

Discussant Comments

PIDS Webinar

“Examining Fiscal and Governance Gaps Among Municipalities in the Philippines”

16 July 2020

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Opening reflections, outline

[Brief reflections on our current context...]

1. Important contributions from the two baseline studies
2. Four ideas for promoting stronger mechanisms in support of Philippine decentralization

Critical Insights of PIDS Baseline Studies

The paradox of decentralization

“One of the most curious aspects of decentralization is the responsibility that a national government must assume to assure the realization that decentralization, as doctrinally advocated, is supposed to serve.”

--James Fesler, 1965

Paradoxically, decentralization requires a strong and capable central state able to enforce the rules by which authority is being devolved to the subnational level.

Differential outcomes of decentralization

Especially in the absence of a strong and capable central state able to enforce the rules by which authority is being devolved to the subnational level, we should expect to see substantial variation in outcomes from one locale to the next:

- In some places, decentralization brings government closer to the people. Here, one can anticipate that the devolved responsibilities and enhanced resources are more likely to be well utilized for the public good
- In other places, decentralization makes local government the preserve of powerful local elites and clans. Here, one can anticipate that devolved responsibilities and enhanced resources may often be captured for private gain (at the expense of the public good)

Local Revenue Generation

Baseline study 1 starkly shows the critical need for municipalities to “close the gap” in key devolved infrastructure services—and to generate more revenue toward that end

Paradox of decentralization suggests that LGUs are unlikely to be able to do it on their own

In a patronage-based polity, rare is the local politicians who is willing to raise taxes

One possible solution: the proposed National Valuation Act?

Importance of reducing high levels of dependence on the Internal Revenue Allotment (73% for municipalities in 2016)

Internal Revenue Allotment: Best vs Actual Practice

Arguably the most important, and the most contentious, element of the 1991 Local Government Code

Insights from Prof Joseph Capuno, UP School of Economics:

Best practice: “[W]hen decentralizing national government functions, powers, or responsibilities to local governments, the appropriate public services to devolve should *first* be determined, *after which* the requisite revenues or revenue-raising authority to finance the devolved expenditure functions can be decided.”

Actual practice: “Precisely because finance did not follow functions that were also not aptly assigned to local governments, local officials soon clamored for additional money from the national government. Since the incremental IRA shares were not linked to the [cost of devolved functions], local governments considered the first as their entitlement (under local autonomy) and the latter as unfunded mandates.”

Contention over IRA formula

There has been no revision of the formula on how to divide the IRA, even as a) significant differences in levels of dependence on the IRA; and b) a major increase in funds will soon be coming to local government units.

Major (but not necessarily enduring) battles along three key political fissures:

1. Between the national executive and governors/mayors, e.g., on curbs and delays in disbursement of IRA.
2. Between national legislators and governors/mayors, e.g., over control of budgetary resources. CPBO 1999: the IRA “is primarily used to increase the salaries of local government personnel” and acts as a disincentive to local revenue generation.
3. Among and within categories of local chief executives over the division of resources and responsibilities, e.g., between mayors of cities and mayors of municipalities (and would-be cities).

The politics of the IRA

Inevitable tensions between Congress and governors/mayors, as explained in a 2000 interview with former Speaker Protempore Antonio Cuenco

- Because most congresspersons had political rivals among the governors and mayors in their districts, explains, “it was a natural tendency not to yield powers to these people, who would screw them.”
- A concern was how increased revenue allotments to local governments would reduce the pork barrel monies used by congresspersons to build and consolidate their local constituencies. “More money, more power,” explained Cuenco. “It’s that simple.”
- Congresspersons are said to have found decentralization most objectionable when the local officials in their districts were bitter rivals; in some cases, congresspersons “were at war with their own relatives...[and] didn’t want their brothers to have more power.”
- In other cases, congresspersons enjoyed close ties with officials in their districts, and nurtured plans to run for local office and reap the benefits of the Code (Hutchcroft 2014).

