and (iii) prescribing the manner of electing sanggunian members and "indefinitely postponing" the election of local sectoral representatives.

4. ***Executive.*** For the past five years, several policy issuances and opinions have been rendered by several national government agencies regarding the scope and limitations of powers and functions of local governments.

IX. ISSUES IN LOCAL GOVERNANCE: LGU FINANCING

The most crucial issue related to the implementation of the Code is the lack of financial resources of the LGUs. The lack of funding for LGUs is one of the major obstacle for them to exercise greater autonomy. Functions and personnel have been devolved but adequate funds have not been correspondingly transferred. ARD findings show that the costs of devolved functions were only given in the 1997 budget. And ironically, despite devolution, the funding of devolved departments, such as Health and Agriculture, continues to grow each year.

The above is corroborated by the results of the rapid appraisal study on devolution conducted by the DILG, which reported that the greatest bulk of income of the LGUs are allotted for salaries, wages, allowances and other benefits of devolved personnel. The biggest financial problem of LGUs is how to absorb the devolved workers from the Departments of Agriculture (DA), Education, Culture and Sports (DECS), Environment and Natural Resources (DENR), Public Works and Highways (DPWH), Social Welfare and Development (DSWD), Transportation and Communications (DOTC) and, in particular, Health (DOH).

The inability of LGUs to generate sufficient revenues from local sources forces them to rely on external sources, specially on the Internal Revenue Allotment (IRA). LGUs want a larger share of government revenues and are advocating strongly for a revision of the current formula of IRA allotment.

The League of Provinces contends that only the cities and barangays are benefiting from the current scheme, i.e., that the cities are receiving more than the combined IRA of the provinces and their municipalities. The League has pointed out that the bulk of the share of the provinces and the lower class municipalities goes to salaries, wages and other benefits of the devolved personnel.

On the other hand, the poorer local government units contend that only the highly urbanized provinces and cities are getting bigger shares of the IRA, while the lower income LGUs, 5th and 6th class municipalities, continue to have funding deficits.

The LGUs have a strong case in demanding for a larger share of government revenues. At a 1996 forum at the University of the Philippines, Governor Roberto Pagdanganan of Bulacan pointed out that the 77 provinces and 68 cities receive only a total of PhP20-billion from the national government with which to fund their respective LGUs and development programs, including health and agriculture. In contrast, the legislators of the Philippine Congress receive a total "pork barrel" (Countryside Development Fund and Congressional Initiative Allocation) of PhP30-billion.

In a recent policy paper titled, " LGU Financing of Basic Services and Infrastructure Projects", the Department of Finance (DOF) outlined its vision and policy framework for LGU financing together with an action plan to realize the envisaged framework. Highlights are as follows:

1. ***Increase LGU Use Of BOT Arrangements.*** This can be done through the coordination of overall efforts by the CCPAP-BOT Center. Some of the on-going efforts include : development of financing techniques to reduce BOT project risks; promotion and educational campaign; promotion of LGU-private sector partnership projects and "blended" project financing; exploring new long-term instruments, such as infrastructure funds and asset participation certificates.

2. ***Develop The LGU Bond Market.*** This involves streamlining regulations and procedures for municipal bond issuances with the cooperation of the BSP, SEC and COA. A credit rating system for LGUs will be developed. The LBP and other government financing institutions have already developed a systematic credit appraisal system for LGUs and these could be shared with the private sector. The DBP is also already working with the private sector to establish a credit guarantee corporation for LGU borrowings.

3. ***Promote LGU Access To Private Banks.*** The possibility that a new local chief executive would refuse to service debts incurred by his predecessor has been identified as the main issue leading to the perception that lending to LGUs is very risky. Political succession risks can be addressed by liberalization of LGU depository bank requirements and extending IRA intercept mechanisms to include private banks.

4. ***Optimize The Involvement Of GFIs In LGU Financing.*** While the GFIs are already very active in lending to LGUs (for example, the PNB allocation for LGU lending is PhP8.5 Billion while DBP has PhP500 Million in LGU loans), the following support activities were identified: (i) adoption of a built-in graduation scheme to move more creditworthy LGUs to private credit markets; (ii) developing co-financing schemes or project referral systems with private commercial banks; (iii) limited technical assistance to LGUs; and (iv) coordinate LGU credit programs with the MDF.

5. ***Restructure And Reorient The MDF.*** To promote more direct access of LGUs to ODA, the Municipal Development Fund (MDF) will open different windows for urban, rural and social projects. While these windows will initially have their own selection criteria and operating guidelines, the long-term goal is for each of these windows to utilize just one set of rules for LGU availment of resources that may be made available by different donors. While interest rates would continue to be market-based, the matching grants policy of the government could be used to provide transparent subsidies to poorer LGUs for the softer project components, such as social preparation, capacity building or for social/environment projects.

6. ***Improve The Capacity Of LGUs To Raise Own Revenues.*** The following activities have been identified: (i) improve monitoring of LGU revenues and expenditure; (ii) intensified training and supervision of local finance officials; (iii) review and revision of property tax rules and procedures; and (iv) propose amendments to the LGC to strengthen local treasury operations and provide incentives for greater local revenue mobilization.

7. ***Tap ODA Technical Assistance And Financing.*** This calls for closer coordination between the donors and concerned government agencies (including oversight agencies) so that projects are developed along mutually satisfactory lines. New directions identified for ODA support include: (i) building up the LGUs infrastructure pipeline by providing technical assistance to finance project feasibility studies; (ii) supporting an LGU capability-building fund; (iii) participating in establishing market-based credit mechanisms for LGU B-O-T infrastructure projects; and (iv) providing grants and long-term credits for poorer LGUs and for social/environmental projects.

The effectiveness of these proposed measures in generating the needed financing for LGUs can only be determined in the future. In the past (and up to the present), despite national government intentions, most LGUs do not have any real access to credit finance. The only mechanisms that currently respond to the LGUs demand for capital are the Municipal Development Fund and Government Financing Institutions (GFIs).

Unfortunately, the previous experience of GFIs (particularly, LBP and PNB) showed that a significant number of LGUs defaulted in the payment of their loans. Only the bigger LGUs were able to repay and borrow from the GFIs consistently.

As noted by the ADB, "private financing (of infrastructure) at the LGU level remains a major challenge. The Government has attempted a categorization of LGUs according to their potential ability to borrow commercially and is trying to wean away the financially stronger ones from dependence on concessional funds (such as MDF) and to move them to commercial sources of finance for infrastructure creation. A system of credit rating for

LGUs is being attempted. The concept of an LGU credit guarantee corporation is being examined. Attempts to obtain donor support for developing a pipeline of B-O-T type projects is being attempted. However, policy and other reforms are still necessary in areas such as enabling LGU bond flotation, fairer system of IRA allocation, powers of taxation by LGUs, and allowing LGUs to keep deposits also with non-government commercial banks and to enable such banks also to avail of the IRA intercept which are necessary to encourage greater commercial bank lending to LGUs. *(ADB, 1997)*

X. ISSUES IN LOCAL GOVERNANCE: NGO/PO PARTICIPATION

Despite the presence of the statutory avenues in the Code, popular participation in local governance - particularly through local special bodies--has faced serious problems in institutionalization. Few local development councils meet regularly, and even fewer are reflective of the LGU-NGO/PO partnership envisioned by the Code. As a result, for many (if not most) LGUs , the development plans and programs that Local Development Councils were supposed to generate have not gone beyond the drawing board. *(Bolongaita, 1996).*

Local special bodies are either inoperative (i.e., elections of local sectoral representatives still need to be conducted, there are no genuine mandatory prior consultations of national projects or monitoring of projects despite local resistance), nominal and recommendatory in nature (particularly, local special bodies where NGOs, POs, and the private sector are the minority) or difficult to implement due to tedious requirements (e.g,. local initiative and referendum and recall proceedings).

Evidently, a pervasive culture of mistrust exists between LGUs and NGOs/POs, based largely on a lack of knowledge and understanding. While studies have noted that NGOs/PO have a sustained desire to participate effectively in local governance, local governments have been wary of inviting their own critics into the system, or have been suspicious of the intentions of NGOs and POs. *(Tordecilla & Tumbaga, 1997).*

There are also reports of the slow accreditation of POs and NGOs, or of preferential accreditation to NGOs where relatives of local government officials are active. NGO and PO accreditation is a prerequisite for their membership in the special bodies, as specified in the Local Government Code.

Recent trends include the establishment of government-initiated NGOs (or GRINGOs) which are set up specifically to “corner” development funds. By the same token, fly-by-night NGOs (organized by government or by other groups) are established merely to access funds but would lack the long-term commitment to support a particular community since they exist only because of the funding provided. *(COTRAIN, 1997)*

Local decisionmakers have shown reluctance to open the doors wider for people's participation by preventing the implementation of the provision on sectoral representation. Election of sectoral representatives has been made inoperative by the passage of Republic Act No. 7887, which requires an “enabling law” to effect sectoral representative election.