Dependence on NG resources (from unpredictability to predictability)

Emmanuel de Dios: “[M]any local government units are almost exclusively reliant on the IRA for financing, treating it basically as a dole.” The ready availability of these funds provides “no incentive...either to augment revenues or to use them effectively.”

In addition, “[a]ssured revenue transfers...have not weaned local politics away from the imperative of securing additional resources through typical networks of patronage and vertical transactions with the centre. The patronage relationship remains intact” (2007).

Hutchcroft: “The stated goal [of the IRA] was to undercut the dependence of local governments on the national government, but the most important shift has been in the *character* of that dependence: from a notoriously unpredictable dependence before 1991 to a relatively more predictable dependence after 1991. At the same time, the IRA has brought forth an important re-slicing of the pie of patronage, creating important new opportunities for discretionary spending” at the local level (2012).

Planning...and Implementation

Study cites key reason why municipalities often do not use their LDF: poor planning, lack of coordination, absence of monitoring

Also of critical importance, the study notes “low absorptive capacity”

This suggests the need to examine **both** planning processes **and** implementation processes

Implementation follows on planning, and requires administrative capacity

Is this in good supply at the local level?

Local Bureaucracy

*Section 77, LGC: [T]he local chief executive may employ emergency or casual employees or laborers paid on a daily wage or piecework basis and hired through **job orders for local projects** authorized by the Sanggunian concerned, without need of approval or attestation by the Civil Service Commission: Provided, further, That the period of employment of emergency or casual laborers as provided in this section shall not exceed six (6) months.*

A key question, given too little attention: Do LGUs have the quality of administrative staff required for increasingly complex governance tasks and local service delivery at the local level?

*Hill, Balisacan, and Piza, 2007: “[L]ocal governments continue to employ a significant number of ‘non-career’ staff, an *a priori* indicator that normal recruitment procedures have been bypassed.” According to a 2005 World Bank report, ‘non-career’ staff are 38.6% of local government personnel versus 4.7% of central government personnel.*

Local Bureaucracy: Casual and Job Orders (LGU vs NGA)

(Source: Civil Service Commission, 2015)

Sector	Total Career	Non-Career			Total Non-Career	Job Order	Total Manpower
		Coterminous	Casual	Contractual			
LGU	198,174	10,041	47,964	16,456	74,461	138,973	411,608
NGA	516,142	8,941	15,871	6,769	31,581	48,227	595,950

Sector	Total Career (%)	Non-Career (%)			Total Non-Career (%)	Job Order (%)	Total Manpower (%)
		Coterminous	Casual	Contractual			
LGU	48.1	2.4	11.7	4.0	18.1	33.8	100.0
NGA	86.6	1.5	2.7	1.1	5.3	8.1	100.0

Bits of anecdotal evidence...

Southern Tagalog 2010

Bicol 2013

Iloilo 2019

Lack of continuity in signature projects of two major Visayan cities

And, on the other side of the ledger, places with very impressive levels of continuity and capacity in local planning and development offices...



How can capacity be enhanced?

Building stronger bureaucratic capacity is a huge challenge, and all the more in a patronage-centric polity

The first study suggests the need to “[s]trengthen the CapDev programs of municipalities, particularly in the monitoring and evaluation of projects.” Also not to be forgotten is the **implementation** of projects.

The second study highlights the importance of “interventions/institutional support from oversight NGAs”

Let’s look at them as a group...

Four Oversight Agencies

DILG (***core oversight and development***): Local Government Supervision, Local Government Development (including enhancement of the “administrative, technical, and fiscal capabilities of LGUs” (paragraph K, Rule 23, IRR of RA 7160)

DBM (***expenditure***): Issue annual local budget memoranda

NEDA and RDCs (***planning***): Vertical integration of planning, presumably involving both top-down and bottom-up processes.
Recommendations of study 2:

- “Provincial plans should include city and municipal plans”
- “Establish expertise at the provincial level to mentor municipal counterparts”

DOF/BLGF (***revenue***): “supervision of revenue operations and resource mobilization of LGUs”

But picking up on a final point of study 2...