The LGUs appear to be in no hurry to fill up the sectoral slots as sectoral representatives are often considered redundant, costly and unnecessary. To date, only the youth are represented, with sectoral elections conducted for the purpose

XI. ISSUES IN LOCAL GOVERNANCE: IMPACT ON ANTI-POVERTY PROGRAMS

1. ***Agricultural Extension.*** While some agencies have not been affected directly by the Code, others, such as the Department of Agriculture, have their personnel and functions now devolved to provinces and municipalities. In several instances, local agricultural officers have become "political appointees" or else are being assigned to unrelated tasks. This has led the Secretary of Agriculture to remark in a recent meeting with the farmers that "...we (DA) are like a general without our soldiers".

The DA now operates only at the level of Regional Offices, having to operate directly through each of the LGUs at provincial and municipal levels. The immediate effect of devolution has been the ineffective coordination between agricultural development plans at national and local levels, and this has resulted in the absence of agricultural extension services for CARP beneficiaries and other farmers.

2. ***Health Services.*** There are reports of similar difficulties in coordination in the delivery of health services between the central DOH (with its vision of health for all Filipinos by the year 2000), the provincial governments (whose primary concern is tertiary health care as it has taken over the hospitals) and the municipal governments (who are mainly responsible for primary health care). Central and regional DOH offices have reported on the unavailability of provincial and municipal health personnel to participate in health activities initiated by national headquarters.

An equally problem in the health sector is the inability of most LGUs to pay the PhP900 subsistence allowance, PhP100 laundry allowance and the PhP500 monthly hazard pay due to the devolved health workers as provided in the Magna Carta for Health Workers. This has resulted in the loss of morale among health workers and their deteriorating performance. *(Buendia, 1997)*

3. ***Social Forestry.*** Similarly, while DENR retains its powers to identify beneficiaries and award Integrated Social Forestry (ISF) stewardship contracts, the actual management of ISF lands and support services for beneficiaries, after the contracts are awarded, have now been devolved to the respective LGUs. Here, the critical issue lies in the ability and extent of support services given by LGUs to beneficiaries of operation land transfer and ISF programs.

4. ***Land Re-Classification.*** One of the more controversial regulatory function devolved to the LGUs is the authority to reclassify land. Reclassification may be done in two cases : (i) when the land ceases to be economically feasible and sound for the `purpose of agriculture as determined by the Department of Agriculture; and (ii) when the land shall have substantially greater economic value for residential, commercial or industrial purposes as determined by the Sanggunian concerned.

Before enactment of the code, the DAR had the sole authority to approve land use classification and reclassification. The Code allows the LGU to share in this authority but only to a limited extent. The Code limits the LGU authority to approve, by ordinance, land use reclassification to certain definite percentages of the total land area at the time of the passage of the ordinance. For highly-urbanized cities (HUCs) and independent component cities (ICCs), only 15 of the total land area can be reclassified; for component cities and 1st to 3rd class municipalities, the percentage is limited further to 10% of the land area. And finally, for 4th to 6th class municipalities, the reclassification authority is limited to 5%.

The Local Government Code also allows the President, if required by the public interest and upon recommendation of the NEDA, to authorize a city or municipality to reclassify lands beyond the above limits.

NGOs have raised strong concerns regarding the reclassification authority given to LGUs by the 1991 Code, arguing that land use can not be determined though political boundaries but within an ecosystem-based framework of sustainable development. In the absence of a national land use policy framework and a comprehensive local land use plan, the power of reclassification may result to chaos, a frenzy for short-term speculative landownership that will be abetted by some unscrupulous local officials engaged by shady land developers.

The above danger is illustrated in a recent case in Bukidnon where the local government's attempts to use the land conversion provisions prevented CLOA-awarded farmers from entering their lands and rightfully exercising their rights as agrarian reform beneficiaries.

The case involved the 147-hectare property of the Norberto Quisumbing Sr. Management Development Corporation (NSQRMDC) in Sumilao, Bukidnon which was placed under Compulsory Acquisition by the DAR and distributed to 137 farmer-members of the MAPALAD Cooperative through a Certificate of Land Ownership Award.

The DAR action was contested by NSQRMDC who managed to secure an approval from Executive Secretary Ruben Torres for land conversion and, consequently, exemption from CARP.

Since the traditional legal venues were closed to the farmers, they decided to stage a hunger strike both in Cagayan de Oro City and in front of the DAR office in Manila with the support of Task Force MAPALAD, a multisectoral coalition of the Church, students, academe, NGOs, media, farmers, international sympathizers and others.

There were twenty strikers - 12 in Cagayan de Oro and 6 in Manila. Four women participated in the strike whose objective was to convince President Ramos to reverse the land conversion decision of Secretary Torres. On November 5th, barely a month from the start of the strike on October 9th, President Ramos announced his decision to grant the MAPALAD farmers with 100 hectares while NSQRMDC would retain 44 hectares. Quisumbing's 44 hectares would be along the road and have high commercial value, while the farmers' 100 hectares were prime agricultural land with irrigation facilities.

The latest news from Bukidnon is that the farmers have not yet moved to the 100 hectares as these still need to be delineated by DAR. It was also not yet known whether NSQRMDC would contest the compromise decision in the higher courts.

What the experience has shown, however, is that farmers, in solidarity with the Church, NGOs, media and other civil society groups, can advance the cause of agrarian justice despite opposition fro politicians, the military and business sector.

After all, NSQRMDC was supported by no less than the Governor of the province of Bukidnon, by renegade Colonel Alexander Noble and the 60 guards of his Tagbagani Security Agency, by the DTI-Bukidnon Executive Officer and others. This group had wanted to put up a science high school, a golf course, a 300-unit vacation house set-up with a five-star hotel on the contested property.

XII. CONCLUSION

From the preceding sections, it is clear that the implementation of the devolution process has a mixed record. There are "recentralizing" trends as the center, perhaps because of its long tradition of sole depository of power, tries to reconcentrate power and control, thereby diminishing local autonomy.

At the same time, despite some fairly good achievements in local governance, there remains a general lack of human, technical and financial capacity among LGUs.

The marginal participation of NGOs, POs and other civil society groups in the local governance process is particularly disturbing as it subverts both the letter and spirit of the 1991 Code.

The tasks that lie ahead are also fairly clear. As summarized in the integrating paper on the results of the 1997 nation-wide consultation series on governance undertaken by COTRAIN and UNDP, there are three major concerns:

1. The need to further re-orient the perspective of the national government agencies (NGAs) and the legislative branch towards local autonomy. This implies building on and promoting mechanisms that support local governance and flexibility, rather than sustaining a bureaucracy oriented in centralized decision-making.

2. The need to enhance the absorptive capacity of local government units and other stakeholders. This implies a coherent Human Resource Development (HRD) package for LGUs and their counterparts in the NGAs, the civil society and the business community.

3. The need to further strengthen the collaboration among government or state, the NGOs/POs or civil society, and the private or business sector. This implies highlighting the mainstream models of synergy among the three sectors towards local development.

Finally, it is important to reiterate that decentralization, after all, was initiated for democratization. Decentralization relates to devolving powers, resources, and authority of the national government to local governments. On the other hand, democratization implies empowering local communities through the building up of civil society as it responds to the shortcomings or limitations of government. Both, however, have the same goal -- the total development of local communities. *(Villarin, 1997)*

Decentralization should therefore lead to the democratization of resources and powers from the government to the people, from the traditional power wielders to alternative structures of democracy.

Seen from this perspective, devolution is not an end in itself but a means to the goal of people empowerment. In the end, local governments will derive power from an empowered citizenry by which they will be held effectively accountable.

ANNEX A:
INSTITUTIONS INVOLVED IN LOCAL GOVERNANCE

1. Donor Institutions.

Financing for LGUs was a major topic of discussion in the December 1996 Consultative Group Meeting of Donors for the Philippines held in Tokyo, Japan. At that meeting, Finance Secretary Roberto De Ocampo unveiled a five point plan intended to increase the flow of funds to LGUs and more significantly, focus financial assistance to poorer areas in the countryside. The plan includes: (i) a review of the internal revenue allotment (IRA) framework to increase the flow of funds to the poorer LGUs; (ii) a reorientation of ODA financing and technical assistance toward poorer LGUs and social and environmental projects; (iii) the enhancement of the local revenue base; (iv) support to market-based credit enhancement for private commercial lending and municipal bond; and (v) the promotion of private sector participation in LGU infrastructure development through the Build-Operate-Transfer (BOT) program.