Study 2 concludes with the following:

“Ensuring the attainment of development depends on the ability to implement well-laid plans”

In order to do so, critical to put in place the right levels of administrative capacity

This means the best possible personnel, thus suggesting a need as well for a strong role from a fifth national oversight agency: **the Civil Service Commission**

*Four ideas for promoting stronger
mechanisms of decentralization in
the Philippines*

Possible solution #1: Deconcentration in support of Decentralization

Ensure that the national government play a more pro-active role in nurturing the regional bureaucracy across the 17 administrative regions. Uphold basic minimal standards across the regions. Empower the Regional Development Councils (RDCs). Fix the currently dysfunctional regional planning process.

Make the regions work to support local autonomy, as they are THE critical nexus between the national government and the local government units.

Possible solution #2: Review the Local Government Code

Consider the proposed amendments to the fiscal provisions of the Code (with the goal of reducing dependence on the national government and building greater autonomy at the local level)

Reassess the formula for IRA

Most importantly, it is important to move beyond a primary focus on IRA. Service delivery depends, critically, on improving administrative capacity.

Mandatory review

SECTION 521. Mandatory Review Every Five Years. – Congress shall undertake a mandatory review of this Code at least once every five (5) years and as often as it may deem necessary, with the primary objective of providing a more responsive and accountable local government structure.

Thus reviews should have occurred 1997, 2002, 2007, 2012, 2017, etc.

The LGC seems to have become a quasi-constitutional document: nearly as old as the constitution and (as a practical matter) nearly as hard to amend.

As argued by Prof Jorge Tigno of the University of the Philippines:

“The extensive nature of decentralization and autonomy framework adopted in the Philippine constitution of 1987 as well as...the Local Government Code of 1991 can no longer support the argument that the country is still operating under a strict or pure unitary system....Local autonomy, as provided for in the 1987 Constitution, strongly implies decentralization to its maximum degree and short of referring to it by name as a federal system.”

“Beg Your Pardon? The Philippines is Already Federalized in All But Name,”
Public Policy 2016.

Possible solution #3: Build greater administrative capacity in provinces, cities, and towns

*Assess proper mix of plantilla
and casual/job order
positions*

*Greater central support for
building administrative
capacity appropriate to
increasingly complex
governance tasks and optimal
service delivery*



Possible solution #4: Electoral System Redesign

Two elements of the electoral system that is used to elect local posts effectively ensure the prevalence of patronage and the weakness of political parties. They are thus candidate-centric rather than party-centric in character.

- *Separate election of executives and vice-executives (Governor/Vice Governor + Mayor/Vice Mayor)*
- *Multi-member plurality system (for provincial, city, and municipal councils)*

Background: Nearly 80% of the 18,000 electoral posts in the Philippines are elected through the multi-member plurality system (MPS): Senate and councils at the provincial, city and municipal levels. This effectively ensures a high level of intra-party competition.

Recent experience of electoral system reform elsewhere in the region reveals a trend to move away from systems that promote intra-party competition (e.g., Japan, Taiwan, Thailand).

Deficiencies of the current system

In the analysis of Nico Ravanilla of UC-San Diego, the multi-member party system (MPS):

1. Contributes to the massive proliferation of Philippine political parties, which are generally weak and ineffectual

In just three election years (2001, 2004, and 2007), candidates for city or town mayor ran under a total of 202 party banners while **those elected to the post represented a still quite remarkable 101 political parties.**

2. And helps bring down the quality of democracy:

“the deficiencies of the multi-member plurality system translate quite directly into deficiencies of Philippine democracy more generally.”

Possible steps moving forward...

The local electoral system is based on statute, in which case moving to a more party-centric electoral system would not require a constitutional amendment

- Election of governors/vice governors and mayors/vice mayors as part of a single ticket
- A party-strengthening means of electing provincial, city, and municipal councils

Proposed solution of Nico Ravanilla:

A shift to closed-list proportional representation (CLPR) “might offer some traction and prove successful in improving democratic outcomes in the Philippines.”

Thus LGUs could take the lead in showing upper levels of government the benefits of electoral system redesign.

Naa ba'y pangutana?

DAGHANG SALAMAT!