Bilateral and multilateral donors have begun to shown interest in supporting LGUs and the devolution process.

Local Government Support Project (LGSP). CIDA was the first bilateral donor to provide assistance to the devolution process. Its Local Government Support Program (LGSP) was designed to strengthen the capacity of national, regional and local government authorities to develop and implement policies and programs in support of the Philippine government decentralization. The LGSP involves two components:

- <u>Technical Assistance Fund of $5 Million</u>. Technical assistance will strengthen the capacity of local government personnel and institutions to plan, program and implement programs and projects within their jurisdictions. Specific capabilities would include local policy formulation and planning, fiscal management, human and natural resource management, formulation of the development planning framework, selective project implementation to demonstrate local capabilities, and monitoring and evaluation.

- <u>Development Fund of Up to $30 Million</u>. Support will be provided for the local costs of capability-building activities in policy support, training, planning assistance and project implementation. Funding will be drawn from the Development Fund, which consists of local currency deposited in a special account following the monetization of commodities provided by the Canadian Government under its Commodity Assistance Programme.

The LGSP was focused initially on Regions VI (Panay), XI (Southern Mindanao) and the Autonomous Region of Muslim Mindanao. In 1996, CIDA expanded the coverage of the LGSP to include Regions X (Northern Mindanao) and XIII (Carraga).

Philippine Regional Municipal Development Project (PRMDP). The PRMDP will enable LGUs in eight cities of the country - Lucena, Puerto Prinsesa, Legaspi, Bacolod, Tagbilaran, Iligan, General Santos and Cagayan de Oro - to respond to increasing demands for both infrastructure and institutional services. The project is a collaborative agreement between the LGUs of the 8 cities, the Department of Finance (DOF) , Asian Development Bank (ADB) and the Australian Agency for International Development (AusAID). The infrastructure component of the PRMDP includes the construction of roads, bridges, public markets, sanitary landfills and transport terminals. The institutional component involves traffic and drainage improvement systems. Of the US$64.2-million cost of the PRMDP, about US$30-million will be made available by the ADB as a loan while US$11.5-million will be provided as a grant by AusAID. The balance of US$22.7-million will be provided by the Philippine government through loans to be provided by the Department of Finance to the LGUs.

Pilot Provincial Agricultural Extension Project (PPAEP). Completed in May 1996, the PPAEP was a collaboration between the Department of Agriculture, the Australian Agency for International Development (AusAID) and the local governments of Albay and Camarines Sur in Bicol and Misamis Oriental and Bukidnon in Region 10. The project aimed to increase and sustain agricultural productivity and incomes of rural households through the development of self-reliant Rural Based Organizations (RBOs), strengthening agricultural extension services, and improving GO-NGO-RBO linkages.

PPAEP worked with 82 RBOs in 36 low income barangays, resulting in average income increases of 123% to the beneficiaries. By 1996, the combined assets of the RBOs had reached PhP2.4 million. NGOs were responsible for the strengthening activities of RBOs while the RBOs provided various services to members, including provision of inputs, loans at Land Bank rates, and marketing of products.

PPAEP also provided technical training and a range of activities aimed at building participation, teamwork, confidence and values to the agricultural extension units of the cooperating LGUs. The majority of the Agricultural Technicians (ATs) responded positively to the training and rated it as appropriate, adequate timely and useful. They believed that PPAEP brought positive changes in their attitudes towards self, work and others. Their self-assessment was borne out by the farmers' assessment of the ATs performance. Farmers in PPAEP-assisted areas reported increased contact and market increases in the effectiveness of ATs compared to non-target areas. In-depth case studies showed a build-up of trust and confidence, and a sense of partnership between farmers and the agricultural technicians.

Governance and Local Democracy (GOLD). The goal of the USAID-assisted GOLD Project is to bring about more responsive democratic institutions with greater citizen participation for local governance and development. Its purpose is to achieve effective local governance with maximized popular participation in ten selected local government units around the country. Under the GOLD, the Technology of Participation (ToP) was introduced, which has effectively helped leaders and citizens in identifying feasible approaches and to move towards action.

Workshops have been held on local administration, investment prioritization and promotion, environmental planning and fiscal management. The project has also energized local planning and made possible the sharing of experiences among local government units. LGUs have also been exposed to the American model of governance through study tours in the United States. USAID has also assisted LGUs in raising local revenues through credit, bond flotation and taxation as well as in planning Build-Operate-Transfer arrangements.

2. NGOs and Research Institutions.

Several NGOs and research institutions are involved in monitoring the implementation of the Code and, in particular, related activities on NGO/PO participation. These include:

- Caucus of Development NGO Networks (CODE-NGO)
- Philippine Business for Social Progress (PBSP)

- Philippine Partnership for the Development of Human Resources in Rural Areas (PhilDHRRA)
- Evelio B. Javier Foundation
- KAISAHAN Foundation
- Institute for Popular Democracy (IPD)
- Local Government Development Foundation (LOGODEF)
- Ateneo Center for Social Policy and Public Affairs (ACCSP-PA)
- Local Government Center, U.P. Diliman
- Institute of Strategic and Development Studies (ISDS)
- Asian Institute of Management (AIM) - Policy Forum
- Local Government Academy, DILG
- Cordillera Studies Center- U.P. Baguio
- Institute of Philippine Culture, Ateneo de Manila University
- Institute of Church and Social Issues
- Research Forum - a network of research institutes involved in decentralization and local governance

3. NGO-PO Technical Working Group for the Local Government Code Review.

Listed below are the members of the NGO-PO Technical Working Group that was formed as the NGO counterpart to the Congressional Oversight Committee for the review of the LGC implementation.

- Institute for Politics and Governance
- Ateneo Center for Social Policy and Public Affairs
- National Coalition of Fisheries for Aquatic Reform (NACFAR)
- CONVERGENCE for Community-Centered Area Development (CONVERGENCE)
- NGO Coalition for Cooperative Development (NGO-CCD)
- Phil. Rural Reconstruction Movement (PRRM)
- Visayas Network of Development NGOs (VISNET)
- Mindanao Congress of Development NGOs (MINCON)
- Mindanao Coalition of Development NGOs (MINCODE)
- Center for Legislative Development (CLD)
- Institute of Politics and Governance (IPG)
- Institute for Political Reform (IPER)
- Makati NGO-PO Network
- Caucus of Development NGO Networks (CODE-NGO)
- Philippine Business for Social Progress (PBSP)
- Phil. Partnership for the Development of Human Resources in Rural Areas (PhilDHRRA)
- Evelio B. Javier Foundation
- Trainors' Collective, Inc. (TCI)
- KAISAHAN Foundation

ANNEX B:
CONSENSUS PRINCIPLES FOR THE REVIEW AND AMENDMENT OF THE 1991 LOCAL GOVERNMENT CODE

From the Joint Statement of the League of Provinces, the League of Cities, the League of Municipalities and the Liga ng mga Barangay, October 10, 1996. Underscoring the following principles in reviewing the Code and proposing amendments thereto:

1. The allocation of the internal revenue allotment (IRA) must be responsive to defined powers and devolved functions of the different LGUs.

2. LGUs must have greater means to create their own sources of revenue, and greater access to resources, local and foreign, to carry out expanded responsibilities.

3. The share of the LGUs in national income, and in the proceeds of the utilization of natural resources must be determined through a transparent mechanism and must be increased correspondingly and released immediately without further action.

4. National legislation and mandates requiring local appropriations must be nationally funded.

5. National government agencies must effectively consult and/or coordinate with LGUs before the implementation of national programs and projects within their respective jurisdictions.

6. Policies of the national government must expand the flexibility of LGUs, harness their capability in managing community development and empower them to protect the environment, and ensure peace and order.

7. The partnership between LGUs and the NGOs and the private sector must be strengthened to ensure transparency, accountability and people's participation in local governance.

8. Self-reliance and inter-governmental cooperation must be encouraged and promoted through incentives, rewards and recognition.

9. Local development plans, policies and priorities must be upheld and local development councils and other special bodies must be transformed into more effective assemblies.

10. The present corporate nature, powers and attributes of LGUs must be enhanced and broadened for meaningful autonomy.

ANNEX C:
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GLOSSARY OF ACRONYMS

ADB	Asian Development Bank
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DENR	Department of Environment and Natural Resources
DOH	Department of Health
GO	Government
HDI	Human Development Index
IRA	Internal Revenue Allocations
LGA	Local Goverment Agency
LGC	Local Government Code
LGU	Local Government Unit
LSB	Local Special Bodies
NCC-LG	National Coordinating Council on Local Governance
NGO	Non-Government Organization
PO	People's Organization
SRA	Social Reform Agenda
WB	World Bank